

The Diversity and Dilemmas of Europe's Capitalisms

Seán Ó Riain

Sociology and NIRSA

NUI Maynooth

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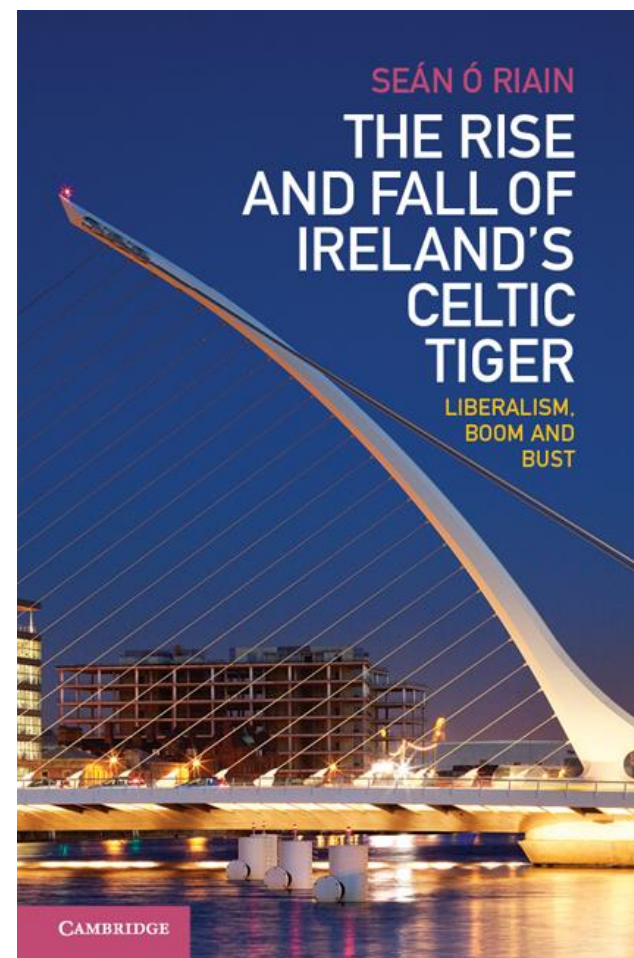
ESRI, February 6th 2014

Why Worlds of Capitalism?

- Europe's Diverse 'Worlds of Capitalism'
 - Political crisis and social science opportunity
- Economic Sociology and Comparative Political Economy
 - 'embedding' of economic relations in social relations and political institutions
 - capabilities and social/ institutional resources
- 'Deep Integration' of Economies
 - Rodrik: factor mobilities
 - But, more fundamentally, societal interactions and interdependencies

Europe's Diversity and Dilemmas

- Macroeconomic Regimes in Europe
- The Political Economy of Growth and Distribution in Denmark and Ireland
 - ‘Creative Corporatism’ (Ornston)
 - Capital and Labour Share of National Income (Flaherty and Ó Riain)
- The Polanyian Logics of Europe's Capitalisms
- Europe's Integration and Perverse Policy Mix



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EUROPE'S WORLDS OF CAPITALISM

European Social Compacts in the 2000s: Welfare, Production and Fiscal Regimes

	'Social Investment', 2000 (% GDP)	Social Spending, 2002 (% GDP)	Average Business R&D Investment 1999-2007 (% GDP)	% 'Learning' Organisation of Work, 2000 (Lorenz & Valeyre)	Average 'Structural' Fiscal Balance 1999-2007 (% 'potential' GDP)
Social Democratic	11.3	36.6	2.26	53	0.3
Christian Democratic	9.6	32.5	1.42	47	-1.7
Liberal	8.1	27.5	0.97	29	-2.5
Mediterranean	7.0	26.6	0.40	24	-4.0

“Austerity is the new normal. It is not a temporary phenomenon. It will become permanent. Fiscal conservatism is the order of the day”

Alan Milburn, Labour Minister for Health, 1999-2003

New Statesman, 23 February 2012

In Which Capitalisms is Fiscal Conservatism 'Normal'?

EU15 Government Budget Balances, 1999-2007

	Actual 1999-2007 (% Actual GDP)	Structural 1999-2007 (% Potential GDP)	Structural 1999-2002 (% Potential GDP)	Structural 2003-2007 (% Potential GDP)
Social Democratic	2.5	0.3	0.1	0.5
Christian Democratic	-1.5	-1.7	-1.7	-1.6
Mediterranean	-2.9	-4.0	-3.1	-4.7
Liberal	0.1	-2.5	-0.6	-3.8

THE WORKINGS OF NATIONAL ECONOMIES: IRELAND AND DENMARK

Corporatism (Ornston)

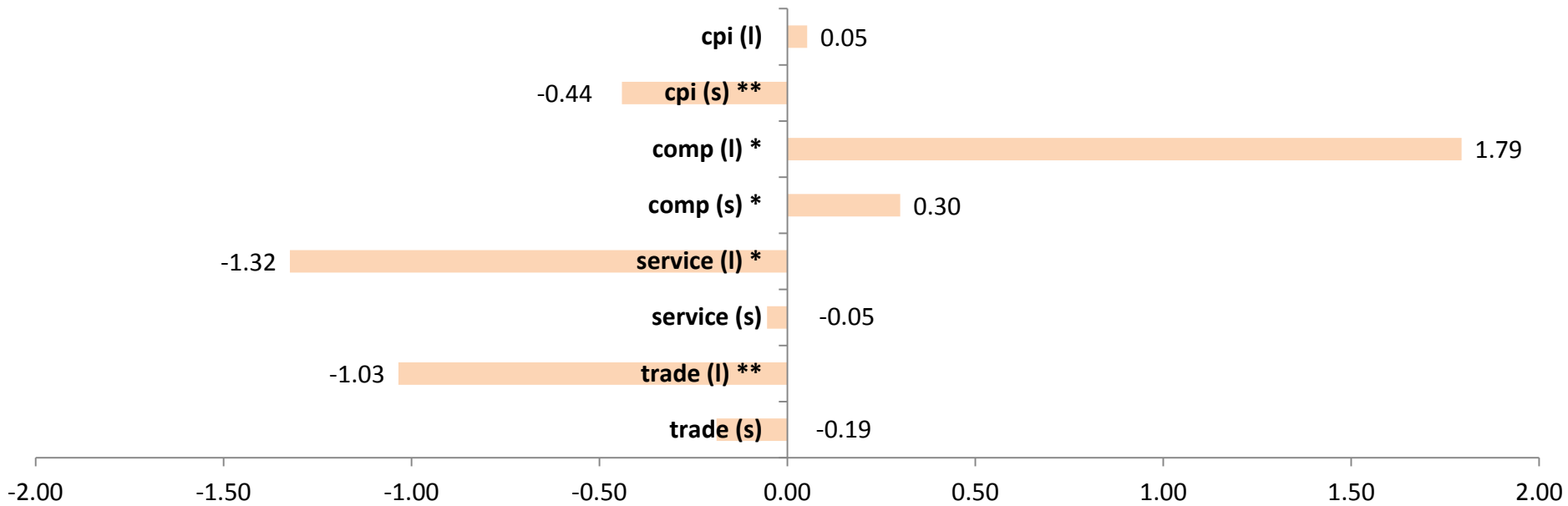
- Conservative
 - Stable bargaining
- Competitive
 - Cost competitiveness
- Creative
 - Public investment in risk resources

		<i>Ireland</i>		<i>Denmark/ Finland</i>	
		<i>Late 90s</i>	<i>Mid-2000s</i>	<i>Late 90s</i>	<i>Mid-2000s</i>
<i>Risk Capital</i>					
<i>Business</i>	<i>Early Stage Venture Capital (% of GDP)</i>	5.2	2.0	6.7	4.5
<i>Public</i>	<i>Sectoral Aid (% of GDP)</i>	.69	.19	.81	.55
<i>Active Labour Market Supports</i>					
<i>Business</i>	<i>% of Labour Costs spent on Training</i>	2.4	2.2	2.7	2.1
<i>Public</i>	<i>Spending on Active Labour Market Policies (% of GDP)</i>	0.95	0.53	1.35	1.04
<i>R&D</i>					
<i>Business</i>	<i>Business Funded R&D</i>	.82	.70	1.48	1.93
<i>Public</i>	<i>Government Funded R&D</i>	.29	.38	.78	.79

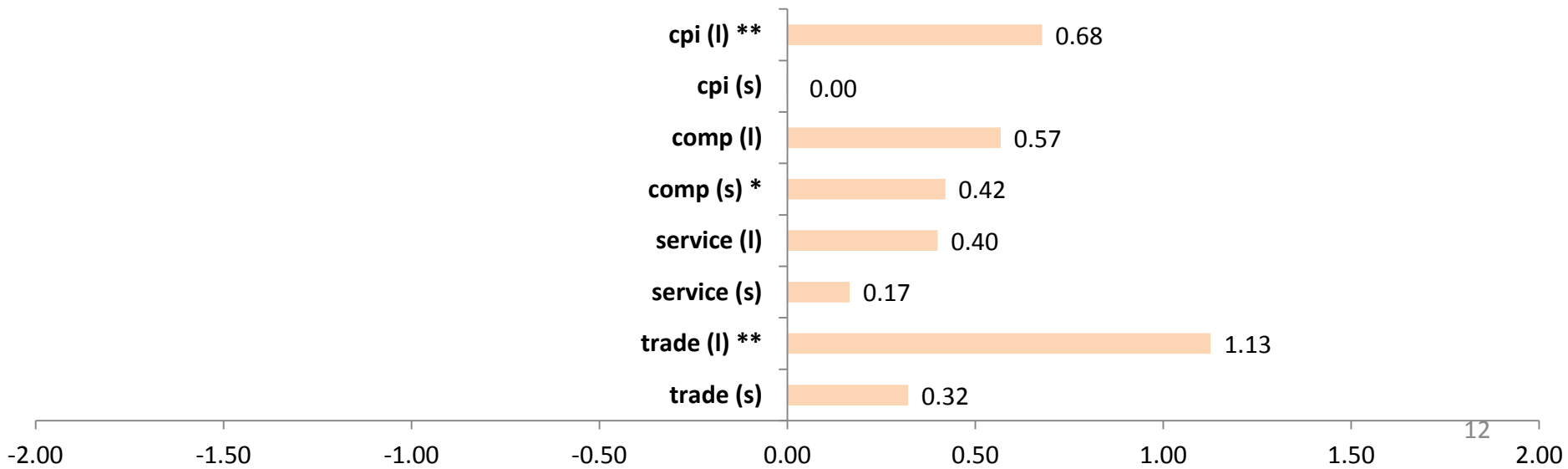
The Politics of Distribution

- Labour's Share of National Income
- Declining across Europe
- Higher in Ireland than Denmark
- Declines faster, more volatile pattern
- What shapes labour's share of national income?
- Flaherty and Ó Riain (2013)

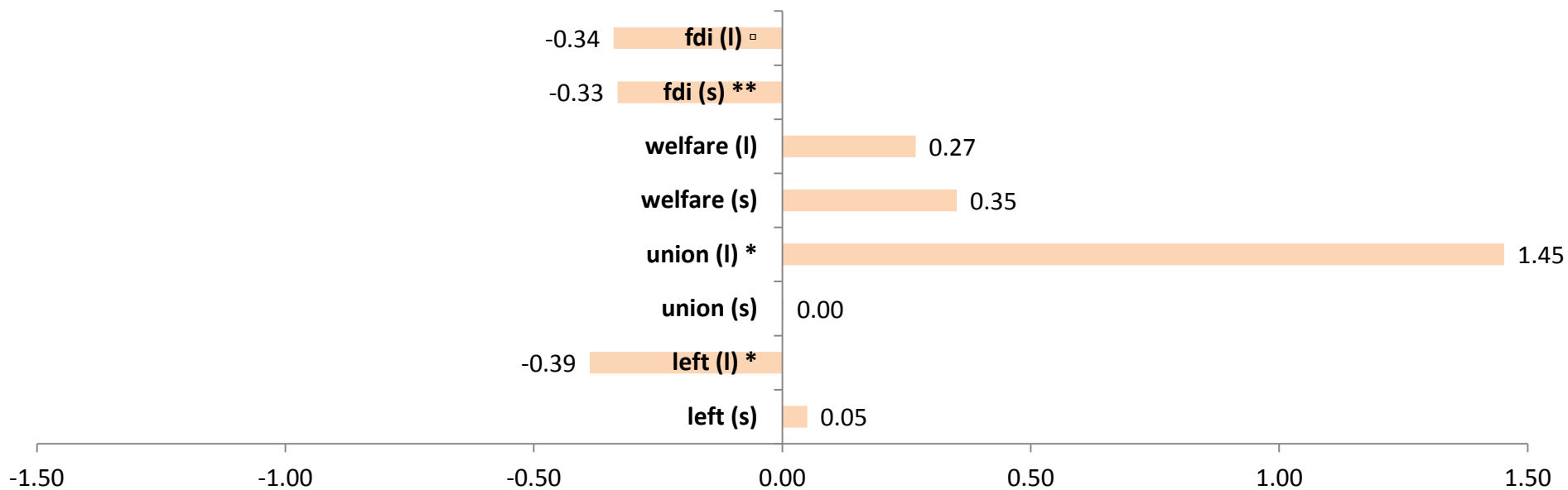
Standardised Coefficients, Ireland (Macro-economic model)



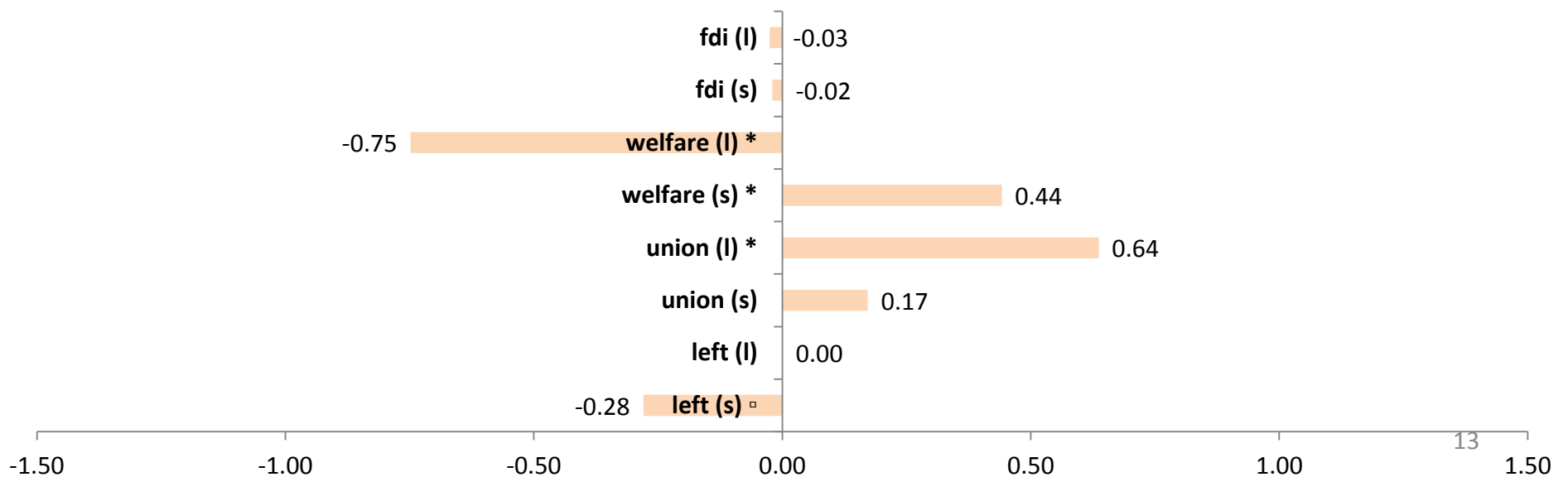
Standardised Coefficients, Denmark (Macro-economic Model)



Standardised Coefficients, Ireland (Political-economic model)



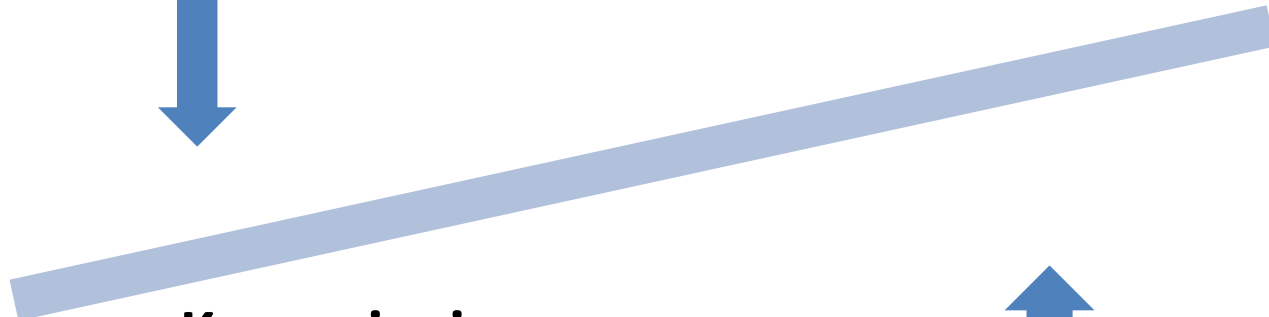
Standardised Coefficients, Denmark (Political-economic model)



LOGICS OF CAPITALISMS

The Double Movement in Liberal Political Economies

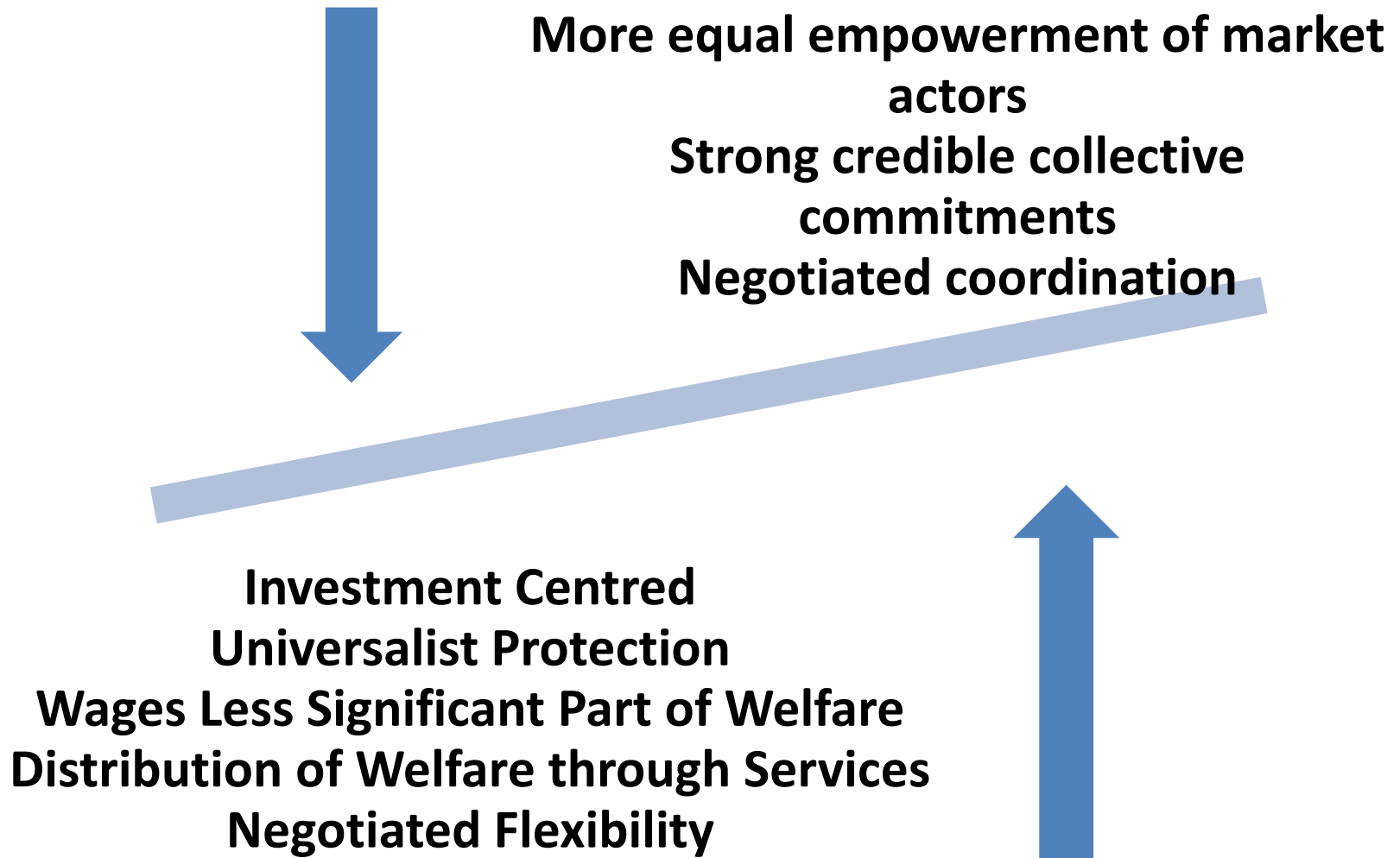
Unequal market power
Weak credible commitments to security, protection and investment
Hierarchical Power



Keynesianism
Wage Earner Welfare State
Wage and Market Income as Focus of Demands
Tax Redistribution of Income
Job Control



The Double Movement in the European Core



(At Least) Two Logics of Capitalist Organisation

- Keynesian Investments
 - Tactical (Liberal)
 - Strategic (Social Democratic)
- Risks
 - Externalised (Liberal)
 - Internalised (Social Democratic)
- Austerities
 - Shrinking the State (Liberal)
 - Protecting the State (Social Democratic)

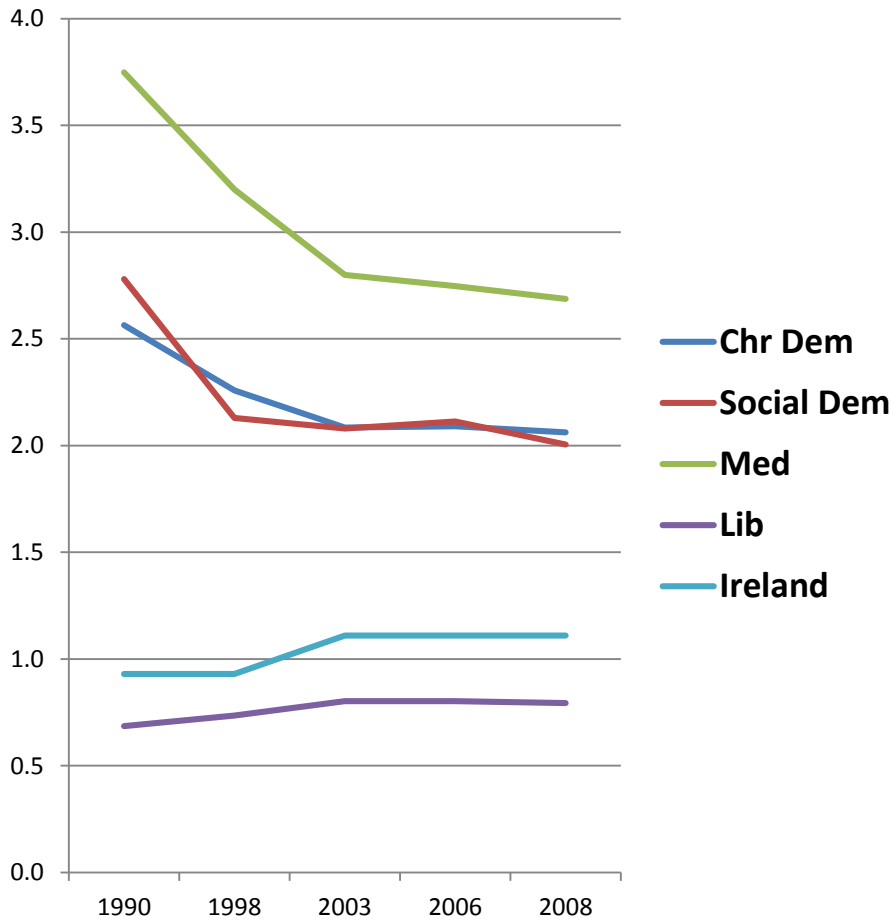
EUROPEAN INTEGRATION

Macroeconomic Futures Foretold: Comparative Capitalisms 1960-1972

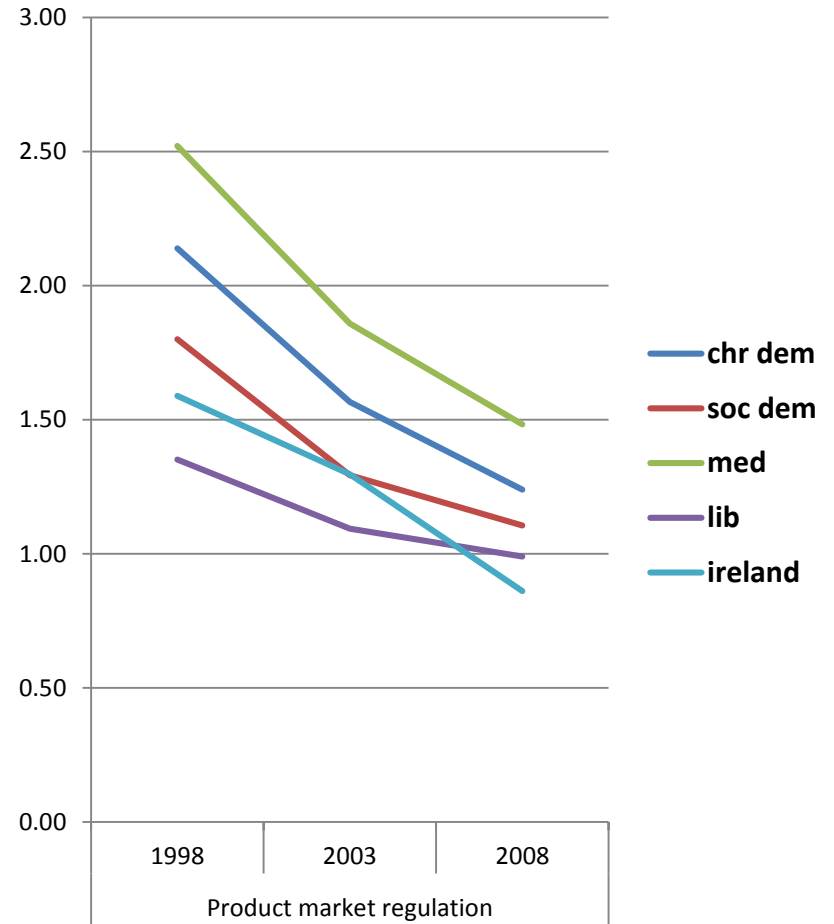
	Average Budget Surplus	Coordination Index	Central Bank Independence	Liberalisation of Capital Controls	Hard Currency Index (73-93)
Social Democratic	+2.6	.72	0.29	2.0	.37
Christian Democratic	-0.3	.59	0.43	3.1	.50
<i>Germany</i>	<i>0.4</i>	<i>0.88</i>	<i>0.66</i>	<i>4.0</i>	<i>.60</i>
Liberal	-2.5	.13	0.42	2.8	.15 (UK only)

Huber and Stephens, 1990, Table 4.3; Iversen, 1999, Table 3.1

'Liberal Convergence'? (OECD Indices)



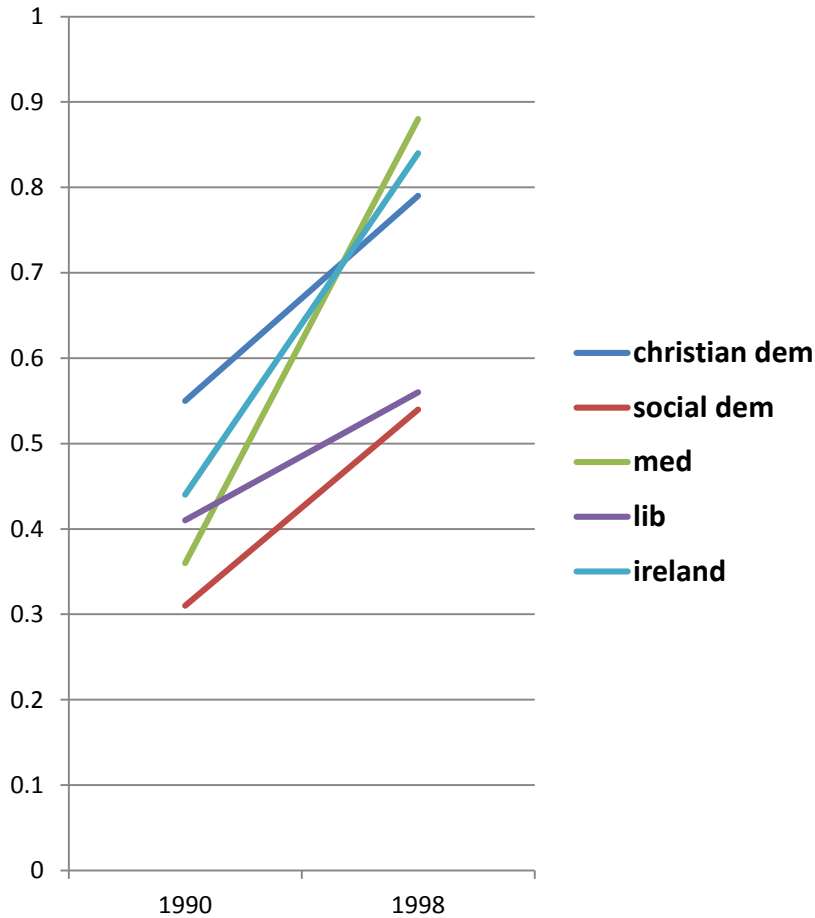
EMPLOYMENT PROTECTION



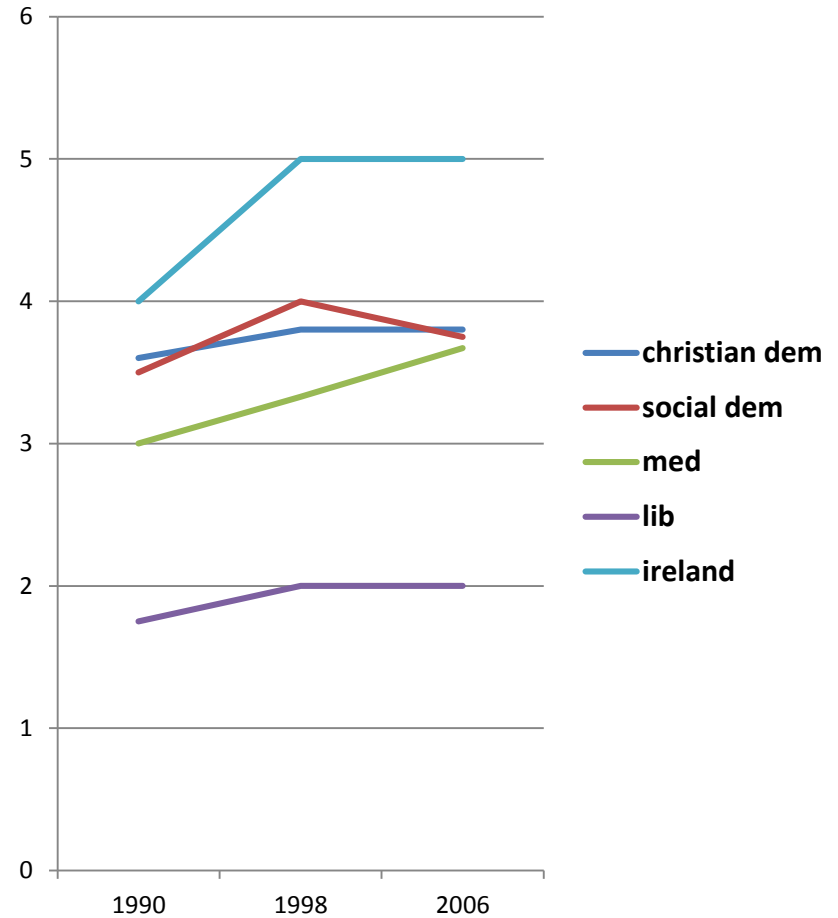
PRODUCT MARKET REGULATION

'Christian Democratic Convergence'?

(Guillen, Visser indices)

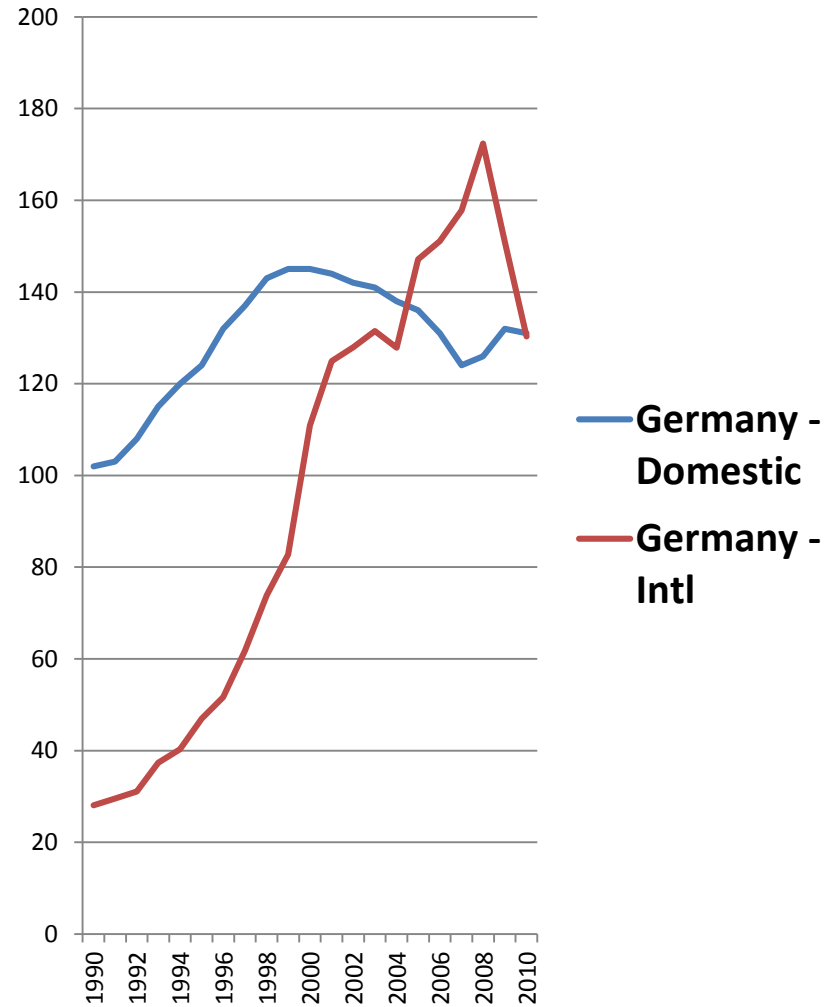
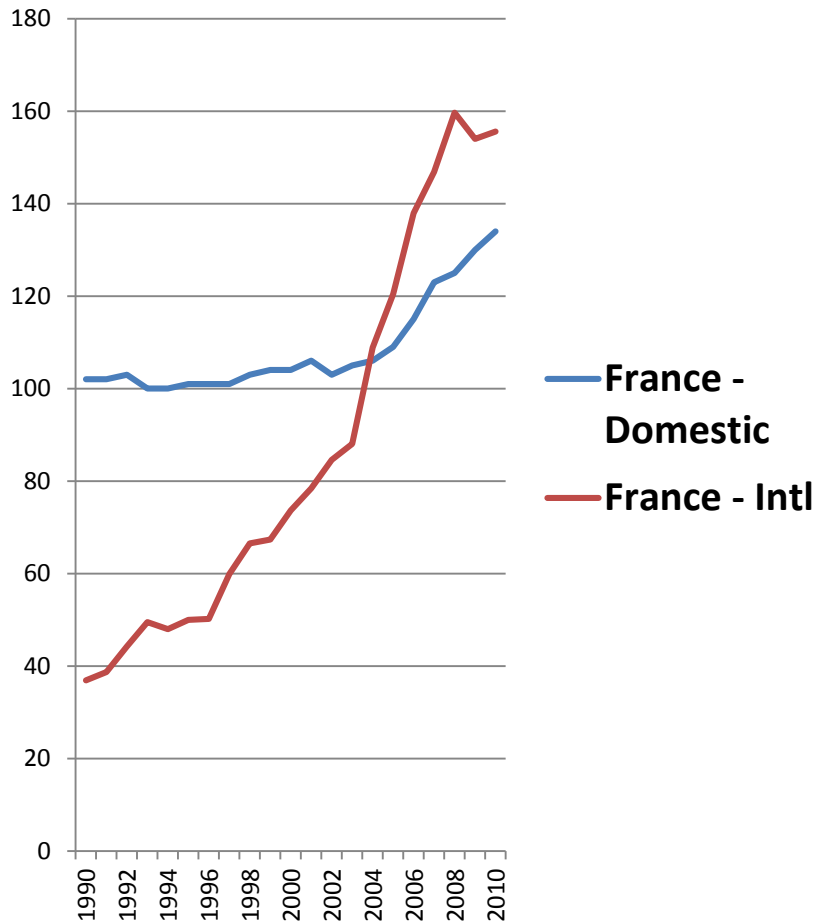


CENTRAL BANK INDEPENDENCE



WAGE COORDINATION

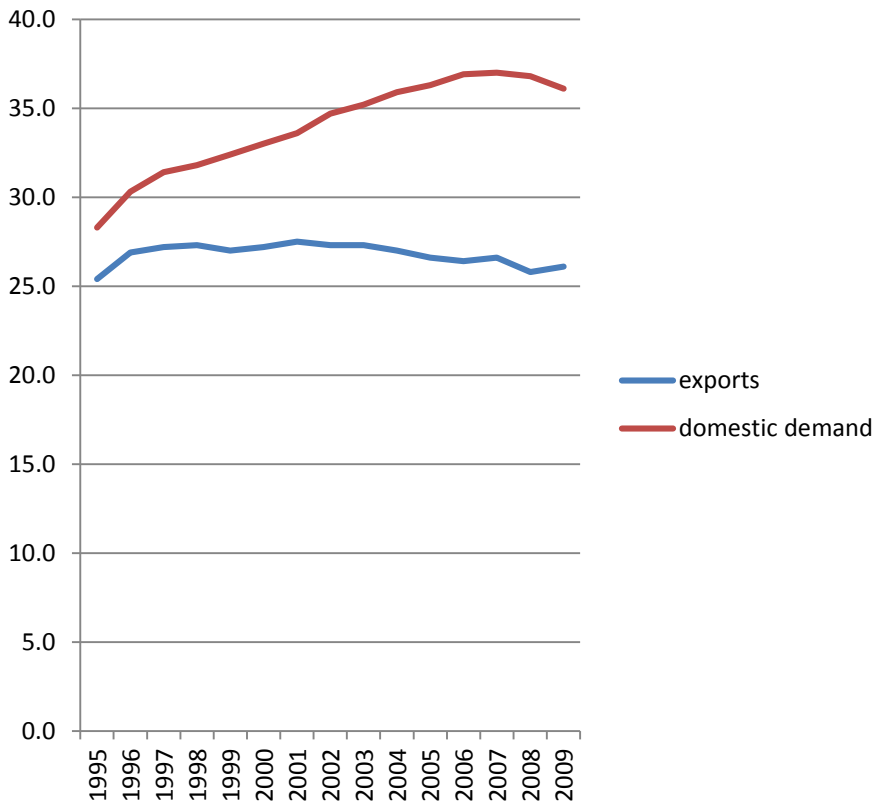
Financialising Europe



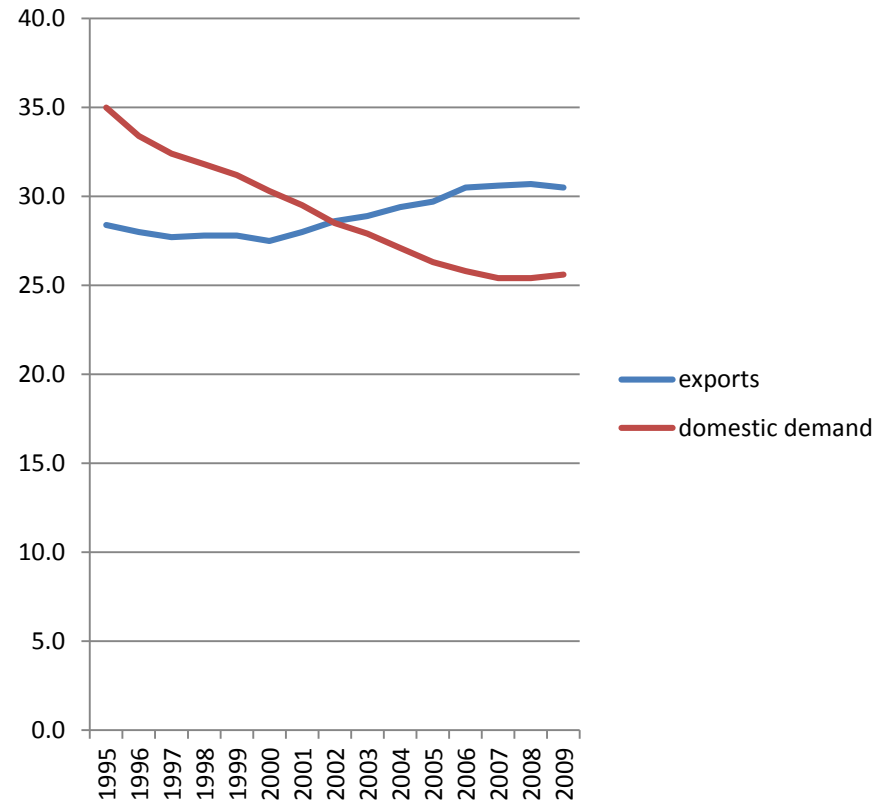
DOMESTIC CREDIT AND INTERNAT'L BANK LENDING IN FRANCE AND GERMANY (% OF GDP)

Turning Europe Inside Out, 1995-2009: Keynes in the Periphery, Schumpeter in the Core?

SPIIG Countries



Germany



% OF TOTAL EXPORTS AND TOTAL DEMAND IN EUROZONE

Europe's Perverse Policy Mix

	<i>EUROPE 2008-2013</i>	LIBERAL CAPITALISMS	SOCIAL MARKET CAPITALISMS
Macro-Economic Management	<i>FISCAL CONSOLIDATION</i>	KEYNESIAN DEMAND MANAGEMENT	FISCAL CONSOLIDATION
Supporting Real Economy Recovery	<i>'CONFIDENCE' AND PRIVATE INVESTMENT</i>	'CONFIDENCE' AND PRIVATE INVESTMENT	STATE-LED INVESTMENT