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Editorial: Exploring Regional Varieties of Capitalism

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The varieties of capitalism approach provides a most influential perspective in recent research on comparative capitalisms. It takes the relationship between firms and their institutional environment as an analytical point of departure; a perspective that is shared by related efforts in research on comparative capitalisms such as the business systems and the systems of innovation approaches. More specifically, however, the varieties of capitalism framework operates on the conceptual basis of an ideal typical dichotomy that contrasts the hegemonic logic of market relations in liberal market economies such as the United States with an augmented setting of market and non-market relations that informs coordinated market economies such as Germany. Both these ideal typical varieties of capitalism exhibit institutional advantages that are derived from the specific combination of market and non-market patterns in the coordination of complementary institutional subsystems, involving corporate governance, labour relations, finance, inter-firm relations, education and training, and technological innovation. Liberal economies exhibit short-term company finance, deregulated labour markets, generalized education and strong inter-company competition in technology transfer with advantages in radical technological innovation. Coordinated market economies display characteristics such as long-term finance, cooperative industrial relations, firm-sponsored vocational training and inter-company cooperation in technology transfer with advantages in incremental innovations. The dynamics of institutional stability and change in these varieties of capitalism are driven by efficiency-enhancing systemic complementarities across industries, sectors and policy fields and thus outline a gradually adaptive character of institutional evolution (HALL and SOSKICE, 2001).

The conceptual insistence on the empirical validity of the conceptual dichotomy of liberal and coordinated market economies underlines a problematic neglect of internal diversity in the varieties of capitalism approach. Obviously, any stylization of national development

models involves analytical abstractions from the actually existing diversity of actors, strategies and relationships on various scales of interaction. The key question is, however, whether these analytical abstractions are still justified in light of comprehensive evidence that pinpoints the regional differentiation of capitalist market economies. In their original framework, HALL and SOSKICE (2001) discuss this matter primarily with reference to corporate strategies as they concede that regional as well as sectoral patterns of variation may matter a lot. Nonetheless, they suggest that their exclusive analytical focus on the national level of capitalist varieties is justified by the persistent dominance of national institutional frameworks in the strategic orientation of firms, in particular regarding the regulatory efforts of nation-states and the national characteristics of labour unions and employer federations. Still, in view of this national focus, they claim that 'institutional variation at the regional or sectoral level provides an additional layer of support for particular types of coordination and one that enhances a nation's capacity to support a range of corporate strategies and production regimes' (p. 16). In this way, a promising avenue for further research on internal diversity within capitalist varieties is potentially opened up.

The matter of capitalist diversity has persistently informed recent advances in the discussion of comparative capitalisms that are set to overcome the most pressing conceptual limitations of the varieties of capitalism approach (HANCKÉ *et al.*, 2007; DEEG and JACKSON, 2007). Right at the outset, critics argue that the static modelling of capitalist development with its inherently functionalist understanding of complementarities puts an emphasis on the stability and actually also on the systemic purity of institutional arrangements and thus marginalizes related aspects of both gradual and radical patterns of path-dependent institutional change. Indeed, the empirical diversity of development patterns and institutional settings actually seems to refer to a persistent hybridization of capitalist varieties, which transcends the bipolar conceptualization of liberal and

coordinated types in favour of context-specific, novel recombinations of institutional components. This is in line with an understanding of institutional change as a multidimensional evolutionary process, which is driven by diverse constellations of strategic actors in a context-specific setting of political-economic interactions (CROUCH, 2005; EBNER, 2008; HALL and THELEN, 2009). In view of these concerns, further considerations of national types beyond the dichotomy of liberal and coordination capitalisms have been outlined. A first glimpse at these efforts has been addressed by HALL and SOSKICE (2001) with their hint at a Mediterranean variety of capitalism that would cover most Southern European economies in a distinct blend of liberal and coordinated components (p. 35). Further considerations beyond the Organisation for Economic Co-operation and Development (OECD) world cover capitalist varieties in Latin America and East Asia, among others (SCHNEIDER and SOSKICE, 2009; WALTER and ZHANG, 2012).

Yet the matter of institutional diversity is actually set beyond ongoing efforts at differentiating national types, for it also involves the reconsideration of the sub-national diversity within capitalist varieties. The reconsideration of institutional diversity as a constitutive feature of capitalist varieties highlights spatial dimensions in terms of an ongoing geo-institutional differentiation along multiple development trajectories. The recognition of uneven development in time and space as a characteristic of capitalist evolution belongs to the classical repertoire of political economy and it is well represented in the works of its major proponents such as Marx and Schumpeter. Accordingly, capitalism has always been territorially distinctive and it is going to keep this quality in the foreseeable future (HUDSON, 2003). Hence, exploring the internal diversity of overlapping institutional settings within and across the confines of national settings becomes crucial in order to grasp the complexity of specific types of capitalisms and the related pluralization of development models. In view of these concerns, regional institutions may provide the most effective solutions to problems of governance and coordination that fit the distinct structural conditions and actor constellations of regional economic and social settings that are set to deviate from the predominant national model. These regional varieties may deviate from the institutional constellations on the national level and can be traced in industry-related domains such as regulatory frameworks, inter-firm relations and conventional practices of production, all of which may exhibit regional specificities while they remain subject to national and international influences (LANE and WOOD, 2009, 2011).

Corresponding theoretical considerations of sub-national ensembles of capitalist development have highlighted the formation of local production systems, whose selective decoupling from the national production model proceeds with a differentiation of local

governance structures that coincide with sectorally specific regimes of production and competition (CROUCH, 2004; CROUCH *et al.*, 2009). However, this perspective remains confined to the subject of industrial clusters and lacks in a further specification of modes of social integration and political governance, which are paramount for a regional perspective in comparative capitalisms. In particular, such a view needs to tackle the role of the state in the making and shaping of regional varieties of capitalism. This involves an understanding of regions as political and administrative units that introduces the state as a strategic actor, which holds a key position in the scalar construction and reproduction of capitalist varieties. In view of these concerns, the notion of regional innovation systems denotes modes of collective learning on the level of firms and industries, framed by distinct political-economic governance mechanisms. In expanding the varieties of capitalism scheme, these regional innovation systems are stylized in terms of an institutional variety, on the one hand, which highlights the public sector in promoting technological change and thus resembles coordinated market economies, and an entrepreneurial variety, on the other hand, which emphasizes the innovation efforts of the private sector and thus resembles liberal market economies. This dichotomy is further differentiated by the modelling of entrepreneurial, associative and developmental types of capitalism as institutional patterns of regional development (COOKE, 2001, 2004; COOKE *et al.*, 2007).

In particular in the European context, the identification of regional models of capitalism involves quite different national settings. Italy's 'regionalized capitalism' is a well-researched case for a divide of production regimes and modes of social integration that relate to historically rooted differences in institutional conditions and social structures (TRIGILIA and BURRONI, 2009). Apart from this rather obvious case of regional segmentation also seemingly much more homogenous countries such as Sweden exhibit spatially differentiated patterns of development that may allow for a reconstruction of regional capitalisms (RAFIQUI, 2010). However, as the regional differentiation of national economies may be viewed in terms of a partial divergence along specific trajectories, this perspective should not indicate that regional varieties of capitalism are merely containers of distinct sets of economic and other social relations. The empirical observation of regional patterns of production, distribution and social integration should not result in a misled understanding of regional varieties of capitalism as relatively autonomous units of operation. Rather, it is analytically useful to keep in mind that regional varieties are components of a multilevel and multi-scalar structure of co-evolving actor constellations and strategic relationships. This implies that economic and other social processes of regional development feed back into other regional as well as national, transnational and

supranational arenas of interaction. In reconsidering this viewpoint, the perspective of regional varieties of capitalism may be adapted to the multi-scalar perspective of 'variegated capitalism', which takes the scalar complexity of global capitalism as analytical point of departure in order to transcend the methodological nationalism of the varieties of capitalism approach (PECK and THEODORE, 2007; BRENNER *et al.*, 2010).

In view of these considerations, the actual diversity of the involved actors, strategies and relationships in regional development indicates most strongly that the exploration of regional varieties of capitalisms needs to reach beyond firm-centred concerns. Instead, the reconsideration of more complex indicators of regional specificity hints at the inclusion of aspects such as legal frameworks and political-administrative structures, which may be observable in domains like social welfare regimes, which play an integrative function in societal affairs. In assessing the characteristics of the corresponding regional varieties of capitalism, it may be useful to perceive the operation of capitalist market economies in terms of an institutional co-evolution of market and non-market components, thus echoing the Polanyian argument that the socio-economic reproduction of capitalism requires the historically variable and politically contested embeddedness of market relations in non-market modes of coordination (EBNER, 2011). In this manner, patterns of market and non-market coordination in production, distribution and social integration may serve as proxies for the differentiation of regional varieties of capitalism. This implies that the actually existing institutional setting of the prevailing regional varieties of capitalism should be viewed as a strategic space of contested opportunities that feeds into the diversity of capitalist development.

The contributions to this special issue on regional varieties of capitalism are meant to outline some of the major arguments surrounding the combination of research on comparative capitalisms and regional development. The contribution by SCHRÖDER and VOELZKOW (2014, in this issue) addresses a theme that was initiated by Crouch's work on local production systems and the potentially complementary relationship between regulatory governance mechanisms in national, regional and sectoral varieties of capitalism. The key

argument in this line of reasoning suggests that capitalist varieties may exhibit incoherent institutional constellations in national, regional and sectoral terms, yet this incoherence may still prove to be complementary – and thus may allow for superior adaptive efficiency derived from local fitness. The paper by COLOMBO and REGINI (2014, in this issue) addresses the Italian constellation of regional capitalisms by examining distinct 'social models' across Italy's regional North–South dualism, including the institutional settings of welfare regimes, labour market regulations, industrial relations as well as higher education and research and development (R&D) profiles. Empirical evidence then suggests that policy efforts in national institution-building have largely failed in providing cross-regional standards in the promotion of social rights. Instead, regional inequalities persist, based on the continuous divergence of the established social models that feed into Italy's regional capitalisms. GLASSMANN (2014, in this issue) then explores the regional differentiation of capitalist regimes of production, distribution and social integration across Mediterranean Europe with its hybrid country cases. The analytical focus is on the constitutive role of family networks in the formation of regional production models corresponding with family-based welfare regimes. National strategies in promoting industrialization and modernization seem to have crucially moulded these family-oriented types of regional capitalisms over time, thus shedding additional light on the role of the state in the making of territorialized capitalist models. In a further step beyond the original framework of the varieties of capitalism approach, the contribution by ZHANG and PECK (2014, in this issue) discusses the multi-scalar features of regional diversity within China's variegated capitalism in its complex economic, social and political manifestations. Decisively, this means that the regional styles of capitalist development in China need to be understood in terms of their relative position in the regional, national and international division of labour, which are embedded in different configurations of local and external relations.

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