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**The Trade-off Between Efficiency and Equality:
The Role of a Changing Economic Idea in the Political Strategy
of the Social Democracy**

MARÍA JIMÉNEZ BUEDO

BADIA FIESOLANA, SAN DOMENICO (FI)

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Maria.Jimenez@iue.it

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European University Institute
Badia Fiesolana
I – 50016 San Domenico (FI)
Italy

Abstract

The general aim of this paper is to treat as a political concept the widespread idea of the existence of a trade-off between economic growth (or efficiency) and equality. That is to say, the aim is to re-politicise a concept that appears both in political and academic discourses as a “given”, stemming from the economic structure and thus devoid of any political connotation.

This re-politisation of the concept will be directed at shedding some light on the current interpretations of the political strategies adopted by socialdemocratic parties since their inception, throughout the golden years of the Keynesian consensus, and after the oil crisis of the 70’s.

The argument has the following structure:

First, an introduction emphasising the current status of the idea of a trade-off between efficiency and equality in both the academic and the political discourses will be offered.

Together with this a taxonomy of the different ways in which the trade-off has been presented will follow so as to acknowledge the very plural nature of all the ideas that are often included under the umbrella of the concept of a trade-off between efficiency and equality.

In the second section, a brief review of the economic literature attempting to assess the existence of a trade-off between efficiency and equality will be presented. The goal of this section is to stress the fact that the controversy in this kind of literature is not accompanied by a similar debate on the political discourse. Both by politicians and political scientists, the trade-off between efficiency and equality is too often asserted as the starting point from which all parties need to establish their economic policy strategies.

Given this divergence between the dubious ontological status of the trade-off reflected in the economic literature attempting to measure it and the all-pervasive presence of the idea of a trade-off in political and academic discourse, I will, in the third section, attempt to provide an explanation of such divergence, which constitutes the main question of this paper. More specifically the question refers to the socialdemocratic parties:

a) There seems not to be conclusive evidence of the real existence of a trade-off between efficiency and equality.

b) The existence of such trade-off poses a particularly problematic dilemma for socialdemocratic parties.

Then, given a) and b) why do socialdemocratic leaders sometimes refer to this idea in their discourse?

Does this incorporation of the idea to their discourse reflect a true belief in the existence of the trade-off? Or alternatively, does the reference to the trade-off merely constitute a justification of certain political choices?

What are the conditions under which socialdemocratic parties resort to this idea?

What are the political functions that the idea of a trade-off between efficiency and equality can perform?

In order to answer these questions I undertake the following steps in the third section:

First, I will include a critique of some theses implicit in the existing literature on policy change that could in principle be portrayed as an answer to such divergence. These are the theses related to the literature of the independent role of ideas and the literature on hegemony. After rejecting these frameworks as an answer to the puzzle proposed, I attempt to provide an alternative explanation that vindicates the political functions of the idea of a trade-off between efficiency and equality. I propose an understanding of the idea of the trade-off as a *convention* enabling the coexistence of the main electorally hegemonic political parties, in the sense that it disinflates political conflict among them and among their constituencies.

I. INTRODUCTION. The confused nature and widespread use of the trade-off concept.

“(D)epriying people of this incentive by distributing the social product equally would reduce society to the most extreme indigence, and instead of preventing want and beggary in a few, render it unavoidable to the whole community”

David Hume. 1751. *“An Enquiry Concerning the Principles of Morals”*.¹

“(...)But when I do not even raise the question (or at least when I do not make this question the burden of my argument) whether what the idea asserts is true, but consider it merely in terms of the extra-theoretical function it serves, then, and only then, do I achieve an “unmasking” which in fact represents no theoretical refutation but the destruction of the practical effectiveness of these ideas”.

Karl Mannheim (1925, 140). *“Essays on the Sociology of Knowledge”*²

The recent literature on economic policy making is plagued with the concept of the trade-off between equality and growth, or between justice and efficiency, and the many other ways of naming what supposedly is one of the characterising dilemmas of contemporary political debate. However, this widespread use of the trade-off concept is not accompanied by a parallel effort directed towards conceptual development aiming to discern the very different meanings that different actors confer on the trade-off, nor by an

¹ Quoted in Kenworthy (1995) p.28

² Quoted in Hacking (1999) p.54

acknowledgement of the trade-off as an idea and an element of current political discourse that deserves attention as such.

Examples of the uses of the concept of a trade-off between equality and efficiency are numerous both in the recent literature on economic and public policy in advanced nations and in the literature of recently democratised third-world countries. In this vein, in a recent article trying to account for the future lines of research of macrosociological work, Gosta Esping Andersen (2000) portrays the trade-off between efficiency and equality as one, if not the most important, of the big *leitmotifs* of contemporary social sciences.

The works of those scholars assessing the trajectories of Western socialdemocratic parties deserve particular attention. Indeed, the fate of these moderate left parties has been usually understood in terms of their ability to form stable coalitions of voters given the existence of the trade-off. That is, a successful socialdemocratic project has been portrayed as one displaying the ability to choose an electorally maximising mixture of both efficiency and equality, assuming that there is an inverse relation between these two outcomes. Boix's (1998)³ influential thesis on the particularities of supply side policies designed by socialdemocratic parties has the advantage of making explicit the analytical framework on which most of these analyses are based, and that usually is, in most of the rest of contributions to the political economy literature, only implicit.

Boix's framework, which he describes as being both simple and widely accepted (p.24), pictures the interests and ideological traditions represented by conservative and socialdemocratic parties in advanced democracies in the following manner:

Political parties design their policies so as to provide two outcomes that are ordered in a lexicographic manner. These outcomes are first, economic growth, and second, a redistributive advantage to their natural constituencies. The natural constituency of the left wing parties would be formed by the working class and those segments of society that are less well-off in general. Professionals, the upper-middle classes, and all those social strata that are better

³ Boix thesis is aimed at demonstrating by means of a thorough empirical work, that the widespread idea of a convergence between the policies of left and right wing parties, or in other words, the blurring of ideology in the Western world, has not in fact taken place. His argument is that both scholars and popular wisdom claiming that the "colour" of the political party in government does not make a difference in the policy outcome have conflated two different phenomena. Whereas it is now true that demand management policies are no longer feasible due to structural factors like capital mobility, political parties are, nevertheless, able to design different economic growth strategies based on supply side policies, and the nature of these policies varies according to the ideology of the political party designing and implementing them.

off in general would form the natural constituency of the right. Middle classes would normally be disputed between these two parties.

The lexicographic order referred to above stems from the fact that any policy design failing to provide a successful growth model will turn out to be unfeasible in the medium term. Unless the party in government is able to generate economic growth, any project aimed at benefiting the natural constituency of any given party will be deemed impossible. Only after economic growth is generated can political parties engage in redistributive practices that serve to preserve or enlarge their electoral coalitions of support. Boix then, in his somewhat stylised picture, comes to differentiate conservative and socialdemocratic parties in terms of their electoral strategies to form coalitions and their strategies for economic growth.

Socialdemocratic parties are pictured as being relatively more prone to government intervention in the economy and they are also more supportive of attempts to redistribute wealth and promote equality in general. In contrast, conservative parties prefer to delegate as much as possible to market mechanisms, given that they think that the market is the best mechanism for the promotion of wealth and the preservation of individual liberties. What the author argues is that these preferences stem both from the interests of the coalitions of voters that are supportive of these parties and from the economic models that the leaders of the political parties believe in. However there is some ambiguity in his position since he also argues that political parties have differing beliefs on how to generate growth *precisely because* the different strategies affect the welfare of all social strata, and therefore, have different consequences for equality.

Here is when the idea of a trade-off between equality and growth or between justice and efficiency comes into place, and what Boix says is that this trade-off must affect left wing parties in a more acute manner. The reasoning stems from the lexicographical order between the two objectives of all parties in government. If conservative parties are, in principle, interested only in promoting economic growth (which is the prerequisite for any party to stay in power) whereas the socialdemocrats are also interested in promoting not only economic growth, but also equality, then the choices the latter party faces, in a context where there is a trade-off between efficiency and equality, are necessarily more constrained. Conservative parties then conceive their task as one in which they employ the market mechanisms to maximise the growth rates. Socialdemocratic parties, in turn, conceive themselves as the actors that must mobilise the public sector in order to generate public investment schemes able to reconcile *both growth and equality*.

Thus, in this picture, the political objective of socialdemocratic parties appears as a more difficult one than that of its conservative counterparts.

Boix's empirical analysis, based on a comparative account of the Spanish socialdemocratic experience under the PSOE, and the British conservative experience under the mandate of Margaret Thatcher, is particularly compelling. In it, Boix depicts the trajectories of both parties in terms of their building of stable coalitions that gradually deteriorate in the face of constraints that stem both from electoral and economic factors.

However, from his empirical analyses the reader can extract two conclusions that seem to hinder the plausibility of his theoretical framework.

1) There seems to be a contradiction in the role that the trade-off between efficiency and equality plays in Boix's setting. On the one hand, one can read his thesis as if it stated that the belief in the trade-off by socialdemocratic parties could explain their shift to supply side policies. He could be thought to demonstrate this thesis in what constitutes a multi-causal analysis of Social democratic economic policies in the 80's, or after the collapse of the Keynesian consensus⁴. However, if we take his empirical contribution at face value (which I think, we are entitled to do) the outcome of Social democratic supply side policies seems to be able to yield, at the same time, equality and growth. Therefore, one has the impression that after taking the trade-off as the starting point of the research, or as the objective reality that all parties (and particularly social democrat parties) have to face, these parties are nevertheless able to do away with it, or to formulate policies that increase or maintain both equality and efficiency. This is where the paradox lies. If socialdemocratic parties are shown in his analysis to do away with the trade-off, why do they believe in it? How is it possible to depict them as parties that are constrained by such trade-off?

The immediate response may be that the equality-efficiency trade-off takes place only under a particular set of circumstances, and exists only for some kind of policies, and that the PSOE's trajectory is only an example of how to wittily switch from those policies (demand-stimulus) that are subject to the trade-off in favour of other formulas not subject to it. However postulating the existence of the trade-off in its general form remains problematic. Then, the most that Boix can say about such trade-off is that it may exist under particular sets of circumstances, but it cannot take the eminent place that it seems to have in the theoretical setting proposed above.

⁴ Maravall's work (1997) shares many features with Boix's setting. Actually, most of what is written in this section equally applies to his book.

Moreover, the policies recently abandoned by social democratic parties (demand stimulus) are not so easily located with respect to the trade-off. Their redistributive consequences are not straightforward: these policies are not purely redistributive, or they are not a direct mechanism for redistribution. But even if one accepts that (during the golden years of the Keynesian consensus) managing the business cycle improved the welfare of the working class, or of those individuals in society that are worse-off, once these policies became obsolete, they definitively ceased to be redistributive: they were simply inefficient. What I mean is that after the oil crisis these policies did not exactly become subject to the equality-efficiency trade-off. They were simply unable to yield *either* efficiency or equality. I guess this could not be so easily said of other kinds of policies, like income transfers via taxation schemes, or other. Whether or not these instruments hinder efficiency, they never cease to be purely redistributive. This is not the case for demand stimulus policies, since they can only be redistributive to the extent that they are efficient.

The question is different if one thinks that these parties did not (or do not) escape the trade-off fully, and that they are still subject to it to the extent that the level of redistribution that they would like to attain is not the one we find in reality. But then one needs to ask what is the level of equality that we are (or need to be) searching for. Then one encounters the question of the nature of the preferences of the median voter. This question arises after reading Boix's account of the policies undertaken by the Spanish PSOE and the British conservative party. In both cases, parties choose to favour the constituencies that supported them in the elections by choosing the policies that they might prefer. Particularly important are the redistributive consequences of such policies. In the case of the British conservative party, this led them to endorse (both in the realm of discourse and of policy-outcomes) a strong compromise with the maintenance of the National Health Service. Their attempts to shift to more regressive tax schemes at the local level were a particularly important factor in the erosion of the electoral coalition that supported them. This leads us to the second problem that arises from a serious consideration of Boix's framework.

2) Boix claims that the political objectives of socialdemocratic parties make them more vulnerable to the trade-off precisely because they would ideally want to accomplish both economic growth and redistribution. However, if one is to take this setting seriously, one must admit that if the trade-off is to be a problem for socialist parties, it must be as much of a problem for conservative ones. Indeed, if what is to be fulfilled is the preferences of the median voter, then both conservative and social democratic parties must meet, roughly, the same median voter. And if this is so, then conservative parties are also constrained by the trade-off to the extent that the median voter has a preference for a determinate

degree of redistribution. Then the trade-off constraint would be, for these parties, an electoral one, as different from the more fundamental (ideological, as it relates to the inherent political goals of the party) role it plays for left wing parties⁵.

To sum up:

- 1) If the trade-off, as a causal belief, conditions party's strategies, then it conditions both conservative and left-wing parties.
- 2) Even if the trade-off starts taking a real and concrete form for some policies (which is, as an idea, questionable), parties seem to be able to avoid it by adopting other policies not subject to it. In any case, observing the trajectories of western nations, it is clear that the trade-off between efficiency and equality has not impeded these countries from both growing and redistribute.

In any case, we can conclude that Boix's framework, though useful, does not have in it a satisfactory characterisation of the role played by the trade-off between efficiency and equality. It fails to acknowledge its political role, and it fails to have an alternative view of it, a view that differs from the one that political actors (political parties) in this case, have of it.

In this, Boix's framework shares this characteristic with all the works that attempt to provide an encompassing picture of the long-term trajectories of socialdemocratic parties (Maravall, 1997, Esping-Andersen 1985, Przeworski 1985, Przeworski and Sprague 1986). As different as all these approaches are, in a sense, they all take the trade-off between efficiency and equality for granted, or rather, ignore the role it may have as a useful political idea.

A TAXONOMY OF THE TRADE-OFF MECHANISMS:

The trade-off between efficiency and equality is, as Okun put it back in the seventies "the big trade-off" (Okun 1975). However, there are many ways in which this concept has been characterised. In this subsection, I shall provide a

⁵ The idea presented above on the fact that conservative parties face the trade-off as much as the left-wing parties refers only to the fact that if the trade-off is truly believed to exist by these parties, and if the level of redistribution adopted must meet the preferences of the median voter, then these parties face the trade-off insofar as they must adopt a level of redistribution that is not their preferred one and that may be hindering efficiency. However, the relationship between a belief in the trade-off and their political interests is not the same as the one faced by left-wing parties. That is, for conservative parties, brandishing such idea fulfils their political goals. Again, if the trade-off exists, they are subject to it. If it doesn't, it is a useful political idea for them to hold.

few examples of the way in which this concept has been presented. This list, in order to become a proper taxonomy, must be enlarged by further research. I shall in what follows present only a few instances of ways in which the trade-off between efficiency and equality has been understood.

Expropriation:

There is some tradition that identifies the trade-off between efficiency and equality with the distortions on economic growth that are associated to expropriation of wealth by some social actors from others. It is generally presumed that this becomes more likely when the gap between rich and poor is very wide, or widening (Benabou 1996). The logic of this trade-off manifests itself, for example, in the fact that socialdemocratic parties have not normally implemented massive nationalisations even when they have enjoyed sufficient electoral majorities (Przeworski 1985).

The more traditional interpretation is that socialdemocratic parties would have not implemented such programs for fear that the democratic order could be reinversed by reactionary forces, thus, though nationalisations were thought as desirable and a step towards the ideal of *equality*, left parties would get them out of the agenda if they thought that these could put at risk the democratic order, since that would mean that “premature” nationalising was not an *efficient* way of pursuing the interest of the workers.

However, there is an alternative explanation also implying a belief in the trade-off: one could think that nationalisation would have not taken place because even if leaders of the left thought nationalizations were fair, socialdemocratic parties would not be sure about their capacity to manage certain tasks more efficiently than the private sector.

Nevertheless, there is an alternative logic associating redistribution, wealth and expropriation that is present in the economic literature: efficiency is hindered by excessive inequality if the latter produces a fear of expropriation by the poor on the part of the rich. The resulting decline in the security of property rights discourages investment, thereby impeding growth (Benabou 1996).

Transfers:

The understanding of the trade-off in terms of the loss of efficiency stemming from public transfers of income is probably, for obvious reasons, the one most frequently quoted in the political economy literature. The causal link that associates state transfers of income to economic inefficiency is a constitutive

part of most explanations to the limits of income distribution in advanced democracies. The main mechanisms related to this idea are two.

1) Savings and investment: According to standard microeconomic theory, the marginal propensity to invest or save grows with income, i.e., those individuals who have greater incomes save and invest a greater proportion of their earnings. The existence of a trade-off between redistribution and growth would be explained in that way: when income is transferred from the richer to the poorer, the overall rate of savings and investment must fall as a result of this.

2) Work effort. The logic applied to the argument on work effort is practically analogous with the previous one. Work productivity is determined by the expected wage, so the economic actors will have fewer incentives to work the bigger the share of their incomes that must be bestowed in the form of tax contribution. In the same manner, they will have fewer incentives to invest in their education since the expected returns associated with their skills will also be smaller.

Foreign investment

This kind of mechanism is linked to the literature devoted to the study of economic reforms in peripheral countries.

It refers to the need by those countries to abide by growth formulas that are inherently non egalitarian. These formulae are imposed by the conditional help provided by international actors like the IMF and the World Bank, and also by the signals that these countries need to send to foreign private investors (Stallings 1990, Stokes 1996, 1997).

In this way, unless the policies implemented by the government follow certain lines (in which redistribution is certainly no priority), foreign investors may flee to other countries, and international financial organisations will not provide credits, since financial aid by this type of organisation is conditional on the type of economic policy undertaken. That is, if the government attempts redistribution, the subsequent loss of investment (on the part of both private investors and international financial organisations) will result in an economic recession.

The relation between the trade-off (broadly understood) and these particular trade-offs remains unspecified. Is the big trade-off a sum of all of these particular ones? Can we understand that these particular trade-offs are in fact contending theses in the sense that each one of them constitutes a hypothesis on the true content of the big trade-off?

In any case, the aim of this subsection is, rather than that of answering these questions, to highlight the fact that the meanings attached to the idea of an equality-growth trade-off are plural and numerous. And not always clear.

II. THE EMPIRICAL EVIDENCE ON THE EXISTENCE OF A TRADE-OFF BETWEEN EFFICIENCY AND EQUALITY

The economic literature aiming at discerning whether the trade-off between efficiency and equality exists, and the form and size it takes, is immense. Here, I do not provide a comprehensive review of its contributions, since that would be both unfeasible and unnecessary at this stage of the research. The main function of this section is thus to provide a few samples of influential works in the area so as to show how the question on the existence of a trade-off between efficiency and equality is *at least controversial*. As it has been pointed out earlier, this is a means to present the main question of the paper: If the existence of the trade-off is not well established, why do leftist political parties, for whom the trade-off is a problem, embrace the belief in its existence? Why do they include it in their discourse and in the justifications of their policy choices? Why do they accept the economic advice stemming from models that postulate a dilemma between growth and redistribution?

In this section, we will deal with five contributions to the economic literature on the existence and form of the trade-off between equity and growth. Four of them include also extensive reviews on the matter, in which they critically assess earlier contributions.

Browning and Johnson (1984) have as a starting point, the assumption that “income redistribution is not a socially cost-less endeavour because the policies required to accomplish it generally produce misallocations of resources” (p.175). Indeed, they are right to point out that this is a well-known proposition and that it is usually interpreted as implying a trade-off between equality and efficiency. After acknowledging the fact that there is not a single trade-off, but a plurality of trade-offs associated to different policies⁶. Accordingly, they build a simulation model in order to provide an estimate for the marginal cost of reducing income inequality with a policy that has distributional effects similar to the present tax-transfer system. After developing their model they find that the marginal cost of redistributing income via tax is very high even under favourable conditions, like low labour supply elasticity. Given that they have

⁶We would add that this plurality need not only be associated to different policies, but more generally to different mechanisms, whether they stem from government intervention or not (see the taxonomy above).

not included the effect on saving, they presume that actual policies are even more distorting than their model shows and they encourage further research in order to include such effects. However, this intuition is not grounded on robust results. Their findings are based only on a simulation model, and from this a number of difficulties follow. To mention just one of them, in a context in which there is a high level of unemployment, labour supply elasticity can be zero rather than low. This may take place if workers believe that they cannot find another job if they lose the current one, and the number of hours worked is not chosen by them, but by the firm that employs them. If that is the case, a reduction in wage derived from taxation will have no effect in their labour supply. This seems to be an extreme assumption if applied to all workers, but it may not be so unthinkable for some types of occupation. Therefore, taking guesses on the actual size of the trade-off given the findings of a model of these characteristics might not be very useful.

One of the most influential works on the empirical assessment of the trade-off is that of Persson and Tabellini (1994). Kenworthy (1995) actually characterises it as “the only careful empirical analysis of the relationship between income distribution and economic performance” (p.231). The authors examine the effect of inequality on growth. Inequality is found to have a negative impact on subsequent growth because it leads to policies that do not protect property rights and do not allow full private appropriation of returns from investment. The rationale is then that inequality forces government intervention that ends up having distorting effects. This relation is only present in democratic countries. However, they warn the reader of the fact that even if they believe that the empirical findings are statistically robust, they can not provide thorough evidence for the mechanisms involved. That is, the channels identified by them (that more equality leads to less-policy induced redistribution, and that less redistribution leads to more investment and faster growth) may not be the ones at work. The policy advice that follows from their findings, if taken at face value, is that governments should put in place institutions that lead to primary equalisation (equalisation of returns from productivity), and then, minimise secondary distribution (through tax schemes or other). In few words, an egalitarian distribution of wealth is good for growth, redistribution schemes are harmful for growth.

Lane Kenworthy (1995) finds that Persson and Tabellini’s work is nevertheless lacking. He problematises their inequality measures (pre-tax income data of, in her own words, “questionable reliability”) and misses, in their analysis, indicators for economic performance other than growth. He therefore offers an empirical assessment of the relationship between equality and efficiency, based on cross-sectional data from 17 advanced industrialised countries over the period 1974-1990. The conclusions drawn from data are that there is no adverse

impact of equality on either investment or work effort, nor on growth of productivity or output, unemployment, or any other significant indicator of good economic performance. On the contrary, her findings seem to point in the direction of the heterodox view, i.e., that more egalitarian distribution of income may have beneficial effects on the economy by augmenting consumer demand and encouraging more productivity from workers.

Benabou (1996) offers a review of theories linking income distribution and growth, together with some relevant empirical evidence on the matter.

The three theories he reviews are those linked to political economy mechanisms, like that of Persson and Tabellini (1994), those linked to imperfect capital markets, and those linked to socio-political conflicts and their relationship to discouraged accumulation.

As for the first two theories Benabou considers that the signs of the adverse effects of redistribution on growth remain elusive. Theories that link socio-political conflicts to the trade-off between efficiency and equality are still underdeveloped, and Benabou encourages further theoretical and empirical work. This underdevelopment of both theory and empirics renders non-robust results and therefore prevents him from drawing any further conclusions.

The last contribution considered in this section is also both the most recent in time and the most extensive. Aghion et al. (1999) aim at providing a review of the existing literature on the topic and to explore the role of economic growth and inequality in both directions. This means that they study both the effects of inequality on growth, and the effects of growth on equality. This offers an advantage with respect to the other contributions, which deal only with the former.

As for the effects of inequality on growth, their findings signal, against the traditional economic view, that when capital markets are imperfect and agents are heterogeneous, greater inequality may have a negative impact on growth. In this way, the argument that redistribution is detrimental to incentives and growth is challenged, and thus, there is not a trade-off between equity and efficiency.

The other side of their analysis, the study of the effect of growth yields a pessimistic conclusion. Economic growth brings about technological change, and this, in turn, is likely to imply a bias towards more inequality of income.

The authors then draw policy implications from their analysis. In their view, the main policy implication of their empirical findings is that when capital markets are imperfect there is scope for redistributive policies which are also growth-

enhancing. Particularly important are public investments in human capital. Equally, increased access to education would also reduce inequality, and therefore, enhance economic growth. In sum, their discussion points to an important efficiency role for sustained redistribution, and thus subverts the trade-off logic.

In general, the majority of recent works devoted to the issue seem to imply that the belief in a trade-off between efficiency and equality is not well grounded in empirical evidence. We can draw several conclusions in the light of this debate. First, it is interesting to point to the fact that even though the idea of a trade-off between efficiency and equality does not imply any particular direction on the causality line, most works assume that redistribution is a cause of lack of growth, and never that growth can be seen as a source of inequality. Indeed, those politicians that justify a more inegalitarian distribution today, in order to provide more economic growth, also argue that only in that way will redistributive policies be possible in the future⁷. However, no reflection is usually made, in the political arena, as to the inverse causal relation also implied by a trade-off between efficiency and equality, that is, that growth patterns have distributional consequences.

Second, the debate on the empirical evidence of a trade-off between efficiency and equality can hardly be characterised as such. The issue at stake is not fully clear. Only the first of the articles reviewed in this section deals with equalisation of income and not with equality. Saying that there exists a trade-off between *equality* and efficiency, and saying that the trade-off is between *equalisation* and efficiency, however related, is not the same thing. Only the latter refers specifically to the redistributive action of the state. As Aghion's contribution shows, the idea of a trade-off between equality and efficiency is also closely related to the study of the implications of redistributive policies. Nevertheless, equalisation and equality remain distinct notions and the fact that this difference is normally overlooked reflects how underdeveloped this debate is.

Maybe the question on the relationship between income distribution and growth is too vast to be subject to convincing empirical assessment, indeed I am inclined to think so. But this does not but make even more puzzling the fact that such relation, in the form of an idea of a trade-off, is so widely used in both political and academic discourse.

⁷ See Meseguer 1999 on the political discourses of the PSOE during its first legislature. For a similar account in Costa Rica, see Wilson, 1999.

III. THE DIVERGENCE BETWEEN REALITY AND PERCEPTION: REPOLITICISING THE TRADE-OFF.

We have so far seen how the evidence on the existence of a trade-off between equality and growth remains elusive. The debates around it can not even be properly conceptualised as such, since there is no common object of study. On the other hand, the literature on the social democratic trajectory does not seem to view all these facts as problematic.

In view of these two contending facts, the work presented here is an attempt to shed light on the causes of such divergence. What I argue in what follows is that the concept of a trade-off between efficiency and equality calls for attention as such. I contend that this concept is a constitutive part of the political culture of contemporary advanced democracies, and that it is worth exploring the political causes and consequences of its uses by relevant societal actors.

In this way, the acknowledgement of the political nature of the concept of a trade-off between efficiency and justice is a means to explain an otherwise puzzling fact: that leftist political parties include in their discourse an idea that, in principle, is adverse to their ideology and of which there is no definitive proof of its validity as a causal belief.

Before developing the outline of what aims to be an explanation of such a paradoxical fact I will first try to trace in the existing literature other types of explanations that even if not straightforwardly directed to answer the question at stake, can be portrayed as implicitly providing an answer. Thus I will consider first the literature on the independent role of ideas and epistemic communities in the formulation of economic policies. Second, I will briefly consider the explanations that could stem from a gramscian perspective in the political economy and international relations domains. Then, I will point at another perspective drawing on the concept of a convention, and I will try to explore the extent to which the gradual embracing of the idea of the trade-off by the main political forces can be viewed as the emerging of a convention that facilitates the cohabitation of contending political forces in advanced democracies.

Economic Ideas and Epistemic Communities

One attempt to answer the question on why it is that socialdemocratic parties seem to willingly accept the view that there exists a trade-off between efficiency and equality when there is no clear evidence of such trade-off could lie in the economic ideas that circulate and exert influence on politicians and decision makers.

That ideas matter for political processes in general, does not seem to be a recent discovery. Not even a discovery. However, that ideas may play a central role in the public policy making processes, and that this role can be studied independently, is a relative recent notion. Its main defender, Peter Hall, started this research line for two main reasons (1993, 1989). First, as a means to complete the state-centred analyses on public policy. Second, to shed light over those processes of policy change that imply a shift in the overarching objectives of policies.

Hall's work can be said to have opened a whole new research line, as the appearance of new works on the matter shows (Goldstein and Keohane 1993). In fact many scholars not directly interested in the role of ideas often quote Hall's work to highlight the importance of cognitive factors in policy processes. However, it is hard to evaluate enthusiastically the actual theoretical contribution of this author. As has been pointed out by a number of reviews on this literature (Woods 1995, Blyth 1997, Campbell 1998, Jacobsen 1995, Yee 1996) the research initiated by Hall emphasising the role of ideas suffers from a number of weaknesses.

For those analysing critically this emerging literature, the rediscovery of the role of ideas sprouts as a reaction to the limitations of the new institutionalisms (Hall and Taylor 1994) that emerged in the late 80's (Blyth 1997). It constitutes a rediscovery rather than a discovery, since the approach that highlights the role of ideas is not new. According to Jacobsen (1995), the penultimate upsurge of works vindicating ideational factors is to be dated in the 60's, and it tried then to fulfil the role of an alternative to the behavioural revolution predominant at the time.

Generally, the critiques directed to the theoretical designs aimed at emphasising cognitive factors in political processes often are directed to the fact that the defenders of the role of ideas have not been able to show, empirically, that ideas have an independent impact in the policy-making processes. The authors that we review here, all of which are ready to re-launch this research program, have failed, nevertheless, to provide convincing answers to the critiques they themselves pose to this ideational literature.

Yee (1996) signals, as the fundamental problem of this approach, its incapability to specify the causal mechanisms by which ideas affect policy making processes. After discussing the recent debates on causality in the social sciences, he opts for a notion of cause linked to capacities (Cartwright, 1989) against other behaviour oriented alternatives (like granger causality). Nevertheless, he does not clearly state how such notion must be articulated so as to render it enmeshable with the ideational analysis. Thus, the solution

suggested (notably, a compromise among meaning-oriented behavioralists and institutionalists, on the one hand, and post-modern approaches methodologically equipped to analyse symbolic languages and inter-subjective meanings, on the other) appears simply implausible.

Other types of criticisms refer to the fact that the works of Hall and the followers of the line of research initiated by him have not yet been able to study the role of ideas independently of the institutions which they affect, or in which they come to be embedded:

Therefore, ideas have to be taken as more than an addendum to institutions. They must be conceptualised apart from pre-existing categories and epistemological commitments and treated as an object of investigation in their own right. The focus needs to be shifted from the question “how can ideas help explain X?” to a broader conceptualisation of the role of ideas in politics beyond their institutional effects (p.248). Blyth (1997) p. 248.

For Jacobsen (1995), the fundamental weakness of the arguments around the power of ideas, is their incapability to be fully coherent with the notion that ideas and interests are not independent entities but only analytically separable ones. In his view, this is particularly true of the economic domain. In this sense, and according to Jacobsen, economic ideas matter because they constitute bundles of ideas and interests that define productive arrangements (p. 309). Jacobsen finds that this fact is easily interpretable from a gramscian view, and that such framework can also shed light on the *legitimising* role of ideas for far-reaching policy changes. However, and unfortunately, he barely develops this point.

Woods’ contribution (1995) to the new research on ideas and policy making is probably the most incisive one of those reviewed here, and for this reason, the most developed in terms of exploring ways to amend the shortcomings of this emerging literature. His main critique of ideational approaches shares, with that of Jacobsen, the emphasis on the fact that the works of Hall or Goldstein and Keohane have not yet been able to spell out the relation between ideas and interests. He then concludes that by separating ideas from interests, scholars devoted to the independent role of ideas on policies are “left free to ignore (or make erroneous assumptions about) where ideas come from”⁸(p. 166).

The authors that have contributed to this current upsurge of ideas have made, nevertheless, interesting *empirical* contributions to the understanding of policy

⁸ He therefore points to the fact that these authors follow an analogous line to that of a Popperian “logic of discovery”, versus a more sociological (and empirically adequate), Kuhnian picture.

processes, by specifying the particular content of the ideas that policymakers have at the time of decision making and the debates that surrounded those decisions. However, by assuming that ideas are something like “meteorites” falling from sky (Jacobsen 1995), and fully independent from interests, they leave unanswered the very questions they are supposed to reply to, and their arguments share (with the analyses they were intended to complement), the risk of circularity. Woods makes this point nicely:

Why is it that economic ideas such as “A-think” or “B-think” enter the political arena? And, what factors most influence which of A-think or B-think will prevail? Realist, radical, political economy, and institutionalist approaches all tell us that economic ideas will prevail that best embody the interests (defined in a rational self-maximising way) of: states, capitalists, interests groups and bureaucrats. The argument, however, is a rather circular one. The “interest-based” arguments risk arguing that interests are defined on the basis of a set of preferences which are shaped by ideas which best embody interests. Such arguments do not help us to comprehend why particular sets of ideas might be particularly attractive to a policy maker or interest group at any particular moment in time. (p. 171).

A related research program to that of the influence of ideas on policymaking is that of epistemic communities. The main researcher on this line is Peter Haas (1992). According to Yee (1996), it constitutes “the narrowest version of institutional ideation” (p.86). An epistemic community is a network of professionals with recognised expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area” (Haas, 1992. p.3). An epistemic community can exert influence on the policy-making arena by two different means. The first one has to do with the diffusion of ideas and their influence in important actors of the policy-making process. The second has to do with the actual occupation of certain bureaucratic positions by members of a community, and therefore it implies a direct influence on the process of policy formulation and implementation.

Yee rightly signals the fact that this kind of research posits, in the end, more questions than it answers: Haas explains that the policy ideas advocated by members of an epistemic community become influential when decision makers solicit their information and delegate responsibility to them, however, is this saying much? As Yee points out: “Why would decision makers solicit information from and delegate responsibility to an epistemic community? (p. 88)”. Acknowledging that such things as epistemic communities exist and that they do play a role in the policy-making processes seems to be a step forward into the literature on policy changes. However, stating those facts leaves unanswered the question on why do some epistemic communities gain influence

over others, and what is the type of characteristics of those communities and the ideas they defend that make them more influential.

In conclusion, reference to epistemic communities and their influence does not seem to provide an answer as to why it is that socialdemocratic parties hold a belief in the trade-off.

Hegemony

The fact that empirical works attempting to measure the trade-off find no proof of its existence while the idea of the trade-off remains to be understood both by politicians and scholars as a constraint for social democratic policies oriented at redistributing income remains, at least, *puzzling*. As I have signalled before, the way to solve this puzzle must go through an exploration of the fact that the idea of the trade-off must have some political content. Obviously, this political content seems skewed toward a preference for limited redistribution. As Kenworthy (1994) puts it “the most prominent argument against equality is based not on normative considerations, but on [this] well-accepted principle of economic theory”.

Given that a widespread belief in the idea of the trade-off is beneficial for those whose interests are hindered if redistribution takes place then one way to look at the reason why this idea prevails in contemporary debates may have to do with the conscious manipulation of one social group by another. The reading of Przeworski’s work on *Deliberation and Ideological Domination* (1998) offers some insight in this line.

Przeworski studies the question on the kind of mechanisms that can be at work in those processes in which actors hold false beliefs that are detrimental to their interests and that benefit the interests of others. That is, processes by which agent x starts to recognise as valid, or truthful, a causal belief that:

- a)- Is not supported by the evidence (if not, directly, falsified by it).
- b)- Undermines x’s capability of fulfilling his interests.
- c)- Enhances the capacity of some other actor, y, to fulfil her interests (which are antagonistic to those of x).

Processes of this sort can be studied in terms of a gramscian notion of hegemony: one social group successfully indoctrinates (consciously imposes) false beliefs on another social group as a means to create or preserve a social order that privileges the former. Przeworski enquired as to the specific conditions under which the indoctrination process is likely to take place to argue that in fact, for many situations something other than indoctrination is at stake.

The argument goes as follows: indoctrination can only be a plausible story if it is told of those domains where information is hardly accessible, or only accessible to those who devote large investments to its elicitation (like some environmental issues, for example). On the contrary, for those processes where individuals, in the pursuit of their daily lives, are able to make inferences about the causal relations involved in those processes, and where due to the far-reaching nature of those social processes involved, competing ideologies are able to have a presence (although sometimes a limited one) in the mass media, the story of indoctrination may be substituted by a different one:

Even if a majority of individuals whose welfare is hindered by the dominant ideology (the oppressed) hold, together with the dominant class, true beliefs about the causal processes involved in their social relations, their daily actions and declarations will not reflect this fact, since due to their limited information on the beliefs of the class of the oppressed, they can not make warranted guesses about the cost of the public manifestations of their beliefs. In other words, they can not know how costly it might be to publicly voice their true (both in the sense of accurate and genuine) beliefs about the workings of their social context. That is, they pretend to be fooled by the dominant ideology in order to avoid the costs of public resistance. To the extent that the voicing of disagreement does not take place publicly, the absence of a resistance on the part of the oppressed, which is in fact a product of “resigned pragmatism” for at least some part of this group, can be (wrongly) interpreted by the observer as “authentic acquiescence”⁹.

In the case of the socialdemocratic parties, can we think of them as being fooled into a belief in the existence of a trade-off between efficiency and equality? Do they not have independent access to the debates on the existence of the trade-off? Do they not themselves deny the existence of the trade-off on some occasions? So why do they embrace it at other times?

The divergence between factual evidence on the existence of a trade-off between efficiency and equality and its widespread use by social actors falls into the category of phenomena in which due to the far-reaching nature of the social process involved, competing ideologies are able to have a presence. Given that fact, Przeworski would argue that it is hard to explain it in terms of ideological indoctrination or a gramscian notion of hegemony: in a context of pluralism, the dominant classes could not have successfully persuaded the dominated ones of the fact that redistribution is detrimental to all.

⁹ The terms in quotation are borrowed from Stokes, 1991

Nevertheless, I do not think that Przeworski's other story making reference to a kind of resigned pragmatism arising from the uncertain character of the actors' equilibrium beliefs¹⁰ can fully explain the fact that socialdemocrat leaders publicly endorse the existence of a trade-off between efficiency and equality. Maybe in those cases where the sending of signals to foreign investors is crucial (see the taxonomy above) something like that can take place. However, to the extent that the belief in the trade-off is manifested even in the internal debates of the party something different must be at work.

For these reasons, I do not think that either of these two logics can explain the question of the reasons behind the incorporation of the idea of a trade-off between efficiency and equality in the discourse of left-wing parties.

*The trade-off as a convention*¹¹

What I wish to vindicate in this section is that the idea of the trade-off fulfils political functions, and for that I will sketch the history of these parties since their inception to see what are the particular political functions that this concept can play at different times. I will argue that one can draw some insight from the analogy between the idea of the trade-off and a (language) convention around which the main electoral parties co-ordinate to fulfil their organisational and political goals. There is a methodological correlate to this thesis. Those social scientists aiming to understand the political trajectories of these parties should be careful not to a-critically employ in their analyses the same categories that the actors studied employ. Only by avoiding such a-critical use of the terms employed by the political actors studied can the power of language or ideas be taken into account.

Normal understandings of the notion of convention include the idea of a coordination act, sometimes tacit, among two or more actors. They can also point to the fact that such a pact may constitute itself into an accepted practice. In this section I will try to put forward a possible answer to the question of why and how an idea with no obvious empirical backing can gain a prominent place in the discourse and cognitive maps of those actors for whom this idea is, in principle, harmful for the pursuit of their political goals.

By convention in the social sciences we normally mean, some arbitrary procedure or rule that is elected against alternatives by the actors involved in

¹⁰ Equilibrium beliefs are defined by Przeworski as the beliefs about the beliefs of other actors.

¹¹ The idea of using this term came up while discussing with Leopoldo Moscoso Sarabia.

some common pursuit of their goals¹². Here, and for the purposes of this paper, such a restrictive notion of convention will not yet be used literally. Indeed, at this point, the purpose of using the term convention is more heuristic than anything else: the use of the idea of a trade-off between efficiency and equality can indeed be seen as an accepted notion in contemporary political debate. And it might be worth studying whether the extending presence of the notion of a trade-off can be understood as the product of a need to coordinate among the actors promoting the use of such notion.

The actors considered are mainly two: socialdemocratic parties, and conservative parties.

I will start by sketching the rationale for recurring to the idea of a trade-off in a contemporary context.

For socialdemocratic parties, the rationale would be as follows:

Hoisting the idea of a trade-off between efficiency and equality, while in office, can serve as a means to mitigate the electoral competition to their left. The idea of the trade-off justifies the degree of redistribution offered by them and presents alternative offers for more redistribution as implausible or detrimental for all. Recurring to the idea of a trade-off will be even more necessary in those circumstances in which a socialist party is not capable of offering redistributive outcomes that are substantively different to those offered by the party or parties to their right. In such cases, affirming that the trade-off exists allows to portray itself as the party that is able to offer the most equality given what is feasible. To the extent that socialdemocratic parties result convincing in such attempt, they sever the credibility of other actors manifesting a preference for more equality, as is usually the case for parties that are at the left of the social democracy. At the same time, using the notion of the trade-off can serve as a means to present arguments in favour of redistribution in a self-limiting way, which can help not to alienate a segment of middle class voters that may be prone to consider certain redistributive policies as excessive.

¹² This notion, in order to constitute a convention rather than a “formula” of collective problem solving must be characterised by the fact that its particular content does not have any impact on the deciders capacity to pursuit their objectives, just in the same sense in which driving on the right side of the road does not have any intrinsic advantage over its alternative (the left side). The only important thing is that everybody drives on the same side of the road. What is important is that the agreement on the terms of the convention is beneficial for all, or at least, the collective necessity of the convention is such that the fact of it being institutionalised is beneficial for all relative to the alternative of working in the absence of such device. David **Lewis defines convention** in the following way (42:1986):

A regularity R in the behaviour of members of a population P when they are agents in a recurrent situation S is a convention if and only if, in any instance of S among members of P,

1. everyone conforms to R
2. everyone expects everyone else to conform to R
3. everyone prefers to conform to R on condition that the others do, since S is a co-ordination problem and uniform conformity to R is a proper co-ordination equilibrium in S.

For conservative parties, the rationale is even more straightforward:

Hoisting the idea of a trade-off between efficiency and equality allows them to justify their preference for limited redistribution in terms of the pursuit of the common good, rather than in terms of the pursuit of the welfare of their natural constituencies.

For both conservatives and socialists, and as paradoxical as it may seem, picturing the situation as one in which there is a trade-off between efficiency and equality also allows them to present themselves as parties that are different from each other. By use of the idea, they can present themselves as parties that differ not so much in the mix of equality and growth that they choose (since that would mean that socialdemocratic parties yield outcomes that are less efficient and conservative parties yield less egalitarian outcomes), but instead, in the intensity and form (meaning the particular mechanism, see taxonomy above) that the trade-off takes for each of them. In this sense, the trade-off translates the language of ideologies into one of technical beliefs. It transforms political values into economic considerations. In this way, it can serve as a means to disinflate political conflict and polarisation between the conservative and socialist parties¹³.

Therefore, whether the trade-off exists or not, and for electoral strategical reasons, both parties may have an interest in postulating its existence. The obvious loser of such scenario is the party or parties to the left of the social democracy. To the extent that the main electoral parties, both at the right and the moderate left, argue for the existence of an inverse relation between equality and growth, critiques to the socialdemocrats from their left seem to be driven by political unrealism or wishful thinking. It is in this sense in which the trade-off gains the value of a convention: It is precisely because the main electoral parties (right or center-right and center-left) co-ordinate themselves in the use of the idea of a trade-off that the idea gains plausibility or credibility among voters¹⁴.

My hypothesis is therefore that the idea of a trade-off between efficiency and equality may serve to de-politicise certain choices made by parties under political constraints. What I mean by this is that certain constraints or choices that are either faced by, or made by parties and that are of a political nature can

¹³ One should note, however, that the by-product of such process (the re-interpretation of political conflict into economic constraints) can in other periods lead to political disaffection.

¹⁴ Then, in the terms employed by Lewis, the regularity in behavior R would be defined as the use of the trade-off idea in discourse. The population P using it would be constituted by mass parties, or parties opting for electoral majorities (which also are those parties that do not or did not threaten the rules of the game of electoral representation). Extreme left parties or parties to the left of the socialdemocracy would be excluded from that population. S, the coordination problem solved by R would be the terms of discourse around which parties place themselves, given that certain types of discourse can have polarizing effects that may threaten the representative order or institutions.

be de-politicised by recourse to the idea of the trade-off, which transforms political constraints into economic ones, and political choices into economic formulae¹⁵.

This approach is intended to shed light on the question of why it might be useful for two contending parties to hoist the same causal belief (a belief in the trade-off), and particularly, why it might be useful for the socialdemocratic party. Since I suggested earlier that the notion of the trade-off is in a way constitutive of socialdemocratic parties since their very inception, I shall now provide a very rough historical account of the change in political circumstances that may have led socialdemocratic parties to recur to the idea of the trade-off throughout their history. The historical depiction is borrowed from Przeworski's (2001) work. I only refer to the historical periods he signals, hoping that this caricaturisation of socialdemocratic parties can clarify in some way the point I am trying to make on the view of the trade-off as a convention.

1. For revolutionary socialist parties the goal is to arrive to a class-less society by means of subverting the capitalist order via a violent revolution. Their political goals are utopian, in the very sense in which once the awaited new order is constructed there will be no dilemmas, or no social values that are both desirable and unattainable: freedom, equality, economic prosperity and social order are all achieved by socialism. The world to be looked for is one characterised by no trade-offs. Bourgeois parties cannot accept the existence of socialist parties and their answer is repression.

2. During the 1890's socialist parties come to accept reformism. They opt for the implementation of their class-less society by nationalising the means of production once they arrive to office via a majority of votes. Bourgeois parties can change voting rules to prevent these parties from winning a majority of votes (Boix, 1999).

3. After 1914, Socialist parties get increasing but insufficient electoral support to achieve majorities, so they start being part of coalition governments. The split between socialist and communists takes place, and Social Democracy as such is born out of it. Since social democrats are in minority governments or coalitions, they cannot implement nationalisations. For bourgeois parties, coalition governments start being both palatable and necessary, while social democrats begin to foresee impending electoral victories.

¹⁵ The constraints therefore can be of several types. The trade-off as an excuse would serve to turn constraints of type 1 and 2 into economic constraints:

- political limits of type 1: threats to the stability of democratic institutions if radical policies are implemented.
- political limits of type 2: constraints implied by the need to construct ample alliances of support for preferred policies.

We could hypothesise that discourses about a trade-off on the part of socialdemocratic parties start here, when democracy is threatened if radical policies are implemented, and the social-democrats response to this is to compromise on economic issues. Maybe, then, leftist parties refer in their discourse to a particular form of the trade-off, that of the logic of expropriation (see taxonomy above).

4. During the inter-war period and given the stagnation of the workers' vote, socialist parties try to attract allies from other classes. They try to expand their electoral base by embracing new formulae for delivering equality that can be attractive to an ample coalition of voters. This implies offering immediate welfare rewards. To the extent that this strategy works, some social democratic parties start winning office (Przeworski 1985). While welfare states measures are taken, nationalisations are still postponed.

It can be hypothesised that the need to recur to a discourse based on the trade-off intensifies in this period, since before it sufficed to present the choices made by social democratic parties as responses to the obvious constraint implied in the fact of being in a minority government.

For conservative parties socialdemocratic parties definitively ceased to be portrayable as anti-democratic or threatening to democratic institutions. To minimise the electoral results of social democrats, conservatives can make appeals to moral issues or to the lack of feasibility of socialdemocratic goals, partly in form of the idea of a trade-off between efficiency and equality. In any case, the trade-off idea is a useful one also for conservative parties. What I would like to hypothesise is that it becomes the basis of coexistence for antagonist parties. It is in this sense that it can be said to enable the mutual and peaceful tolerance of a class-party and a bourgeois party.

5. Since the 1950's acceptance of market institutions on the part of socialdemocratic parties is complete. In this period, marked by widespread consensus over Keynesian views, social democratic governments are remarkably successful in managing the economy and yielding egalitarian outcomes. When conservatives alternate with social democrats in government, they implement similar policies.

During this period, socialdemocratic parties can neutralise competition stemming from parties to their left by presenting a scenario characterised by the existence of a trade-off between efficiency and equality, giving an allure of utopicness to alternatives promising more equality.

For conservative parties, the situation can be depicted in the following manner: redistributive institutions and policies are consolidated and judged legitimate for all or most voters. In such setting, including the idea of the trade-off between efficiency and growth in their discourse opens the room of manoeuvre of conservative parties in two ways:

a) When conservatives are in office, their biases towards slightly less redistribution than the socialdemocratic parties can be presented as stemming from the trade-off, rather than from redistributive biases towards the conservative natural constituency.

b) When social democrats are in office, if they happen to face a downward business cycle, this can be blamed by conservatives on an excess of redistribution that can be depicted as having hindered efficiency.

6. After the stagflationary crisis, for social democratic parties the idea of the trade-off seems to be a good way for shifting responsibilities when they are unable to advance their egalitarian project or to find novel solutions to new economic problems. However, this opens the possibility, for conservative parties, to blame all economic evils on past excesses of redistribution. Indeed, we may be witnessing one such scenario.

To conclude, the concept of a trade-off deserves attention as such, and its political content must be acknowledged by scholars trying to account for the trajectories of socialdemocratic parties. The history of the concept of the trade-off between efficiency and equality is one of success, as it is shown by the fact that its use is widespread both between scholars and political actors. Therefore, deepening the study of such a concept can shed light on the factors that make certain economic ideas prevail. Not only, as Yee (1996) proposed, by studying the cognitive capacities of those ideas but also their political capacities and underpinnings and their capability to provide representations that can serve as glue to social actors.

To sum up, the contribution of this work consists in the realisation of the political character of the idea of a trade-off between efficiency and equality. I hypothesise that it can fulfil several political functions:

- allow conservative parties to present arguments against redistribution without reference to the interests of their constituencies.
- partially pre-empt the political space to the left of the social-democrat parties.

- allow socialdemocratic parties to present arguments in favour of redistribution in a limited fashion so as to not alienate middle class voters.
- disinflate conflict among political parties by transforming political considerations into technical questions.

The question, nevertheless, is not so much the thesis that the ideas that actors have of themselves have an impact in what they do (which seems to be the theoretical claim of ideational approaches). In my view, this is not so much a novel thesis as a starting point for all social research. The question, rather, is to defend the idea that concepts used in political and social discourse may matter beyond their accuracy and that social scientists must go beyond the interpretations that social actors have of those concepts. This piece intends to provide a complement to existing understandings of the trajectories of socialdemocratic parties to the extent that they have taken for granted the correspondence between the representations of the trade-off that socialist leaders´ put forward and reality.

We have tried to show how some categories used by political actors fulfil political functions. Not acknowledging this fact might lead one to say that socialdemocratic parties chose to abandon the keynesian consensus because they were faced by a trade-off between efficiency and equality. It is hard to know what we exactly mean by this, but it is harder to see how such account can be enabling or enlightening in any way other than a superficial one.

The democratic class struggle, or the class compromise arrived at by the socialdemocratic parties, needs, in order to sustain itself, a political language of its own. The idea of a trade-off between efficiency and equality is part of such language, and political scientists should restrain from the use of it if they are to illuminate us in our understanding of that process.

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