

# Social-democratic parties and competition policy

## *A quantitative analysis of party manifestos*

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# Who promised this? (1)

*“[Our party] supports competition in the business sector. Where market failure creates anti-competitive conditions [our party] will legislate to promote competition. In particular, [our party] will legislate effective protections against monopolistic pricing, collusive behaviour, abuse of market power, predatory pricing and unconscionable conduct”.*

Australian Labor Party, 2009 manifesto.

## Who promised this? (2)

*“Against the market and its excesses, [our party] wants to affirm the authority of the state. [...] Market regulation cannot possibly be limited to classical antitrust regulation”.*

*Belgian Parti Socialiste, 2003 manifesto.*

# Who promised this? (3)

*“The Government, which intends to continue and strengthen the fight against inflation, does not wish to call into question the freedom of industrial prices. It will try to obtain a deceleration of the rise in prices in a free economy [...]. This means that competition will be stimulated [and] that abuses will be punished”.*

Pierre Mauroy, French prime minister, speech in front of the National Assembly (8 July 1981).

# Social democratic parties and their support for competition policy

In the fourth quarter of the 20<sup>th</sup> century, social-democratic parties (SDPs) have come to accept the central role of the market.

Most of them have developed a positive attitude towards competition and competition enforcement.

However, there is considerable variation among SDPs. Some have become enthusiastic supporters of competition policy, while others have continued to stress the importance of state intervention.

# Social democratic parties and the market

Does the market yield the best possible allocation of resources?

Competition policy can be seen as a truly left-wing policy, which aims to *democratize* the market.

It is against big corporations which abuse their market power, it is in favour of consumers.

But competition can also put pressure on national firms, push wages down, etc.

# Why it is interesting

Is competition policy seen as a “technocratic” policy that aims to make everyone better off? If not, how do parties position themselves on competition?

Do parties identify winners and losers from competition policy, and position themselves accordingly?

Do the political preferences of incumbent parties matter for those who care about competition policy (firms, consumers)?

# Our research question

What influences a party's support for competition policy?

*Ideology?*

*Relationship with trade unions?*

*Political competition from centrist or centre-right parties?*

*Other national characteristics?*



# Hypothesis 1 – Ideology

Is competition policy a (neo-)liberal policy that is more likely to be supported by right-wing parties?

Scholars like Gerber (1998) and Boix (1998) argue that, in Europe and in developed economies in general, competition policy has been mainly promoted and used by conservative and right-wing parties.

Left-wing parties, instead, have been traditionally in favour of interventionist industrial policy and protection of salaried workers.

**H1: the more a party has a left-wing ideology, the less it will support competition policy**

# Hypothesis 2 – Relationship with trade unions

Many SDPs have traditionally strong ties with trade unions.

Vigorous competition policy enforcement, on the other hand, can lead to lower prices, lower profits, and hence lower wages.

Strict competition enforcement will appeal to consumers and small and medium enterprises, but it will alienate trade unions.

**H2: the more a party promises to support trade unions and defend workers' rights, the less it will support competition policy**

# Hypotheses 3 – Electoral rules

Rogowski and Kayser (2002) find that majoritarian system have greater seat-vote elasticity which pushes MPs to favour consumers, yielding lower price levels.

Grossman and Helpman (2005) argue instead that majoritarian systems have a “protectionist bias”, because MPs have a stronger incentive to protect local interests.

Which causal mechanism do we find at play when parties declare their support for competition policy?

**H3: parties in systems with plurality voting will promise stricter (or more lenient) competition policy**

# Data and methodology

We coded party manifestos of social-democratic parties and their main right-wing opponents in 15 OECD members from 2000 to 2016 (118 manifestos in total).

For each manifesto, we assigned a score (ranging from 1 to 10) to the party's attitude towards a number of issues (competition, trade unions and workers' rights, free trade, financial capitalism, capital mobility, EU, immigration).

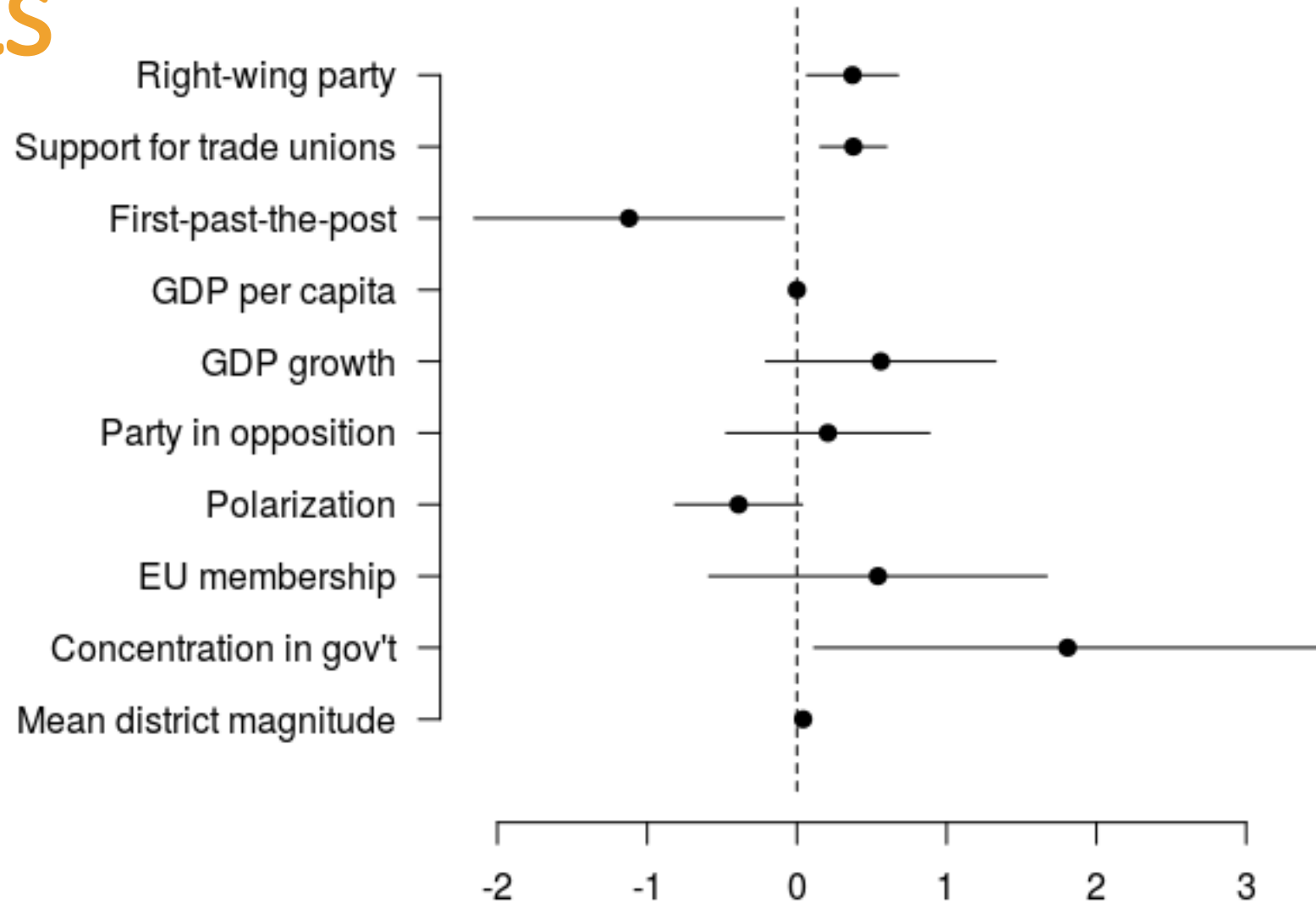
# Empirical analysis

We test the hypotheses formulated above with linear regression models.

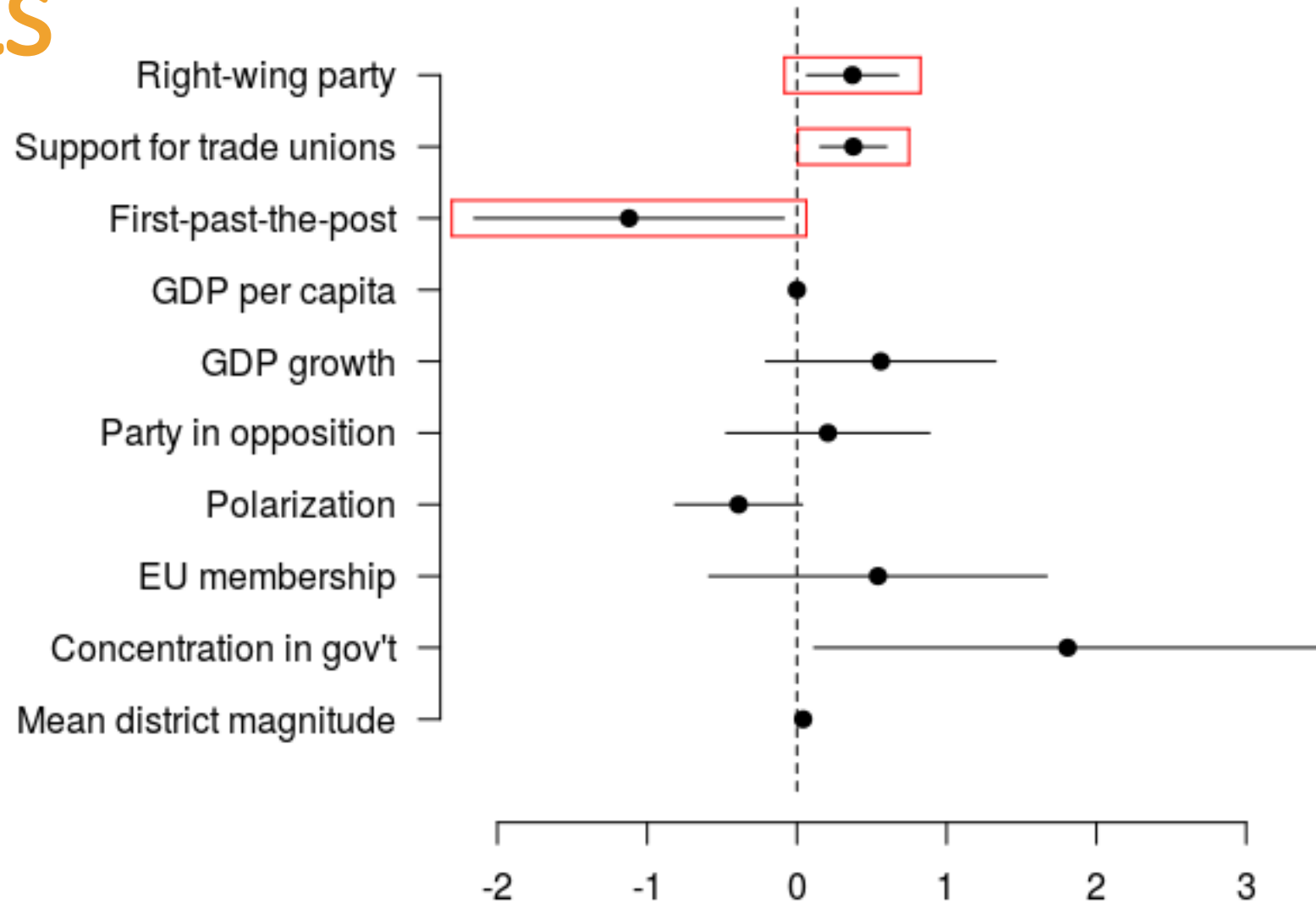
Our dependent variable is the party's support for competition policy as expressed in the electoral manifesto.

Besides the explanatory variables used to test our hypotheses, we employ several control variables as proxies for both economic and political/institutional factors that may affect a party's support for competition policy.

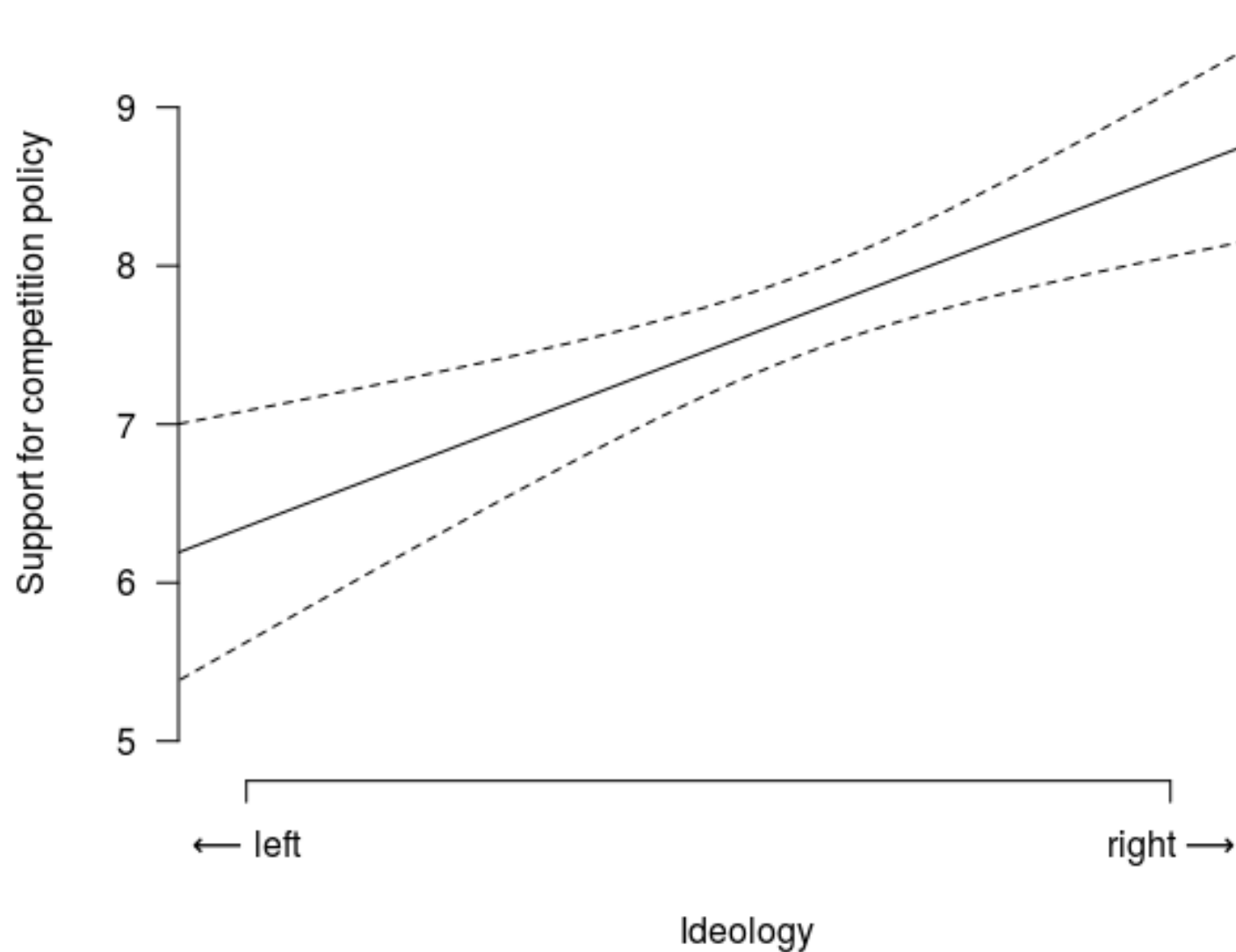
# Results



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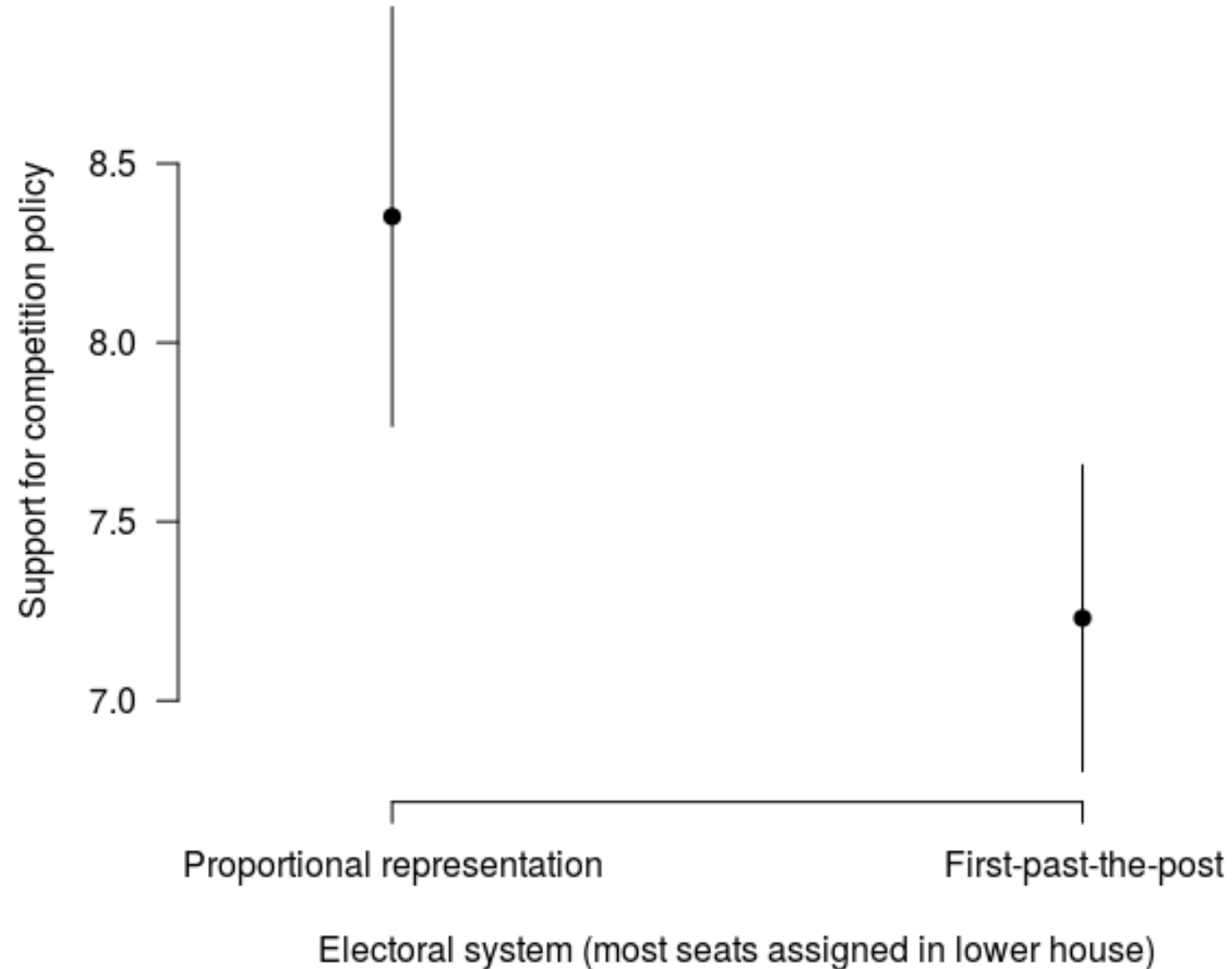


# Results: ideology matters

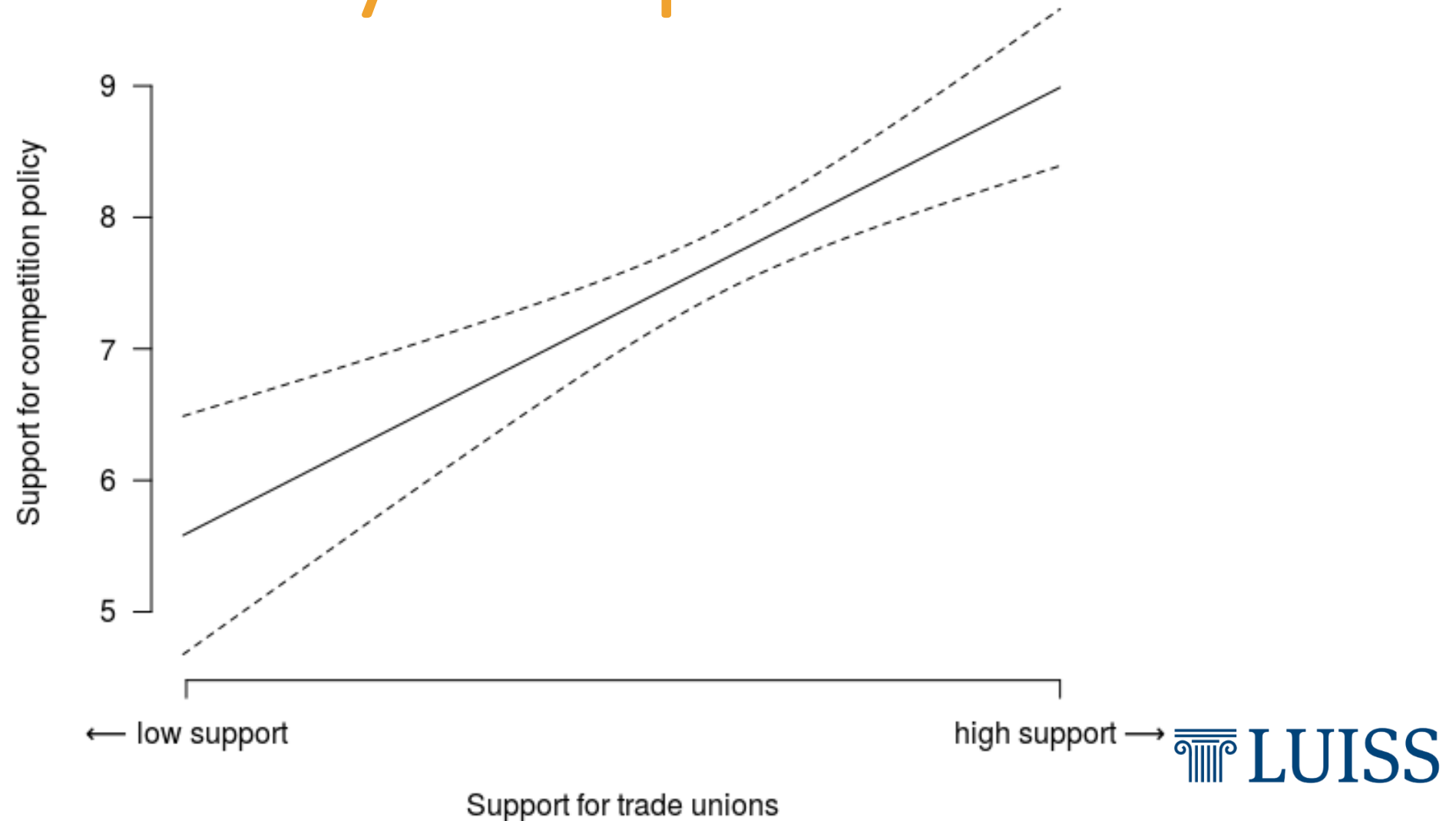




# Results: the electoral system matters



# Results: support for trade unions matters, but not in the way we expected



# Conclusions

Ideology still matters: left-wing parties tend to be less supportive of competition policy.

But the electoral system turns out to be a stronger predictor of support for competition policy: first-past-the-post makes parties more “moderate”.

Support for trade unions in party manifestos is (surprisingly) associated with support for competition policy. Is it because parties want to “appease” trade unions? Or because support for competition policy is “cheap talk”?

It remains to be investigated what parties actually do when they are in office. What is the difference between manifestos and actual policies? Are some parties more likely to stick to their promises?

Thank you  
for your attention