

Varieties of Varieties: “VoC” and the Growth Models*

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Abstract

The article points out the important contribution made by the concept of “growth models” to comparative political economy (CPE). It emphasizes Baccaro and Pontusson’s critique of the standard model of “varieties of capitalism.”

Keywords

varieties of capitalism, political economy, capitalism, comparative political economy

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*Commentary on Lucio Baccaro and Jonas Pontusson, “Rethinking Comparative Political Economy: The Growth Model Perspective.” *Politics & Society* 44, no. 2 (2016): 175–207.

The article by Baccaro and Pontusson opens promising new avenues for comparative political economy (CPE) and has the potential to end its stagnation, to the extent that CPE still adheres to the standard varieties of capitalism (VoC) model,¹ in its pure or extended version. (Extended versions were successively made up ad hoc, in Kuhnian “normal science” ways,² to accommodate “anomalous” observations and protect the model from falsification, at the price of watering it down.) In particular, I see the paper dealing a death blow to the so-called firm-centered—that is, efficiency-theoretical and economistic—concept of “capitalist” diversity. My brief comments will emphasize the creative destruction Baccaro and Pontusson inflict on the standard model, in the hope of convincing those still in its grip to abandon it once and for all.³ I will refrain from discussing the country cases in any detail, nor will I address the question how the supply-side and its politics may be reconciled with the growth model perspective. I will present my case in seven points.

1. Baccaro and Pontusson’s focus on growth models has the capacity to put an end to the rigid binary categorization of capitalist political economies into coordinated and liberal market economies (CMEs and LMEs), sometimes joined by a third category, mixed market economies (MMEs), to fit in a “deviant” country such as Italy. In breaking up the original VoC distinctions, Baccaro and Pontusson benefit from hindsight: countries grouped in different categories have, during the transition to neoliberalism, developed in the same way and direction (“liberalization” being one of the “commonalities of capitalism,” a shift of income from labor to capital being another) while countries in the same category adopted different growth models. But that the LME/CME distinction was no more than a historical snapshot—and a pretty coarse-grained one—might already have been known in the 1990s when there was sufficient historical hindsight to see, for instance, that the United States and Britain, the model cases of LMEs, had at the end of WWII and during the subsequent two or three decades been anything but “market-coordinated.” In any case, Baccaro and Pontusson find three-and-half “growth models” in the four countries they study, illustrating “the diversity of post-Fordist trajectories among CMEs and similarities that cut across conventional CPE categories.” There is no reason to think that these exhaust the list of possible growth models (conceived as “more numerous and more unstable” than the VoC categories) in advanced and less advanced capitalist countries.
2. Not that the number of growth models was unlimited. There can be only so many components of aggregate demand serving as drivers of economic growth, and so many combinations of them. This makes the growth model approach suitable for theorization. Nor are growth models conceived, as VoC models are, as historically frozen political-economic equilibria; they are not and cannot be reified in the way LMEs and CMEs are in standard VoC theory. A country’s growth model is selected to fit its historical constraints and opportunities, domestic and international, and may have to be adjusted as these change under pressures from competition, technology, and shifting class structures and power relations. Indeed, one of the strongest points of the growth model approach, it seems to me, is that it distinguishes between a country’s economic

strategy and its underlying institutional and political structure—in different terminology, the country’s hegemonic social bloc. That structure, or the composition of that bloc, may evolve in time, in a direction that renders a country’s adopted growth model obsolete, resulting in political-economic conflict over how to restore what one could call, with Weber and Goethe, the “elective affinity” between the political coalition in power and the way demand is mobilized for the national economy to grow.

3. The growth model approach restores history to CPE. Unlike VoC, countries are not (mis)conceived as incorporations of two (or two-and-a-half) efficiency-theoretical “models” of “firm-centered” economic “coordination.” As expressions of VoC-type (pseudo)variety, political economies are allowed to change, but only in the narrow sense of reactions to exogenous shocks that return them to equilibrium. Functionalist change of this sort is ahistorical; it is no more than negative feedback in the service of restoring an essentially indelible, unchangeable, eternal condition. The growth model approach, by comparison, disconnects growth strategy from political-economic structure, allowing for two parallel strands of change and making the relationship between them a subject of empirical investigation and theory building. Which growth strategy best corresponds to a given social and political power structure is found out in historical practice, with the possibility that a given political economy is unable, because of internal blockade, to realize any functioning growth model at all (see Baccaro and Pontusson’s Italian case). Fitting growth models to changing structural and political conditions becomes an open-ended process without a predetermined optimal outcome, which allows for both practical creativity and historical evolution.
4. The growth model approach also restores politics and power to CPE. By separating economic strategy from political and institutional structure, it allows for the latter to change nonstrategically, that is, for other than efficiency reasons. It permits politics and economics to follow different logics—as indeed they do in the real world—rather than reducing politics to adjusting society to the strategic requirements of firms following one of two, or two-and-a-half, modes of coordination. Political conflicts can again be conceived as being over power, instead of over the best way to coordinate the economy. Efficiency is recognized as what it is: a secondary concern for those struggling for political supremacy and economic control. This applies even under “rational” capitalism, where the ruling class is interested primarily in profits and only secondarily in productivity; if the latter comes at the expense of the former, capitalists are quite willing to do without it. Low growth is fine with capitalists as long as it is accompanied by a declining wage share and rising profits.
5. The growth model approach makes it possible to return capitalism to CPE, leaving behind for good VoC’s ideological-technocratic derivative, “market economy.” With capitalism comes conflict—not technocratic disagreement over optimal coordination, but distributional conflict. Here Baccaro and Pontusson’s rediscovery of Kalecki is of the highest importance and may point the way to a modern version of a historical-institutionalist theory of capitalist development. Moreover, the concept of capitalism, unlike that of market economy, provides

for an endogenous and historically open-ended but not random dynamic of structural-historical change, one that is path-conditioned but not path-determined. Change under capitalism is development and evolution, not fluctuation—full of frictions, contradictions, and dysfunctions to be sure, but still patterned according to an identifiable logic of expansion and accumulation. This is a theoretical prior radically different from the deeply static worldview of functionalist economism, in which history closes down once social arrangements have finally been economically optimized. Capitalism carries the notion of an inherently restless political economy driven by an internal dynamism that allows no more than temporary, transient settlements, continuously contested both between classes and between the complex demands of social life and human beings, on the one hand, and capital's hunger for growth, on the other.

6. The notion of historical-political settlement is closely linked to that of a dominant social bloc, brought into play at the end of Baccaro and Pontusson's paper. Both relate CPE again to class, another item on the agenda of an updated theory of political economy that leaves behind the static-functionalist legacy of twentieth-century social science. To repeat, settlements between classes are not to be confused with technical solutions to problems of macroeconomic management. In fact they precede both, problems as well as solutions. The logic that governs them is that of class struggle in the context of capitalist expansion into society and societies, in whatever historically modified form. Modern class settlements are forged at the level of nation-states and in the process of national state building and institution building, normally in a context of international interdependency. Sometimes settlements may be sought in a class-collaborative effort to find ways for a nation to survive in a hostile international environment. Even social compacts of this kind, however, tend to be preceded by complex power politics laying the foundation on which class collaboration can, for a while, be based. Unlike what is suggested by functionalist economic historiography on the model of Douglass North's⁴ account of European history, the struggle between classes that results in political-economic institution building is not a joint effort to minimize transaction costs. How efficiently capital will be accumulated is *cura posterior* once it is established who is boss and who is not. National class settlements, which are at the same time settlements between capitalist markets and social life, vary widely and reflect the specificities of national historical trajectories and the contingencies of power politics within and between national societies. Each nation has its own history of incorporating capitalism into its institutional and class structure and regulating the intersection between capitalism and society. No two such histories are the same nor are their results; countries have different precapitalist legacies and different class politics that capitalist expansion must put up with. Growth models are clearly fewer in number; each national settlement, failing an ideal match to one of the available growth models, must pick the growth model that comes closest to its structural propensities and capacities (and some, as indicated by Baccaro and Pontusson, may under certain conditions not find any suitable growth model at all).

7. Finally, a brief remark on the supply side. I am confident that Baccaro and Pontusson, together with others, will be able to link the supply side of national political economies to their respective growth models, as mediated through the society's dominant bloc and class-political settlement or social compromise. Class politics and the underlying power structures both shape the nature of a society's productive forces and reflect it. What Baccaro and Pontusson add to the supply-side-oriented literature is that in order for supply to translate into growth it must be matched to a suitable growth model, which in open economies requires favorable external circumstances, in addition to a workable domestic political settlement successfully linking supply-side institutions to demand-side opportunities. Here, too, a historical perspective that considers politics and power, the endogenous dynamics of capitalist development, and the nature and composition of a society's dominant social bloc will be helpful and indeed indispensable.

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Notes

1. As codified by Peter A. Hall and David Soskice, "An Introduction to Varieties of Capitalism," in Peter A. Hall and David Soskice, eds., *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001) 1–68. I use the acronym VoC to denote the standard model of the "varieties of capitalism" school, to indicate my view that there is not nearly enough variety in the model, nor is it really about capitalism. I have made these points in detail, drawing on an extensive critical literature (without, however, being able to offer a constructive alternative, as do Baccaro and Pontusson), in Wolfgang Streeck, "E Pluribus Unum? Varieties and Commonalities of Capitalism," in Mark Granovetter and Richard Swedberg, eds., *The Sociology of Economic Life*, 3rd ed. (Boulder, CO: Westview, 2011), 419–55.
2. Thomas Kuhn, *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1970).
3. It is my impression that the model has for some time been losing in popularity, which simplifies my job.
4. Douglass C. North and Robert Paul Thomas, *The Rise of the Western World: A New Economic History* (Cambridge: Cambridge University Press, 1973).

Author Biography

Wolfgang Streeck (streeck@mpifg.de) is emeritus director of the Max Planck Institute for the Study of Societies in Cologne. He has written extensively on political economy and more recently was involved in debates over the politics of austerity, the rise of what he terms the debt-state as a result of the neoliberal revolution of the 1980s, and the future of the European Union.

