

Industrial Policy for the Green Transition

2. The New Trilemma of Democratic Capitalism

C. Benoît & E. Massoc

Introduction



The old account



From a dilemma to a trilemma



Conclusion and references



Outline

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- Growth and democracy under present-day capitalism

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- The new politics of industrial policy

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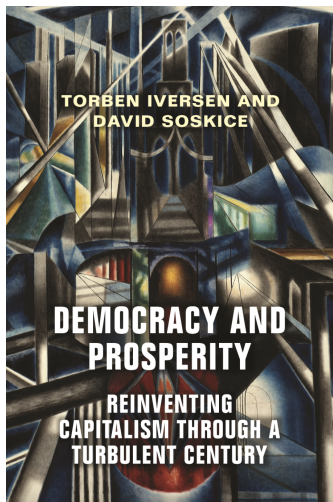
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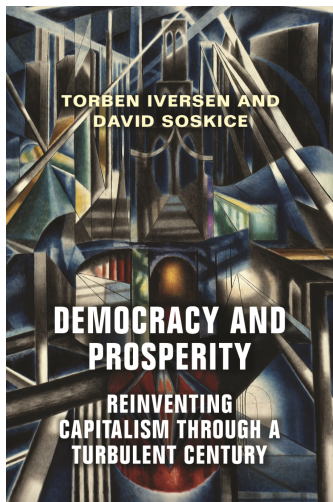
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- They generally agree that growth and democracy work in tandem ...
- ... yet they disagree on whether producer groups or electorates are the key forces behind these transformations and, consequently, on their understanding of the drivers of industrial policy

The symbiotic relationship



Iversen & Soskice (2019)

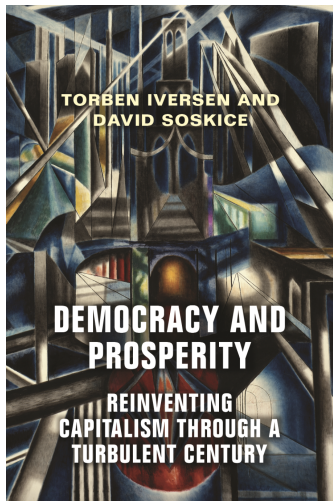
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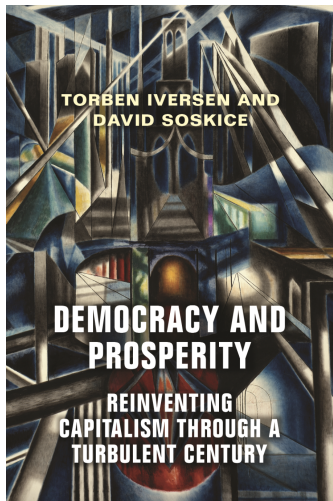
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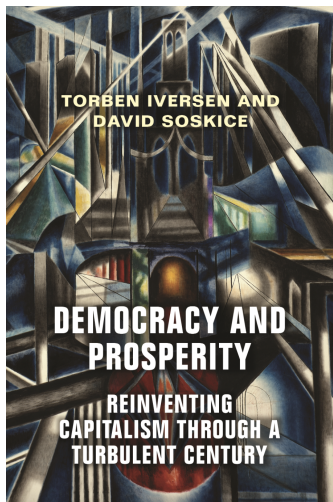
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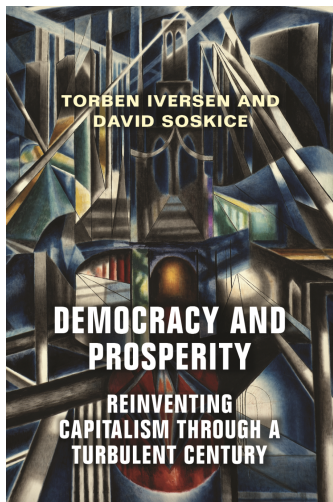
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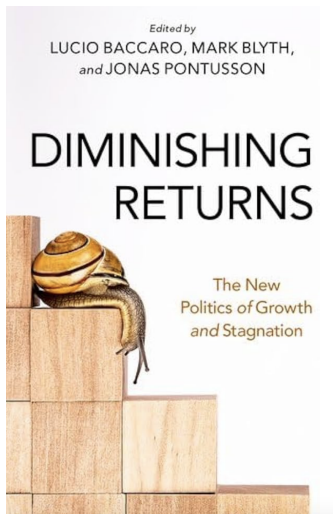
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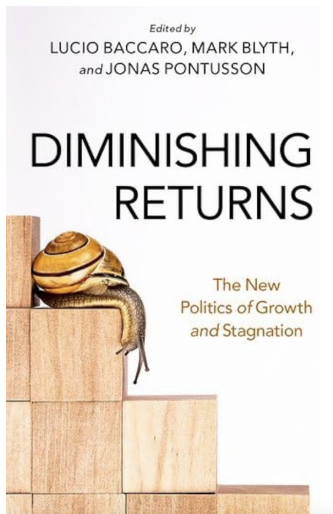
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- A strong state is needed to enforce competition and regulate labor market rules to avoid stifling innovation

Selling the 'growth model'



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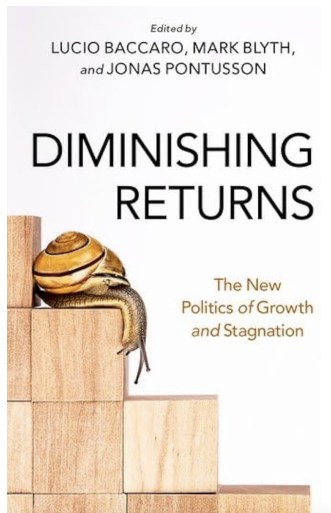
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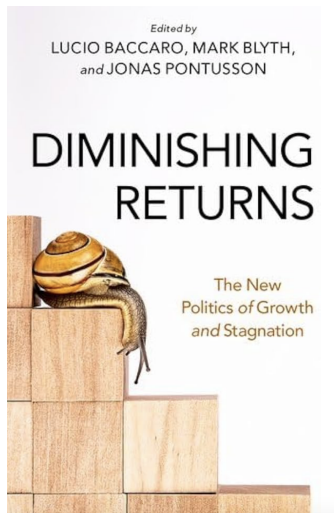
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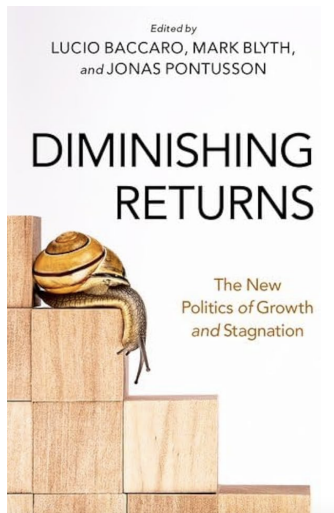
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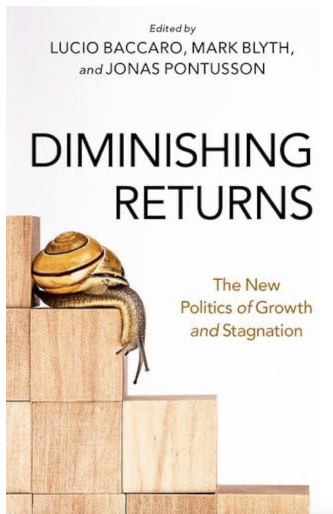
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- Parties articulate relationships within the coalition and craft stable electoral majorities to which to 'sell' the growth model

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 - Example: In 2005, the German government used proceeds from a value-added tax increase to finance a reduction in social security contributions, lowering export prices through reduced labor costs and raising domestic prices. '[This 'fiscal devaluation' was opposed by labor and capital groups in domestic sectors like construction and retailing but supported by export-oriented business associations. For unions in exposed sectors, sectoral interests outweighed class interests](#)' (Haffert & Mertens 2019, quoted by Baccaro & Pontusson 2022)

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- Needless to say, these academic positions echo much broader debates in the real world

And yet...



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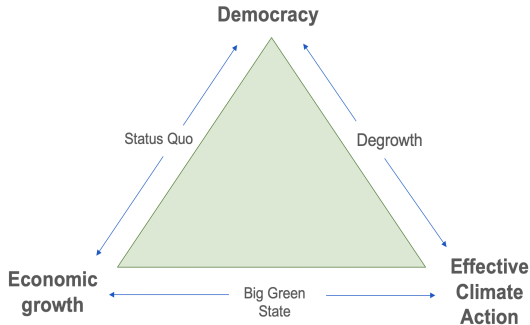
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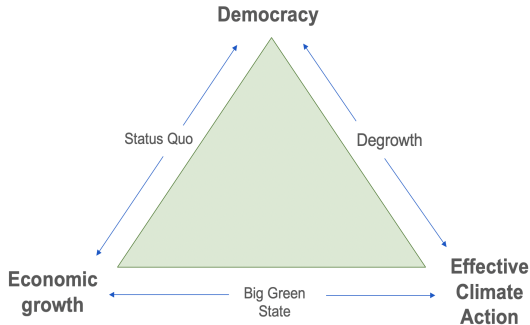
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 - Advocates of degrowth argue that effective climate action is compatible with democracy, but we have no model of a liberal democracy functioning without (expectations of) growth

Three industrial policy strategies, based on Regan (2024)

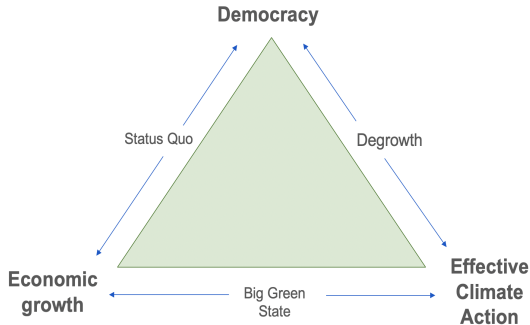


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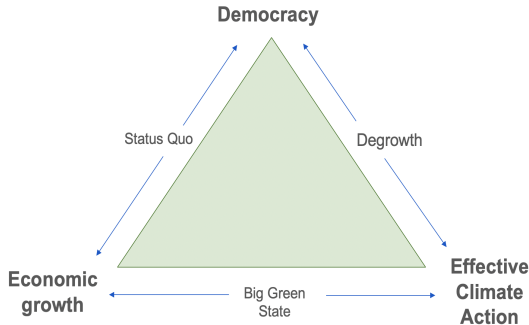
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3. To move toward effective climate action and democracy, we can give full priority to emissions reduction in a democratically agreed way. But to do this, we need to suspend growth in its current form.

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 - Both approaches require reducing democratic input from civil society and voters. More importantly, they require a high level of state capacity.

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Main references

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