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Comparative Capitalism without Capitalism, and Production without Workers: The Limits and Possibilities of Contemporary Institutional Analysis

Professor Geoffrey Wood, Professor of International Business, Warwick Business School, University of Warwick, Coventry, CV4 7AL. Tel: 02476 524502, geoffrey.wood@wbs.ac.uk

*Professor Pauline Dibben, Professor of Employment Relations, University of Sheffield, Sheffield University Management School, University of Sheffield, Conduit Road, Sheffield, S10 1FL. Tel. 0114 2223472, p.dibben@sheffield.ac.uk

Professor Stuart Ogden, Professor of Accounting, Sheffield University Management School, University of Sheffield, Conduit Road, Sheffield, S10 1FL. Tel: 0114 2223449, s.ogden@sheffield.ac.uk

Comparative Capitalism without Capitalism, and Production without Workers: The Limits and Possibilities of Contemporary Institutional Analysis

Abstract

The aim of this paper is to consider the extent to which the comparative capitalism literature fully reflects the available empirical evidence in its attempts to model different versions of capitalism, and in particular whether it adequately captures the roles of diverse stakeholders within the capitalist system. In doing so, particular attention is accorded to the varieties of capitalism literature, business systems theory and regulation theory. In addition, there is reflection in the paper on whether any strand of the literature is able to deal effectively with the recent economic crisis and systemic change. It is argued that more attention needs to be devoted to exploring the structural causes of change, and the marginalization of the interests of key social groupings, most notably workers, from the process of institutional redesign.

Introduction

The last few decades have witnessed an increased interest in characterizing differences between capitalist economies according to specific institutional configurations that are alleged to have particular capabilities to promote distinct logics in terms of economic outcomes. The intended purpose of such endeavours is to make comparisons between these various institutional configurations in terms of their relative merits in facilitating the achievement of specific declared economic objectives such as ‘efficiency’ or ‘competitiveness’. Although the idea of convergence to one particular set of economic and political structures as envisaged in the ‘End of History’ thesis (Fukuyama 1992) has become somewhat dated, researchers and commentators on management continue to be influenced by notions of ‘best practice’ within competing versions of capitalism and how they may be transplanted from one context to another in pursuit of better economic performance.

One distinct theme that has emerged from the wealth of recent comparative analysis which will be of interest to management scholars is the emphasis that has been given to the firm as a central actor within wider institutional frameworks concerned with the organizing and co-ordination of economic relationships. In particular, questions have been asked about how a firm’s capabilities and its effectiveness in managing its internal processes and resources is encouraged or constrained by its strategic interaction with the external institutional environments that confront it. In exploring this literature, we aim not only to assess the merits of the different approaches to the analysis of these issues but also to critically investigate how far attempts to match particular firm characteristics with specific macro-level institutional configurations take account of the degree of the heterogeneity of actual organizational operations and activities. We also examine how effectively change is theorized both in terms of continuities but also discontinuities with previous developments. This analysis is important for conceptualizing how far particular firm characteristics may have contributed to, or been subsequently affected by, change resulting from crises such as that which occurred in 2008.

While the literature on comparative political economy is vast, this paper is focused specifically on examining and providing a critique of well-known branches of socio-economic theory that have been used to evaluate firms' capacity to manage their internal and external relationships and the institutional contexts within which they are situated. Rather than simply attempting to undertake a systematic review of the literature employing a keyword search, our selection of relevant literature reflects our focus on the key authors, texts and subsequent discussion and criticism of three principle comparative approaches to conceptualizing the institutional structures of different 'versions' of capitalism: the 'varieties of capitalism' literature (see, for example, Hall and Soskice 2001), business systems theory (see, for example, Whitley 2001) and regulation theory (see, for example, Boyer 2002; 2011). We use the term 'comparative capitalism' to draw together these different strands of literature. Essentially, therefore, this term implies the comparing of national configurations and firm level practices from a socio-economic starting point, rather than accounts flowing from the mainstream economics literature, which accord primacy to a single over-riding institutional feature (such as property rights, as emphasized by La Porta and colleagues (c.f. La Porta et al. 1999) that provides incentives and disincentives to rational actors.

We have explained our search for relevant literature in more detail within the methods section. Our approach has had to be selective as it is not possible to do full justice to the undeniably vast literature on comparative capitalism in a short paper. Amongst the omissions, it is important to acknowledge that this paper does not assess, for example, the work of the historical institutionalists (see, for example, Thelen 2001 and Streeck 2009; 2012), which has underpinned some of the recent developments and extensions of the literature, and nor does it cover dependency theory in any depth. However, these perspectives are drawn upon, where relevant, in order to critique the three main branches of theory under review. Further branches of theory that critically engage with the existing managerial literature include the critical management studies, Foucauldian and labour process branches of literature. The former two add insights into the nature of work in the context of different production regimes, while the latter engages with micro-politics within firms (see, for example, Braverman 1974; Thompson and Vincent 2010 for examples of the latter strand). Although each potentially provides useful and critical reflections on the current capitalist system, they will not be covered here, since this paper seeks to critique the comparative capitalism literature.

In undertaking this review our aim is to consider the extent to which the three key streams of comparative capitalism literature fully reflect the trends in firm behavior within the global economic system that are relevant to the issues they consider. In particular, we explore whether this literature adequately captures the roles of diverse stakeholders within the capitalist system, and then consider whether any strand of this literature is able to deal effectively with the recent economic crisis and issues of systemic change. It is argued that more attention needs to be devoted, firstly, to exploring the structural causes of change and, secondly, to the marginalization of the interests of key social groupings, most notably workers, within such debates. This is in contrast to previous reviews which have considered, for example, the relevance of business systems theory to the study of multinationals and international institutions (Morgan 2007a; Wilkins et al. 2010), and pointed to the need to consider diversity within countries (see, for example, Allen 2004; Morgan 2007b).

In reviewing the three comparative approaches to versions of capitalism, particular attention is directed towards the challenges that appear to be inherent in seeking to unpack and compare undeniably diverse national systems within broad categories, and the problems involved in attempts to reconcile them over time and space with structural developments in firms and institutions. In examining these difficulties it has been possible to indicate common limitations amongst the different approaches reviewed here and to suggest possible future agendas.

The paper is structured as follows. Firstly, the methods used are outlined. Secondly, the principle strands of the literature on comparative capitalism that provide the focus for our review- namely the Varieties of Capitalism Approach, Business Systems Theory and Regulation Theory - are introduced. The relative strengths and weaknesses of each approach are examined and critically appraised. Thirdly, the paper highlights the limitations and possibilities of such approaches to understanding the present crisis. Where appropriate, we critique these important strands of thinking through drawing on relevant political economy literature.

Methods

The methods used to select literature for review were influenced by our specific aims to, firstly, explore whether the comparative capitalism literature adequately captures the roles of diverse stakeholders within the capitalist system and, secondly, to consider its relevance to the recent economic crisis and issues of systemic change. A systematic review of the literature was not employed for the purpose of this paper, due to its limited value, given the paper's aims. Instead, we carried out a 'traditional' review (see, for example, Macpherson and Jones 2010). However, in order to check that we had covered relevant literature, as shown in Table 1, we carried out a supplementary search of sources published between 1995 and 2012 within the Web of Science, JStor and Scopus databases. The search of JStor was carried out in 2012, and then updated in June 2013, when the Scopus database was also searched. The Web of Science search was initially carried out in 2012 and then updated in August 2013. As was mentioned above, the term ‘comparative capitalism’ is an overarching term for different strands of literature, and our search needed to unpack this combined term (see the useful discussion in Ortenblad 2010). This was achieved through searching for related terms such as: ‘Varieties of Capitalism’, ‘Business Systems Theory’, ‘Regulation Theory’, ‘business systems’, ‘capitalism’, and ‘institutions’. We discarded the search results that did not seem relevant to the concerns of the paper. Where excessive results were found, filtering processes were employed to exclude sources, using advanced search options. Thus, where searches allowed, we included both theoretical and empirical sources in peer-reviewed journals, books chapters and books, and filtered out irrelevant or inappropriate work such as that relating to psychology or the natural sciences (c.f. Meier 2011). More specifically, the JStor search included: title and abstract, for articles and books, from 1995-2012, including only items published in English. The Scopus search included title, abstract and keywords, searching articles published from 1995-2012 within the field of social sciences. The Web of Science search involved an advanced search for titles of articles within the field of social sciences, published in English between 1995 and 2012.

Table 1 here

The selection of relevant literature focuses attention on the key authors, texts and subsequent discussion and criticism of three principle comparative approaches to conceptualizing the institutional structures of different 'versions' of capitalism: the 'varieties of capitalism' literature, business systems theory and regulation theory. Key texts and authors were determined through the relevance of coverage within each publication to the aims of this paper; our approach has had to be selective as it was not possible to do full justice to the undeniably vast literature that broadly relates to comparative capitalism within a short paper.

Comparative capitalism literature

The comparative capitalism literature essentially seeks to explain firm behaviour within a designated 'country' context. While the three approaches we consider here variously take as their starting point the ways in which firm production alters over time, they each focus on different explanatory variables. The Varieties of Capitalism approach is concerned with how the nature of relationships between a firm and the institutional context in which it operates leads to competitiveness; Business Systems Theory prioritizes the importance of relationships between a firm and its internal (e.g. employees) and external (e.g. the state) stakeholders; Regulation theory emphasizes the importance of developments in the regulatory framework and social relations,.

Varieties of capitalism

Within the 1990s, variations in the performance of liberal market and more coordinated economies sparked an interest in the relationship between inter and intra firm relations and national competitiveness (Lincoln and Kalleberg 1990). Dore (2000) distinguished between liberal market economies (LMEs) such as the UK and the US, and coordinated market economies (CMEs) such as Germany and Japan. The former were, he argued, characterized by short term relationships and the latter by longer term ones. Thus in LMEs, a firm had short term relationships with its financial backers, short term loyalties to its employees, whom it could hire and fire at will, and consequently had low levels of commitment to training. Conversely, in CMEs, firms had longer term relationships with financial institutions that were built on trust and saw employees as more than a short term resource.

In a particularly influential 2001 edited collection, Hall and Soskice (2001: 6) argue that firms are centres of webs of social and economic relations and that these provide the operational context within which firms seek to exploit their core competencies and dynamic capabilities. Firm competitiveness is, inter alia, dependent on how successfully the institutional structures of national political economies facilitate a firm's ability to resolve the problems posed by the need to co-ordinate and manage its internal and external relationships in five specified spheres (Hall and Soskice 2001: 6-7). These spheres include: industrial relations, where the firm needs to co-ordinate national and local bargaining over wages, working conditions and productivity levels, and manage relationships with unions; vocational training and education, which will influence the ways in which the firm seeks to secure suitable skills for its workforce; corporate governance, particularly the firm's need to manage relations with providers of finance; relations with other employers, the state, communities and other social actors such as business associations; and finally relations with their own employees so that they have the appropriate resources, training and levels of commitment to the firm's objectives. The nature of the firm's relationships with different actors and institutions may make specific types of work relations possible, through ensuring that employees have the necessary core competencies and skills, and appropriate levels of cooperation between peers and superiors. In specific contexts, workers may develop specialized information that helps to promote competitiveness but may also withhold effort or information about, for example, operational details of production processes, that may undermine the firm's efforts to be competitive (Hall and Soskice 2001: 7).

A number of weaknesses in the Varieties of Capitalism literature have been identified. Firstly, as Dore (2008) acknowledges, occasional adventures into empiricism notwithstanding, the early Varieties of Capitalism (VoC) literature has tended to discuss abstract institutions rather than examine what is happening in the real world. For example, Hall and Soskice largely confine their own analysis to very general statements, such as, "…many firms in coordinated market economies employ production strategies that rely on a highly skilled labor force" (Hall and Soskice 2001: 24), and "…employer associations and unions make deals…"

Secondly, VoC accounts do not take account of regional differences between firms within many of the alleged national archetypes (Lane and Wood 2009). Whilst an obvious example of the latter would be security of tenure (Estevez-Abe et al. 2001: 154), other examples include the uneven nature of unionization and variations in staff turnover rates according to sector (Goergen et al.. 2009). As Peck and Theodore (2007) note, homogenizing processes are mediated through regional and other sub-national subordinate institutions and other regulatory features. Thirdly, although the literature involves firm centered analysis, there is relatively little discussion about what actually goes on in the firm, especially at the point of production.

Critics have also charged that the VoC literature ignores diversity and that the two models of LME and CME are too restrictive for analytical purposes (Bosch et al. 2010: 26). Whilst more recent literature within this genre has expanded the analysis to encompass mixed models of economies such as those encountered in Mediterranean and Eastern Europe (Hancke et al. 2007), it has again battled to gain traction in accurately describing the variety and diversity both within and between these economies. In the case of Eastern Europe, the concept of an Emerging Market Economy (EME) was floated by Hancke et al.. (2007), but more detailed analysis has revealed that these economies hardly represent a coherent bloc at all (Lane and Myant 2007). For example, whilst it could be argued that Estonia has adopted some features of the liberal market model, it remains heavily reliant on Scandinavian foreign direct investment, which, in turn, is likely to shape the practices of at least some key firms. Moreover, whilst there is a strong case that Slovenia is now an orthodox CME, and Slovakia has made some significant steps in this direction, the latter has not achieved a smooth process of transition (see, for example, Adam et al.. 2009). This has led some writers to suggest that some of the more prosperous Eastern European countries, such as the Czech Republic, Poland, Hungary and Slovakia constitute a variety of market economy in their own right, the Dependent

Market Economy (DME) (Noelke and Vliegenthart 2009). However, this category appears somewhat tenuous in the aftermath of the financial crisis, given, for example, the radical divergence in the fortunes of Hungary and Slovakia. Moreover, the DME model becomes increasingly difficult to sustain once account is taken of the diversity of states such as Kosovar, Moldova, Macedonia and Bulgaria at the Eastern European periphery.

In the case of Latin America, it has been argued that countries may constitute Hierarchical Market Economies (HMEs), which are characterized by a high degree of labour market segmentization, few (albeit diversified) large firms and decentralized labour relations (Schneider 2009). However, again, this masks much diversity, notably between large economies with significant industrial bases (e.g. Brazil), through to those that are heavily reliant on narcotics (e.g. post-coup Honduras). The same problem has beset attempts to apply the literature to Asia where the extensive variations in institutional capabilities make even the derivation of multiple archetypes (let alone one) very difficult. Moreover, as dependency theory alerts us, the relatively poor performance of some nations may be closely bound up with the relative prosperity of others (see, for example, Kay 2011). This may be particularly relevant to post-colonial economies. The impact of nations on each other's fortunes at key formative historical moments, and inequalities in their dealings with each other remains an issue somewhat neglected by the literature on comparative capitalism.

A further criticism of the VoC literature is that it makes the assumption that national archetypes are more rigid and static than is actually the case (Bosch et al.. 2009). The danger of such arguments is that they can retreat into a narrow functionalist view that a system either works and persists or does not (Hopner 2005: 340-341). In reality, systems that are at best only partially functional may nevertheless persist for sustained periods, working extremely well for some 'insider' players, even if they are dysfunctional to the bulk of society (Wood and Frynas 2006). A further point to note, as Bosch et al.. (2010: 137) indicate, is that 'changes in behaviours within sets of institutions may be as important as the institutions themselves' (see also Goyer 2011). Hence, Kelly and Frege (2004: 183) argue that actors retain considerable room to 'shape their own destinies', while Jessop (2011) notes that interests may not only be heterogeneous, but may be also intrinsically antagonistic.

Business systems theory

Although often conflated with the VoC approach (see Thompson and Vincent 2008: 58), Business Systems Theory (BST) actually predates it (see Whitley and Kristensen 1997; Whitley 1999). The main theme of BST in its approach to the comparative analysis of market economies and the factors that shape firm competitiveness is that differences in societal institutions encourage or discourage particular kinds of economic organization. Consequently the characteristics of the firm, its pattern of organization and its interactions with other social actors are seen as reflecting different models of capitalism. A key difference with the VoC approach is that BST accords much more attention to the relative role of the state and, more specifically, the central role of the developmental state in non-LME types of capitalism (Hancke et al.. 2007: 15). This role includes facilitating the development of corporatist and neo-corporatist arrangements including involving worker institutions in government but also, more particularly, promoting the development of specific sectors of industry. Hence, authors such as Whitley (1999: 33) pay considerable attention to the manner in which market relationships are mediated through the state and associated structures. Whitley's conceptualization of the state is that it rests on dominant coalitions between elites (see also Amable 2008: 774), but reigns in the demands of different groupings within these elites (Olson 1982). However, a long period of extended crisis may make such coalitions more difficult to sustain, and lead to possibly terminal rupture between elites and the rank-and-file.

A criticism of the BST literature is that it does not go far in evaluating why states are competitive. For example, the assumption that the competitiveness of liberal market economies rests on a less active state discounts the role of the enormous and interlocking military-industrial, security and penal complexes in the United States, and, indeed, the extent to which the high technology sector is supported not only through development agencies, but also through research and development by the state and not-for-profit sectors (including universities)[1]. The most recent developments of BST have begun to address this lacuna, but, at best, only partially (see Allen and Whitley 2011). For example, whilst employment relations in the high technology sector, and indeed, within many areas of the military industrial complex (most notably consulting and private military contracting) may be characterized by individualized employment relations, this is not always the case. This is particularly evident in traditional manufacturers of military hardware (e.g. Boeing and the International Association of Machinists and Aerospace Workers)[2].

Another distinction between the VoC and BST literature is that BST accords more attention to the defining features of employer-employee relationships, albeit again through the use of stylized ideal types, in other words, summarizing distinguishing features of particular sets of national models in their purest forms, and stylized in that they do not provide a full empirical description of a more complex social reality. For example, Whitley refers to the organization of firm structures and control systems as well as the interdependence of employers and employees (Whitley 1999; 2007), and argues that the nature of the firm will vary according to the relative importance of a range of stakeholders, consisting not only of owners, managers and business partners, but also including different categories of employee (Whitley 1999). In ‘compartmentalized business systems’, such as the UK, employer-employee interdependence will be low, reflecting competitive labour markets and relatively weak unions (Whitley 1999). In more ‘collaborative and coordinated business systems’, such as Germany, firms will be more dependent on the firm and industry skills base of existing employees, going hand in hand with stronger unions and co-ordinated decision making (Whitley 2000). Within these economies there is also a strong emphasis on diversified quality production, formalized wage determination, industry specific training, high levels of commitment and problem solving and collaboration (Whitley 2010: 379). However, as with VoC, it can be argued that there is too much reliance on stylized ideal types and that therefore there is too much attention paid to rules and formal process, rather than exploring how they are acted out on a day-to-day basis. Nonetheless, as Amable (2008) notes, a strength of the approach is that it does not assume that heterogeneity is pathological or a sign of systemic decay. Indeed, for these reasons more recent analyses have used BST to explore the complexities of different forms of firm behaviour within emerging economies (Wood and Frynas 2006; Wood et al.. 2011).

Regulation theory

Regulation theory (RT), originating in France, should not be confused because of its title with Anglo-Saxon notions of regulation of natural monopolies or collective services provided by public authorities (Boyer 2002). RT is essentially a theory of the capitalist production process, arguing that different means of production require certain institutions to sustain them. It examines geographical and historical variations in the institutional arrangements that define capitalist economies, paying particular attention to the ways in which any particular set of institutional arrangements may be destabilized and replaced by new arrangements through processes of political conflict and economic crisis. Thus, different production regimes are linked to particular forms of regulation and social relations but not necessarily in a stable form (Boyer 1990: 13-14). Initially, RT's focus was on how the labour process in the Fordist era, based on routinized processes and mass production, ran into crisis due to its internal contradictions and rigidities, and how other production paradigms emerged to replace it (Boyer 1990; Jessop 2001b: xxvi). There has been some debate regarding what in fact replaced Fordism as the dominant form of production. The range of candidates range from flexible automation, through Japanization to increased diversity in practice and outcomes (see Jessop 2001c). However, notwithstanding these debates, regulation theory is primarily focused on change over time. Moreover, it has not assumed that any production regime will necessarily be sustained over the longer term, and instead assumes that each stage of capitalism is characterized by a long wave of growth and contraction (Jessop 2001a: xx). Systems are not believed to be inherently durable or stable (Hopner 2005; Jessop 2001a).

A limitation of early regulationist theory was the assumption that developed countries, which were characterized by broadly Fordist production paradigms, had to assume similar institutional forms (Amable 2003: 76). More recently, regulationist writing has accorded increasing attention not only to temporal, but also to spatial differences. For example, attention has been paid to comparing national social systems of production (Boyer and Hollingsworth 1997), and developing geographic theories of space and scale (see Collinge 2001). Other strands of regulationist thinking point to the coexistence of more than one type of regulation at a specific time (Jessop 2001b). Another important trend in contemporary regulationist writing has been a shift of emphasis away from a focus on the wage-labour nexus under fordism to firm level competition (Hopner 2005), and the changing role of the financial services industry (Aglietta and Riberioux 2005). Yet, at the same time, central to regulationist thinking remains the power imbalances between capital and labour, and the compromises and accommodations necessary to sustain a coherent pattern of growth.

Underlying different production regimes are important spatial and social variations in state capabilities. However, the coexistence of different capabilities may not necessarily be complementary, but also pathological (Jessop 2011: 226). An example of the latter is the coexistence of mega-exporting (Germany, China) and mega-importing nations (US, UK), with each seeking to offload the costs associated with their internal contradictions externally. Firms and nations may also seek to offload the associated costs and limitations of their present production onto future generations. A notable example in this context would be the ways in which the environmental costs of specific types of production are temporally externalized (c.f. Boyer 2011; Jessop 2011). Another example of negative consequences is where the shareholder dominant model has resulted in the weakening of the countervailing power of other key stakeholders (such as workers), resulting, ironically, in more irresponsibility by senior management, rather than less (Aglietta and Riberioux 2005).

Regulation theory also draws links between different production regimes and the dynamics of business cycles and more serious crises (Boyer 1990: 13-14). However, as elements of the historical institutionalist literature acknowledge, change might happen as a result of other reasons such as war and elite composition. These factors are not adequately captured within regulationist writing.

The different strands of thinking and their relative weaknesses are simplified in Table 2.

Table 2 here

Comparative capitalism literature and the economic crisis

It could be argued that none of the literature from within the VoC, BST or RT traditions has, thus far, adequately captured the reasons behind the recent economic crisis.

The VoC literature, and by implication BST, is characterized by a linear conceptualization of history, and assumptions of orderly and coherent evolution (Hollingsworth 2006). Although the literature covers variety on the basis of scale, it fails to take account of temporal diversity. As a result, it does not offer an explanation for the nature of the crisis, nor more generally for the factors that force episodic major systemic reordering. Yet, assumptions of linearity appear difficult to sustain in view of the 2008-financial crisis, and, indeed, what in retrospect, appears to have been a long period of systemic problems that stretch back to the 1970s (see Streeck 2012). At the same time, the continuing improvement of work and the bettering of the terms and conditions of employment that characterized the 1950s and 1960s may represent a historical anomaly, rather than something that can be revived. As noted by Lane and Wood (2011), Walter Benjamin's concept of the Angel of History suggests that the process of change is a partially destructive one: the 'rubble' of past institutional regimes may be reconstructed, but the results will be inherently different to preceding regimes (see Benjamin 1978). We are arguably moving toward a 'risk society' but one where there are varying processes of modernization at play in different world regions (Beck and Grande 2010: 422).

The determining of causal factors is not straightforward. Goyer (2011: 35) points to the complexities of causality, with change taking place at both the firm level and that of institutions, not just one or the other. A further complication is that there might be incremental or radical systemic change (Goyer 2011). The former concerns the orderly development of an existing institutional framework, which may involve the reweighting of specific institutional features, their refinement, and/or gradual changes in their role (Boyer 2006). In contrast, radical systemic change involves a complete institutional transformation that will radically alter the relative position of key players (see Boyer 2006; Streeck 2012). Consequently, it is important, as Amable and Palambarini (2009) point out, to draw a clear distinction between institutional crisis and systemic crisis. The implications of systemic crisis are many. In times of systemic crisis, there can be a lack of stable political leadership and reforms may not garner sufficient socio-political support (Amable and Palambarini 2009: 138-139). Moreover, the crisis can be exacerbated by new influences, as shown by the role taken in the 2008- crisis by active fund managers rather than traditional institutional investors (Dore 2008: 782). In such circumstances, key interest groupings, such as workers, may be marginalized with the result that the social base of systemic change may be dangerously narrow. However, being firm-based, the VoC literature cannot satisfactorily integrate the broad political dimensions of systemic change. Rather, the VoC literature seems confined to viewing the development of national systems as a move towards better practice, with only 'normal' political rivalries and limited support for change precluding the gradual refinement of systems (Amable and Palambarini 2009: 123-124).

Does regulation theory facilitate an explanation of the crisis? It could be argued that it goes further than VoC and BST theory, since it addresses change over time. Moreover, more recently, the regulationist emphasis on the temporality of existing institutional orders, and the inevitability of periodic systemic crises and change has increasingly been taken on board by the other principle strands of comparative institutionalist thinking (see Thelen 2010). However, the issue of causality still remains somewhat unanswered. Whilst certain actors may become more powerful than others at specific times, and this may be directly linked to systemic crisis, what remains unclear is why crises come at particular times. With regard to the 2008 crisis, there is a growing consensus that a key contributory factor has been the prominence of finance, but regulation theory does not go far in helping us to understand why finance has become so powerful. As the historical institutionalists alert us, at different times actors may be compelled to engage in compromises they may find unwelcome not merely to sustain their own competitiveness, but in the interests of social stability or even national survival (see Sorge 2005; Streeck 2009; Thelen 2010). Therefore, during periods of extended crisis, political elites may be captured by narrow sub-class interests, constraining or confining the range of available alternatives at national level (Streeck 2012). Given that neither VoC, BST nor traditional RT go far enough in helping to explain the financial crisis, are there other possible explanations within the comparative institutionalist literature? We consider four sets of alternative explanations, but although we treat them separately for exposition purposes, the reality they seek to explain may in fact reflect a complex mix of all of them. Firstly, there are those accounts that are firmly rooted in the political economy tradition, which supplement rather than constitute an integral component of the literature on comparative capitalism, although more recent accounts by Streeck and Boyer (2012) have sought to link these bodies of literature. For example, Harvey (2007) argues that the present changes reflect an attempt by those previously dominant classes who had their influence diluted by the post-war social democratic settlements to reassert their position. More specifically, it can be argued that in today's conditions, economic power firmly controls political power. Certainly, international finance's political power makes it politically unassailable (Streeck 2011). Indeed, according to Arrighi (2005: 85), over-accumulation of capital is a periodic and inevitable feature of capitalism and this leads to the rise in the prominence of rentiers. Yet, this rise may be the result of cooperation with other interest groups, rather than coercion (see the useful summary of Arrighi's work in Marens 2010). The prominence of rentiers, in turn, is likely to generate a new set of crises: the increasing power of the financial elites acts as a barrier to reform, and worsens existing trends, with non-financial firms becoming increasingly dependent on speculators (Krippner 2005: 181). Consequently, the recent rise of finance may reflect, as Krippner (2012) argues, the outcome of a series of policy decisions which were essentially designed as a response to the crisis of the 1970s.

Secondly, more recent extensions of the regulationist tradition can also make a contribution toward our understanding, since there have been attempts to comprehend the relationship between global crisis and contradictions in capitalism and national difference (Boyer 2011; Jessop 2011). The ongoing recession may be understood as simply a continuation of the crisis of Fordism, on the basis that productivity limits have been reached due to market saturation, the exhaustion of new technologies and/or in terms of social limits (full employment and the strength of organized labour) (Jessop 2001b: xxxv-xxvi). Whilst the way forward has therefore been to strive for greater financial and numerical flexibility, these forms of flexibility have nevertheless themselves caused a great polarization in wealth, and persistent crises in demand which have only been temporarily resolved through unsustainable levels of borrowing, laying the basis for the present conundrum (Stiglitz 2012; Streeck 2011).

Thirdly, alternative explanations point toward external factors. Lipietz (2009) highlights the protracted nature of transitions between relatively stable periods of growth, and the complex and contradictory effects of a range of internal and external pressures. In particular, he points toward both energy and environmental issues. Similarly, Wood and Lane (2011) argue that radical systemic change has a strong exogenous component. They note that, just as the long crisis of the early twentieth century was associated with an energy transition from coal to oil, the present time is one where – although demand is rising – the proportion of oil and gas as part of the global energy mix is declining. Although there has been a recent increase in the availability of oil and gas this has come from unconventional sources and is more expensive than was historically the case with traditional sources of supply. This long energy transition is marked by fundamental changes in energy prices which challenge the existing competitive basis of firms, sectors, and regions, and favour owners of highly fungible assets over those with infungible ones (the latter encompassing segments of capital and also workers) (Wood and Lane 2011). These categories somewhat transcend the traditional political economy conceptualization of rentiers and others: owners of highly fungible assets now include statist elements, such as sovereign wealth funds, as well as rentiers.

A fourth explanation is rooted in the idea that over time there are swings between the state and the market. In his classic writings on political economy, Polanyi (1944) argued that there is a long term process of a 'double movement', between state and market. At one point in time, society may seek to restrain the increasing problems of unrestrained markets through state led regulation. Over time, however, this mediation is challenged, and there is a counter-movement back towards less regulation. The VoC literature does address this, to some extent, but focuses on spatial rather than temporal differences. A further consideration is that there are arguably a limited range of functional combinations of rules and practices that are encountered at each pole, and there are strong pressures away from the 'middle ground' to one or other pole (Hancke et al.. 2007). Regulation theory also engages to some extent with the idea of the Polanyian double movement, but assumes that it is 'a crisis mediated one' from one specific regularized regime to another, and that each regime brings with it its own set of internal crisis tendencies (Jessop 2008). Jessop (1997:567) also observes that capital cannot ‘go it alone’, and at specific times is compelled to compromise with other societal interests, forming a hegemonic project. Recent historical institutionalist writings have also engaged with the swing between regulation and deregulation of markets. However, while Streeck (2009), for example, suggests that the trajectory followed by countries veering between state and market is marked by temporality, he argues that this is best characterized not so much as the swing of some hypothetical pendulum, but rather as a winding path.

What is likely to happen in the future? In the light of the current crisis, there may be a move towards a greater role for the state in the face of market induced crisis but the state’s role may assume a wide range of forms. For example, it may not engage in greater market regulation or the reconstruction of broadly based welfare states, but rather through the allocation of state assets and capabilities to support insider, oligarchic, segments of capital. As noted earlier, LMEs such as the US are already highly statist in several respects, ranging from the vast military industrial, security and penal complexes to the (sometimes interconnected) direct and indirect state support for the high technology sector. More recently, the gargantuan bailouts of the financial services industry bear eloquent testimony to the State’s willingness to act to benefit particular sections of capital under the guise of ‘dealing’ with a crisis that threatens all. Indeed, there is a case to be made that the US may already have entered a phase of greater state mediation. However, a ‘captured’ state may assume a role that is more pathological than developmental. A return to greater marketization may simply reflect the exhaustion of state resources and capabilities, rather than the renewed capability of markets to function effectively under lighter regulation.

The alternative explanations, although necessarily reduced to core themes, are summarized in Table 3.

Table 3 here

Conclusions

This paper has sought to highlight limitations and emerging issues in two key areas: the literature's coverage of work and employment relations, and its conceptualizations of state, market and systemic change. In the case of the former, there is a relative lack of analysis of the differences and similarity in the actual practice of work and employment relations within individual firms. This means that the way in which production systems actually work in different settings is relatively neglected (Gallie 2006; see Thompson and Vincent 2010: 58). Some strands of comparative capitalism literature go some way toward addressing this weakness. Drawing on regulationist theory, historical institutionalism, and, indeed, some of the VoC literature, Amable (2003) seeks to categorize countries according to commonalities and differences in five domains: product market competition; wage-labour nexus and labour-market institutions; financial systems and corporate governance; social protection and welfare; and education. Industrial relations are encompassed within the wage labour nexus and labour-market institutions, along with external rules, including job protection and employment protection (Amable 2003). This work draws on a broader basis of empirical evidence, albeit mostly extrafirm. However, there is still a relative neglect of variations in the specific dynamics of work organization.

With regard to the state, market and systemic change, this review has shown that there is often an assumption that change is marked by a shift from one familiar form of mediation to another. Instead, it can be argued that both state and market may each assume very different roles. It is possible, for example, for a highly statist mediated system to be neither welfarist nor broadly developmentalist. Moreover, there is a lack of attention to how certain manifestations of institutional regulation and the ideology that supports them attain dominance at certain times (Jessop 2012). A further limitation of the comparative capitalism literature is related to where the primary level of analysis is nested, with much of the literature focusing on the vertical scale, whereby the primary level of analysis is the nation state, and therefore neglecting what actually goes on in particular organizations. To some extent, these dynamics are addressed by the critical management studies and labour process literatures (see, for example, Braverman 1974 and Thompson and Vincent 2010 for a critical analysis of work within different production regimes). Additionally, the focus on dominant or presumed archetypical features within a particular national setting also discounts issues of ‘horizontal scale’. In practice, much diversity is encountered on regional and sectoral lines within countries (Lane and Wood 2009).

Finally, the literature lacks analysis of the origins and nature of systemic change, the realities of political power (see Pontusson 2005) and the material causes and consequences of structural crises. Although there have been a number of accounts that summarize, develop and/or critique specific aspects of the literature on comparative capitalism (see for example, Allen 2004; Deeg and Jackson 2008; Hancke et al.. 2007), there has as yet been a relative lack of attention to the similarities and differences between different schools of thought within this broad body of literature, and the emerging common ground in explaining systemic crises. This paper has attempted to make a start in addressing this important gap.

The review of literature has drawn attention to key areas that should be addressed within the various bodies of literature associated with the general term 'comparative capitalism'. These modifications may lead to a better understanding, which might, in turn, result in workers' rights being more carefully acknowledged and consequently protected, and firms being better able to address systemic change. In particular, four key avenues for future research may help to further enrich our understanding. The first relates to the coverage of work and employment relations in firm internationalization. In order to move knowledge forward in this area, further investigation could be carried out in order to map out variations in the actual dynamics of work organization. To address current gaps, the empirical work undertaken might usefully pay more attention to both advanced and emerging economies. Secondly, in-depth analysis could be undertaken of changes over time in national and international regulation, with a particular focus on the ideological underpinnings of change. The third avenue for research would be a greater focus on the nestedness of firm, nation-state and international regulation where consideration is also undertaken of the internal dynamics of organizations in order to better demonstrate the diversity within-country regions and industrial sectors. The fourth call is for further analysis of systemic change, with the firm as the central point of focus, but taking into account political power and economic causes and consequences of crises.

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Notes

[1] In the United Kingdom, the growth of penalization, and relatively high levels of defence spending (especially on 'big ticket' items of military hardware, and on external contractors providing human capabilities), shows that the US is not a unique case, even if not approaching the scale of the US. The same could be said for the role of the pharmaceutical industry and its relationship with the university sector.

[2] In recent years, this relationship has not always been a harmonious one, most notably regarding the production locale of the new Dreamline (civilian) airliner.

Table 1 Keyword search

Keywords	Web of Science	JStor	Scopus
Comparative capitalism	12	0	9
Varieties of Capitalism	72	13	309
Business Systems Theory	7	0	5
Regulation Theory	148	9	309
Institutions	4,736	860	64, 912
Business Systems	295	23	464
Capitalism	1,160	248	6753

Table 2 Comparing strands of the comparative capitalism literature

	Summary of approach	Broad weaknesses of this strand of literature	Capturing roles of diverse stakeholders- particularly labour relations	Potential for explaining economic crisis and systemic change
Varieties of Capitalism	How the nature of relationships between a firm and its institutional context leads to competitiveness	Tends to discuss abstract institutions rather than real world events; ignores regional differences; ignores diversity in systems and dependencies; ignores the fact that dysfunctional system may endure.	Short term and long term relationships with stakeholders- including employees. Firm spheres include industrial relations system, vocational education and training, and employee commitment. However, ignores security of tenure, unionization and turnover.	Both VoC and BST fail to take account of temporal diversity and do not adequately integrate the political dimensions of systemic change
Business Systems Theory	Relationships between a firm and its internal and external stakeholders	Does not carefully evaluate why states are competitive; too much reliance on stylized ideal types	Includes discussions of corporatism and neo-corporatism (state-worker relations), firm level employee-employer interdependence. and unionization.	
Regulation Theory	A theory of the capitalist production process, capturing developments in the regulatory framework and social relations	Assumption that developed countries should assume similar institutional forms; ignores change caused by factors such as war and elite composition	Originally included discussion of the Fordist production and labour process. Has shifted toward a focus on competition and finance rather than the wage-labour nexus, but still addresses power imbalances between capital and labour.	Does not adequately address causality- why crises come at particular times

Table 3 Alternative explanations for systemic change

Strand of literature	Explanation
Political economy tradition	Economic versus political power
Extensions of regulationist tradition	Continuation of the crisis of fordism
Exogenous factors	Energy and environment
Political economy/ historical institutionalist literature	Double movement swings between state and market