The Routledge Handbook of Critical European Studies

Didier Bigo, Thomas Diez, Evangelos Fanoulis, Ben Rosamond, Yannis A. Stivachtis

Capitalist diversity in Europe

Publication details
Andreas Nölke
Published online on: 22 Dec 2020

How to cite: Andreas Nölke. 22 Dec 2020, Capitalist diversity in Europe from: The Routledge Handbook of Critical European Studies Routledge Accessed on: 30 Nov 2023

PLEASE SCROLL DOWN FOR DOCUMENT

Full terms and conditions of use: https://www.routledgehandbooks.com/legal-notices/terms

This Document PDF may be used for research, teaching and private study purposes. Any substantial or systematic reproductions, re-distribution, re-selling, loan or sub-licensing, systematic supply or distribution in any form to anyone is expressly forbidden.

The publisher does not give any warranty express or implied or make any representation that the contents will be complete or accurate or up to date. The publisher shall not be liable for an loss, actions, claims, proceedings, demand or costs or damages whatsoever or howsoever caused arising directly or indirectly in connection with or arising out of the use of this material.
Introduction

Policy-makers as well as orthodox economic scholarship on the European Union – and the Eurozone in particular – prescribe similar economic policies for all member economies. The focus currently is on external competitiveness via wage restraint, public sector austerity and – to a more limited extent – private sector investments in research and development. Comparative Capitalism (CC) scholarship, in contrast, has long pointed to the diversity of capitalist models in the EU, inter alia including the Liberal Market Economy of the United Kingdom, the Coordinated Market Economies of Germany and Austria and the Dependent Market Economies in the Visegrád countries. Depending on the institutional complementarities within these economies, very different economic policies may be adequate. Correspondingly, CC scholarship has been critical with the development of the homogenizing tendencies of the Common Market, particularly since the 1990s.

More recently, Critical Comparative Capitalism (CCC) scholarship has highlighted that the co-existence of this capitalist diversity necessarily leads to far more – and even destabilizing – tensions, especially if combined with a common currency. It also has highlighted that the demand-compressing policies, advocated in the wake of the Eurozone crisis by orthodox economic scholarship and policy-makers alike, produce highly destructive effects in those Southern economies that traditionally have been based on consumption-led growth. Finally, CCC scholarship highlights the considerable political constraints that accompany the policies advocated by orthodox economics. However, the specific policy prescriptions that would follow from CC scholarship have remained rather less clear. The general thrust of the latter is obvious: In order to stabilize the economies of the member states (and the EU as a whole), the EU has to decrease its homogenizing pressure – a position that stands in stark contrast to the call for more Europeanization articulated by both conventional economists and policy-makers.

In order to support this argument, I will first discuss the character of CC as a ‘critical’ perspective. Next, I will detail the critique by CC scholarship regarding the long-term development of the EU, that is since the formal establishment of the European Communities in the 1950s. The subsequent two sections focus on critical CC perspectives on the Eurozone crisis and
on policies for the stabilization of the latter. Finally, I will summarize some policy conclusions that can be derived from the previous sections.

**Comparative capitalism as a critical research perspective**

As a (critical) institutionalist perspective, CC scholarship is broadly united by three features that distinguish it from both mainstream macroeconomics and most schools of Marxism (Jackson and Deeg 2006, 6, 30): Firstly, different institutional contexts lead to different economic capacities and problems, secondly national institutions are highly relevant for economic outcomes and thirdly institutions are path-dependent. In addition, most scholars in CC study economies with a focus on certain specific institutional spheres such as corporate governance, financial systems, industrial relations and skill regimes (Jackson and Deeg 2006, 12–20). Within this broadly conceived research programme, we can identify three generations of CC scholarship. Each generation has a somewhat different theoretical background, a typical country focus and offers slightly different analytical contributions (and equally has particular limitations).

Although there is a longer history to it (Jackson and Deeg 2006, 7–11, 21–30), the ‘Varieties of Capitalism’ (VoC) approach as formulated by Hall and Soskice (2001) can be considered the common point of departure for the first CC generation. It draws on a theoretical background in microeconomics and rational choice institutionalism. The most prominent country cases are Germany (and Japan) versus the US (and the UK). At the core stands a binary juxtaposition of coordinated and liberal market economy types (CME/LME) that each constitutes an economic equilibrium based on a specific coordination mechanism.

During the last two decades, the VoC approach has become very widely used, but also has become very widely criticised. Typical problems include, for example, its overly binary orientation, an exclusive focus on the supply side and a neglect of common tendencies within contemporary capitalism. Still, its conceptual apparatus remains very influential for later CC developments, in particular due to its canonical formulation of many core concepts. Even those authors who take a very critical stance towards VoC still often build upon many of its conceptual developments, such as the distinction of different wage bargaining-systems (coordinated versus non-coordinated), of different skill regimes (general versus company or sector-specific) or of different types of innovation (incremental versus radical).

The broad critique of the VoC approach has led to a second generation of CC scholarship with a stronger focus on historical and sociological institutionalism, instead of rational choice institutionalism (e.g. Yamamura and Streeck 2001; Schmidt 2002; Amable 2003, 2008; Jackson and Deeg 2006; Hassel 2006, 2014; Hancké, Martin Rhodes, and Thatcher 2007; U. Becker 2009; Hall and Thelen 2009; McCann 2010; Crouch 2012; Thelen 2014). This ‘post-VoC’ (Bruff, Ebenau, and May 2015, 34) research programme has transcended the very narrow geographical focus of VoC, by also developing concepts for the study of Eastern, Northern and Southern Europe, Asia, Latin America and South Africa. Based on the somewhat different theoretical angle, it emphasizes the importance of history and politics (in contrast to economic equilibria) for the emergence of capitalist institutions, of distributive struggles and inequality (in contrast to a focus on growth only) and of the role of the state for capitalist coordination – but also for rent-seeking and state capture, particularly in the more vaguely conceptualized ‘Mixed Market Economies’ (MME) of Southern Europe and France (Molina and Rhodes 2007; Hall and Gingerich 2009, 478–479; Beramendi et al. 2015a). A particular focus has been the comprehensive (often EU-driven) processes of liberalization and financialization, and on the various forms of institutional change that these processes have triggered, most notably a weakening of trade unions. As will be demonstrated below, this second generation of CC research has not only developed
important insights into Southern European capitalism, but also on the transformative forces of liberalization and financialization that are helpful for explaining the Eurozone crisis.

However, the second generation of CC scholarship still shares important common features with the original VoC approach. This is quite different with the third generation that is usually discussed under the heading of ‘growth models’. This third generation of CC scholarship differs from the first two based on three main features. First, it looks at the demand side of economic growth (instead of the supply side which was the focus of the first two CC generations). Second, it studies the political coalitions that stabilize a certain growth model. Third, it pays more attention to the international economic interdependencies between national growth models, particularly in the context of the Economic and Monetary Union (EMU).

This third generation of CC scholarship is often more critical with regard to existing political structures and cares even more strongly about conflicts, power differentials and income inequalities, although not being squarely in the Marxist camp (Ebenau 2015, 55–57). On the one hand, this ‘Critical Comparative Capitalism’ (CCC) scholarship combines the concepts of (post-)VoC with those of (Critical) International Political Economy and European Studies, focusing on the interactions and problematic interdependencies between national varieties of capitalism. A particular focus is on the problematical co-existence of very different growth models within the unified framework of EMU (e.g. Scharpf 2011, 2016, 2018; Gabor and Ban 2012; Hall 2012, 2014, 2018; Höpner and Schäfer 2012; Hancké 2013a, 2013b; Johnston, Hancké, and Pant 2013; Panagiotare 2013; Höpner and Lutter 2014; Becker 2014a; Kuokštis 2014; Streeck 2014; Beramendi et al. 2015b), but also on tensions within the global political economy, due to a shift of production towards emerging markets (e.g. Nölke and Vliegenthart 2009; Nölke 2011; Bohle and Greskovits 2012; Kalinowski 2013; Vermeiren 2014; Nölke et al. 2015; De Ville and Vermeiren 2016; De Ville 2018). On the other hand, some CCC scholars find their prime source of inspiration not in (post-)VoC, but in (institutionalist) regulation theory, the dependency approach or post-Kaleckian macroeconomics. Even so, they come to similar conclusions about the fragile interdependence between nationally (and institutionally) distinct capitals within the EMU (Stockhammer 2011, 2013; Armingeon and Baccaro 2012; Becker and Jäger 2013; Regan 2013; Gambarotti and Solari 2014, 2019; J. Becker 2014a, 2014b; Jessop 2014; Stockhammer, Durand, and List 2014; Baccaro and Pontusson 2016; Suau Arinci, Pessina, and Ebenu 2015; Johnston and Regan 2016, 2018; Baccaro and Benassi 2017; Regan 2017; Stockhammer and Mohib Ali 2018). These studies usually ignore most institutions that are considered to be important for company finance by the post-VoC approaches, looking instead at macro-economic data, as well as on institutions that are important for demand composition, for example those for collective bargaining, unemployment insurance or the regulation of limits on household indebtedness. Moreover, these studies do not speak of varieties of capitalism, but of export-led or profit-led growth regimes (or models) in CMEs, to be juxtaposed to the demand-/consumption-/debt-/wage-led growth regimes that typically can be found in LMEs and MMEs. Still, (post-)VoC country types and growth regimes are not identical as, for example, demonstrated in a juxtaposition of recent developments within the one-sidedly export-led German economy and the more balanced export and consumption-led Swedish economy; both usually classified as CMEs (Baccaro and Pontusson 2016).

Despite all of the differences highlighted above, the three generations of CC research still share important commonalities. Against the generalizing tendencies of most schools of macroeconomics and Marxism, they share a common focus on country heterogeneity. Capitalism works institutionally differently from country to country. Notably, the recent development of CCC scholarship has led to a quite eclectic, but highly useful synthesis, particularly with regard to the combination of comparative and international/European as well as of supply- and demand-side
perspectives. The three generations of CC research, however, differ with regard to their character as ‘critical approaches’. Whereas the first generation of CC research has been scorned for its somewhat functionalist, apolitical and ‘nationalist’ perspective on the emergence of different varieties of capitalism, these shortcomings have only to a limited degree been addressed by post-VoC research. From a holistic Marxist perspective, the first two generations of CC research focus too strongly on country-related institutional differences and not enough on the exploitative features of global capitalism per se (Bruff and Ebenau 2014), something that is partially remedied in the third generation of CC research, with its much stronger emphasis on center-periphery relations, inequalities and the demand side. However, even CCC could be challenged by a perspective that fundamentally casts into doubt the idea that socio-economic models have to be understood via their institutional support for the competitiveness of certain types of domestic business and instead posits that these institutions have to be understood as regulators of social conflict (Amable and Palombarini 2009). Nevertheless, all three generations of CC research have led to a critical perspective on the economic development of the EU.

**Comparative capitalism and the critique of the long-term development of European economic integration**

From the start of the CC research programme, applications of CC perspectives on the have been critical of the development of the European Union. In particular, scholarship developed at the Max-Planck-Institute for the Study of Societies (Cologne) had highlighted problematic aspects of the EU well in advance of the onset of the Eurozone crisis. At the core of this, critique is a concern about the increasing pressure for economic homogenization that has being exercised by EU institutions.

If we take a CC perspective on the history of the European economic integration, we can identify three main phases of development (Höpner and Schäfer 2007):

- A phase of easy coexistence of different European economic and social models (from the late 1950s until the mid-1970s);
- A phase of increasing competition between European economic and social models (from the mid 1970s until the late 1990s);
- A phase of convergence of European economic and social models – or of the attempt to enforce this convergence (since the late 1990s). The Euro and the Eurozone rescue policies are the apex of this attempt.

Unlike the customs union of the first phase of European economic integration, the Common Market in goods that marked the second phase already had considerable implications for the economies of the member states. The principle of mutual recognition, first based on case law by the European Court and then later enshrined in the Single European Act, substantially reduced the sovereignty of member states in the regulation of product markets. This has led to a massive increase of competition between companies from different Member States. It also indirectly fostered competition between the national social and economic institutions supporting these companies, without, however, challenging the existence of these institutions.

The peaceful co-existence between the national economic institutions of the Member States changed in the third phase of European economic integration when liberalization was extended from the markets in goods to the markets in services, capital and persons (free movement of workers). The liberalization of these markets under the common denominator of convergence towards a liberal model of capitalism interfered far more deeply with the institutions...
of differently organized economic and social models. This has become obvious, for example, in the case of the original proposal of the Takeover Directive that has been put forward by the European Commission with the target of establishing an open market for corporate control. The latter is a central element within the corporate governance systems of liberal economies such as the UK. There, the threat of an unfriendly takeover serves to discipline management in the favour of shareholder primacy, as exercised by pension funds, activist hedge funds and other institutional investors. In other economies, in contrast, corporate control is exercised by interlocking directorates, house banks, block-holders or the state. Unfriendly takeovers are an alien element that does not work well with other institutions in these economies, such as worker co-determination or state direction. Thus, the enforcement of an open market for corporate control would have changed the power relations within companies in many European countries considerably in favour of the side of shareholders such as institutional investors, as established in the liberal model of economic and social organization (Höpner and Schäfer 2007, 15–18).

The main drivers of this liberalization process were the European Commission and the European Court of Justice, two non-majoritarian institutions. Typically, initiatives of the Commission first have been hampered by resistance from within the societies of the member states as, for example, in case of the ‘country of origin principle’ within the Services Directive (Höpner and Schäfer 2007, 12–14). The original Commission proposal would have undermined the regulation of services by the governments of the economies where these activities are to be undertaken. This has been successfully opposed in many European societies, due to concerns about safety or quality standards, or the undercutting of locally paid wages – for example, with regard to the prominent discussion on the ‘Polish plumber’ during the 2005 debate on the European constitutional treaty in France. Correspondingly, the principle was eliminated from the Directive. The substantial steps for liberalization later still have been enforced via case decisions of the European Court of Justice, such as the Laval decision (2008) that put limits to the right of Swedish unions to strike in order to protect Swedish remuneration standards against cheap labour from Latvia.

**Comparative capitalism and the critique of the establishment of the Eurozone**

As highlighted in the previous section, CC studies of the European Union have highlighted the problematic development of the latter long before the outbreak of the Eurozone crisis. However, the Eurozone crisis has stimulated a large number of studies that point towards the misconstruction of the common currency. They have done so via an explanation of the crisis, understood as a combination of private and public indebtedness, as well as price and productivity competitiveness. In order to explain the latter, CC scholarship has developed four strands of thinking, each focusing of a different factor of the research programme (wage coordination, innovation systems, general coordination systems and finance). However, all wings of CC research agree that the introduction of the Euro has led to a highly problematic deepening of the German specialization in export-led growth, and of the Southern European specialization in consumption-led growth.

The first and, so far, most widely discussed CC account of the Eurozone crisis looks at the very divergent wage coordination systems within Eurozone countries. These systems deal very differently with the linkage between productivity development and wages, thereby leading to sharp differences in the development of unit labor costs. This observation first has been made by Collignon (2009), Scharpf (2011), Iversen and Soskice (2012), Carlin (2013), Ramskogler (2013), Hall (2014), Höpner and Lutter (2014) and Vermeiren (2014). However,
Hancké (2013a, 2013b) and associates (Johnston, Hancké, and Pant 2013) have studied the issue most systematically. Crucially, we not only see substantial differences in unit labor cost developments between countries, but we also observe that some countries consistently gain cost advantages over others. Normally, mainstream economic theories would expect that countries with cost advantages – and related gains in price-based competition – would substantially increase wages later on, due to the excellent economic condition of their companies, whereas countries with cost/price-disadvantages would depress wages, in order to regain competitiveness. This does not take place. CC approaches can help explaining this puzzle. They highlight the different institutions for wage–bargaining in the Eurozone economies as well as their stickiness. The CC-literature then further develops this line of argument by highlighting institutional complementarities in the CME ideal types, where factors such as protection against dismissals and co-determination allow employees to take a long-term perspective and to forego short-term benefits (such as immediate wage increases) for long-term ones (such as employment protection). In the context of CC discussions about the Eurozone crisis, these institutions arguably enabled the German workforce to permanently implement comprehensive wage restraint – and therefore to gain price competitiveness – whereas the workforce in Southern economies was not able to repeat this fate. In contrast to the comprehensive system of wage bargaining in Germany, where there usually is only one union per sector, Southern economies usually have several unions in each economic sector whose competition for support by workers can lead to ever increasing wage demands. Moreover, Southern European economies are lacking the German system of a ‘lead negotiator’ (‘Leitabschluss’), where the most important union (in an export sector) – usually the metalworkers union – indicates the maximum wage increase for negotiations in other economic sectors.

Moreover, a currency union increases incentives for wage restraint, since the latter provides a perspective for job security and – in the long term – possibly wage increases due to increased export shares. In contrast, under flexible exchange rates the potential long-run advantages of wage restraint may be undone by periodic currency revaluations (Höpner and Lutter 2014, 7). Given a currency union and mostly intra-regional trade, steady wage moderation by only one group of economies automatically leads to the accumulation of trade imbalances (Armingeon and Baccaro 2012, 272–3; Johnston, Hancké, and Pant. 2013, 10). Whereas the two types of economies were able to co-exist prior to the existence of the EMU, the destruction of two safety valves – firstly nominal exchange rate adjustments and secondly national central banks with individual inflation rates – has led to the permanent crisis that we are witnessing in Southern Europe (Johnston and Regan 2016).

Discussions so far have assumed that the competition between companies is based on homogeneous products and is mainly concerned with price competition. However, it is more realistic to assume that companies are producing different goods and competition is not based on prices alone (Lehndorff 2012, 80; Vermeiren 2014; De Ville and Vermeiren 2016; De Ville 2018). This is where a third CC explanation of the Eurozone crisis comes into play. More specifically, VoC scholarship assumes that specific national production systems cater particularly well for specific types of products, based on an appropriate system of skill formation. According to VoC, CMEs have comparative institutional advantages in incremental innovations in high-quality manufacturing, based on a sophisticated system of skill formation, in particular through vocational training (Hall and Soskice 2001; Iversen and Soskice 2012). Southern European economies, in contrast, have more advantages in producing medium-quality goods, based on a more uneven system of skill formation. The first implication of this distinction is that typical (Southern) goods should be (even) more price-sensitive than typical CME-type goods (Vermeiren 2014, 102–104; De Ville and Vermeiren 2016).
We also need to broaden our view from inter-regional trade balances (within the European Union) to extra-regional trade balances (between the European Union and other world regions), the main issue being the economic rise of China and other large emerging economies (Chen, Milesi-Ferretti, and Tressel 2012, 8, 21). Here, several mechanisms are at play, as pointed out by De Ville and Vermeiren (2016). Firstly, emerging market producers are very strong competitors for the typical labor-intensive goods produced by the Southern European economies (both intra- and extra-regional) but so far much less so for advanced German products, such as capital goods (Chen, Milesi-Ferretti, and Tressel 2012; Baccaro and Pontusson 2016). Correspondingly, the Southern European economies suffer much more from the rise of China, irrespective of the common currency. Relatedly, much of the extra-regional demand created by emerging markets is for typical German products (such as luxury cars or advanced machinery), much less so for the typical goods produced in Southern Europe (such as food and fashion). Again, the Southern economies benefit much less from the rise of the large emerging markets, compared to Germany and its neighboring countries. Thirdly, the rise of China and other emerging economies brought with it an appreciation bias for the Euro, due to massive euro acquisitions by the People’s Bank of China. Again, this affects typical Southern European goods more than German ones, because of their higher price-sensitivity. Customers will choose, for example, a plain t-shirt much more based on price considerations than a sophisticated German luxury automobile. Fourthly, the extra-regional German export success – ceteris paribus – also leads to a higher exchange rate for the Euro as a whole, compared with a Southern European currency alone, thereby further intensifying the competitiveness problem for Southern European producers.

A third strand of CC scholarship focuses on the general coordination mechanism. From a CC perspective, each type of capitalism is based on a typical coordination mechanism, be it markets and formal contracts in LMEs, or associations in CMEs. For the MMEs in Southern Europe, CC scholarship highlights the central role of the state (Hassel, 2014), instead of direct coordination between the business community and labor as in CMEs (Schmidt 2002; Galletti 2018). Access to the state – or even state ‘capture’ (Beramendi et al. 2015a, 49–55) – was always a highly important resource in Southern European economies, based on clientelistic relations and political lobbying. Whereas this resource has before been utilized for the protection of companies and labor forces via periodic devaluations, the focus increasingly shifted to the utilization of fiscal resources after the introduction of EMU, supported by the lower interest rates for sovereign debt that went along with the introduction of the latter. Correspondingly, Southern European economies such as Greece were able to increase public spending to a much higher degree as was the case before the introduction of the Euro. Moreover, a comparison of Germany and Southern Europe with regard to nominal wage growth shows a diverging pattern, with strongly increasing wages in Southern European public sectors (Hassel 2014, 20).

A fourth CC explanation for the Eurozone crisis focused on the increasing financialization of Southern Europe, in particular with regard to household debt. Increasing private indebtedness can be seen as an alternative to increasing public indebtedness as fuel for a demand-led growth regime, as highlighted by the third generation of CC research. Moreover, financialization – in terms of strongly increased cross-border financial flows – relaxes the balance-of-payments constraint of credit-based consumption for some time (Baccaro and Pontusson 2015, 21). The focus of economic activity moved from industry towards finance, real estate and construction and often from production for export to the management of imports (Chen, Milesi–Ferretti, and Tressel 2012, 8; Becker and Jäger 2013, 171; Schweiger 2014, 163–165). Temporarily, the deteriorating export competitiveness in production after the introduction of the Euro had been masked – more precisely, over-compensated – with regard to its negative effect on economic growth by an increasing private indebtedness and rising asset prices, fueling booms in
construction and consumption (Stockhammer, Durand, and List 2014, 8, 11–13). In the end, however, Southern Europe became trapped in a fragile position of peripheral financialization (Gambarotto and Solari 2014; 2019).

**Comparative capitalism and the critique of Eurozone stabilization policies**

By 2011, it had become obvious that the fundamental problems of the construction of the Eurozone had to be addressed. In order to stop the divergence of interest rates for the sovereign debt of Eurozone member economies, the European Union introduced reform programmes for heavily hit countries that are based on the provision of financial support (e.g. by the European Stabilization Mechanism/ESM), in exchange for fiscal contraction and the liberalization of labour markets. Moreover, all Eurozone economies have been put under an intense regime of economic surveillance based on the prescriptions of, notable, the ‘Six Pack’ and ‘Two Pack’ in 2011. Again, the response of the European Union was dominated by the logic of ‘one best way’ in which the economies of the South had to follow the blueprint of a liberal economic model, now combined with German fiscal restraint. From a CC perspective, this approach is deeply flawed. The Southern Eurozone countries simply do not possess the institutions necessary for pursuing export-led growth, in particular for the organization of wage restraint and for continuous incremental innovation in a similar way as in CMEs. Moreover, the Eurozone rescue packages and their austerity policies undermine the existing growth models in the Southern Eurozone that were based on demand-led growth, at least in part relying on increasing private or public debt (Hall 2018, 5–10; Johnston and Regan 2018).

From a CC perspective, a common institutional blueprint cannot work throughout the whole Eurozone and has already led to a deep economic and social crisis in the Southern economies. Recently, the Southern economies seem to have stabilized somewhat. Closer scrutiny shows, however, that this stabilization occurs at a low economic level, with extremely high youth unemployment, and that the underlying reduction of balance of payments deficits is less based on increasing competitiveness but rather on a sharp reduction in imports. The latter also leads to growing conflicts with other economic zones such as the US, because of the related reduction of global demand. The European Central Bank (ECB) policy of quantitative easing – the purchase of financial assets for the purpose of increasing the money supply in order to stimulate the economy in a situation of very low interest rates – intensifies this problem by causing a devaluation of the Euro, potentially leading to global currency wars.

It would be a grave mistake to continue on this chosen path. For the South of Europe, at least one or two decades of social and economic stagnation look very likely. From the perspective of the North, this not only weakens important export markets but also still contains the threat of a chaotic implosion of the Euro system, at very high costs. Furthermore, a continuation of the current path of ‘forced structural convergence’ (Scharpf 2016) will not only lead to permanent tensions with economies outside of the Eurozone, but also between the governments and the peoples of the Eurozone, with the one side focusing on the need to implement additional adjustment programmes and the other side highlighting the need for compensating fiscal transfers; both sides will be highly unlikely to give in.

**Conclusion**

Even after more than six decades of European economic integration, the national economic and social models in Europe still differ fundamentally. Economic heterogeneity should not be considered a bad thing, because there is no ‘one best way’ of organizing an economy. In contrast, the different
models of the liberal United Kingdom, the coordinated economies of Northern Europe, the French state-led economy, the Southern European consumption-led economies and the former transition economies of Eastern Europe all have their specific economic advantages and disadvantages.

However, with increasing frequency over the past couple of decades, the European Union has increased the pressure on its member states to equalize these differences, guided by the vision of a pan-European (ordo-) liberal model. This process has gone way too far. We should rather change course in order to rescue the European integration process and to decrease the tensions between the peoples of Europe that have (re-) emerged during recent years. From a CC perspective, it is indispensable to give more flexibility to the economic systems of the member states. This particularly pertains to the very rigid system of Eurozone rescue policies, but possibly also to a somewhat less strict coupling of the currencies of the member states. One option would be a return to a modified European Monetary System, with the option for currency appreciations and devaluations (Höpner and Spielau 2018; Scharpf 2018). More generally, a CCC perspective does not argue in favour of even deeper integration within the EU, but rather for a certain degree of relaxation, in order to safeguard economic well-being and to decrease the current EU challenges to democracy and egalitarian politics (Sumonja 2019).

However, we should also note that the CC perspective discussed here is unable to explain the recent political and economic development of the European Union in total. In particular, it lacks analytical instruments to make sense of the political dynamics behind the recent evolution of the Eurozone stabilization regime. While it can contribute to the explanation of national preferences – for example, the German preference for fiscal and wage restraint in order to support price competitiveness of the German export-led growth model – it has no adequate analytical instruments for understanding inter-governmental and transnational power politics. Correspondingly, it has to be complemented by other political economy approaches in order to fully develop a critical perspective on the development of the European Union.

Notes

1. This section updates a previous, slightly more detailed discussion of the distinction between these three generations, see Nölke 2016a.
2. For a perspective on economic heterogeneity in the EU drawing on regulation theory and the dependency approach see also the contribution by Jäger, Becker and Weissenbacher in this volume.
3. This section is in large parts based on Nölke 2016b.
4. For a more detailed discussion of CC applications for the explanation of the Eurozone crisis see Nölke 2016a and Hall 2018.
5. The subsequent section summarizes ideas originally articulated in Nölke 2016b.
6. For the devastating effects of austerity policies see also the contribution by Montgomerie and Teppe-Belfrage in this volume.
7. For surveys of contributions towards the latter see Frieden and Walter 2017 or van Apeldoorn and Horn 2018.

References


Gabor, Daniela and Cornel Ban. 2012. Fiscal Policy in (European) Hard Times: Financialization and Varieties of Capitalism (manuscript)


