Does capitalism (still) come in varieties?
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Abstract: That capitalisms vary and that these capitalisms neatly resolve themselves into distinct and discrete ‘varieties of capitalism’ is an almost foundational claim of contemporary comparative political economy. Yet it is far from evident that it is true. In this paper I return to the varieties conjecture, assessing the degree to which the claim might be warranted. In the process, I argue for the importance of differentiating clearly between ideal types and real types and for the value of heeding Weber’s advice about the dangers of confusing one for the other. I suggest that although capitalisms do not really come in varieties it is sometimes useful to proceed on the basis that they do. I suggest that such an acknowledgement is crucial in sensitising us to the potential biases of varietal thinking, drawing out the implications for the positing of capitalist varieties in the period after the global financial crisis.

Keywords: capitalism, varieties of; crisis; political economy; institutionalism; globalisation.

The starting point for comparative political economy is the claim that capitalism varies – over time, certainly, but more significantly, between spatially discrete political economic units: that there is, in short, not one capitalism but different capitalisms. Indeed, were this not the case (or, at least, not held to be the case) there would be no need for a comparative political economy (just as there is generally held to be no distinct sub-field of comparative economics). In a sense, then, the claim that capitalism varies is an ontological antecedent of comparative political economy. But it is typically accompanied by another: that capitalism comes in varieties, and still does so even in a world of globalisation in which there might be held to be strong pressures for convergence (Hall & Soskice, 2001; see also Amable, 2003; Garrett, 1998; Schmidt, 2002).

It is in this context that I wish to situate the present contribution. In what follows I seek to explore a potentially heretical claim: that, even if it is accepted that there are a variety of capitalisms (that capitalisms come in different forms), it does not necessarily follow and it is far from self-evident that capitalism comes in varieties. Yet we typically proceed on the basis that it does – inferring, as I hope to show problematically, that if capitalisms vary then capitalism must take varietal forms. In the process I suggest that we lack an ontology of
capitalist diversity and, more significantly, that such an absence has arguably contributed to our collective failure to see the global financial crisis coming and to our enduring failure to make much sense of it in terms of existing analytic approaches.

These are undoubtedly difficult questions and they are difficult in part because they require us to enter and take positions within a set of debates to which we appear dispositionally resistant: the systematic reflection on the (ontological) status of the claims we make about the objects or referents of political economic inquiry and the basis for such claims (for a rare exception, see Parsons 2015).

Here the comparison between mainstream comparative political economy (such as typically proceeds on the basis of the varieties proposition) and mainstream economics (which does not) is perhaps instructive. The latter is arguably both better and worse. It is better, in that it is typically far more conscious, far more explicit and far more reflexive about the status (indeed, the implausibility) of the analytical assumptions on which its modelling is predicated (see, famously, Friedman, 1953; North, 1990); but it is also worse, in that those analytic assumptions are (often self-confessedly) grossly distorting (there is little pretence in mainstream economics to analyse the world in terms of credible assumptions). Conversely, mainstream political economy is worse and better. It is better, in that its assumptions tend be rather more plausible (despite a recent certain drift towards assumptions remarkably similar to those prevailing in mainstream economics) but worse, in that perhaps precisely because of this assumed greater plausibility, its core assumptions are rarely reflected upon in terms of their status (and their relationship to their ostensible referents in the ‘real’ world).

My aim in what follows is two-fold: to make and defend the potentially controversial argument that capitalism does not come in varieties; but also, and at least equally importantly, to set out clearly and concisely the ontological terms of any such adjudication. My hope in so doing is as much to open a debate about the status of the claims we typically make when we propose a varietal solution to the problem of the patterned diversity of capitalisms than it is to resolve these issues once and for all.
The argument, in short, is that although capitalisms vary, capitalism does not really come in varieties – but that it is sometimes useful to proceed on the basis of the assumption or heuristic (or, even, convenient fiction) that it does. The key thing is the acknowledgement both of the status of the claim and of the inevitability of a certain distorting bias in the positing of varieties which follows from that acknowledgement. We need to be careful, in other words, to remember what we are doing in positing varieties of capitalism and the status of the claim we are making – and, accordingly, not to reify or ontologise our analytical convenience (and the distinction between varieties that it allows us to draw). But that is not all. For there is a particular salience to these issues now. I suggest that, especially in the wake of the global financial crisis, we need quite urgently to rethink our approach to the dynamic patterned diversity of actually existing capitalisms (see also Bruff & Horn, 2012; Hall, 2014; Streeck, 2014). And we need to do so in the light of the predictable (but no less palpable) failure of varieties of capitalism perspectives to anticipate and arguably even to illuminate retrospectively the crisis issuing from the heart of its core ideal type (the liberal market economy). In the process I suggest that we would do well to learn (or recall and re-learn) a thing or two from Weber about ideal types and their use and misuse in political/economic analysis.

**Does capitalism come in varieties**

I want to begin by putting to one side the parentheses in the title – the ‘still’ in the ‘does capitalism *still* come in varieties?’ question. Indeed, I want to pose and to consider this question in its simplest, most abstract and most general form. The first thing to note here is that the question ‘does capitalism come in varieties?’ is, of course, an example of a familiar social scientific question of a more general kind – ‘does X come in varieties’? Where X is a collective noun, a thing or category for referring to things; and ‘thing’ is a putative or accepted social fact (Searle, 1995; 2010) of which, crucially, there is more than one (accepted) instance.

A couple of examples might help. Indeed, at least one of them might help quite considerably.

**Example 1:** Do political ideologies come in varieties?
Example 2: Do states come in varieties?\(^1\)

The point is that it is easier to answer some ‘do Xs come in varieties’ questions than it is others. It is far less self-evident, more specifically, that capitalism or capitalisms come in varieties than it is that political ideologies come in varieties. That this is so is for at least two good reasons. First, political ideologies typically self-identify as such (‘our political ideology is socialist’, ‘their political ideology is conservative’, for instance). Second, and relatedly, political ideologies of, say, a socialist kind or variety, and insofar as it is credible to refer to them collectively as a variety, have what one might think of as common DNA and an at least partially shared ancestry. By contrast capitalisms rarely self-identify and even if we, as analysts, might think that some capitalisms issue from common stock, we would first need to show this to be the case. It is far from self-evident. Moreover, and, perhaps more significantly, this tends not to be the claim anyway in almost all variants of the varieties of capitalism conjecture (including, crucially, Hall & Soskice, 2001 and Hall & Gingerich, 2009). Put simply, if establishing the variety to which a set of capitalisms belonged were about (credibly) charting common ancestry, then Germany and Japan would clearly not both be seen as ‘coordinated market economies’; conversely, that they are would show that one belongs (or is deemed to belong) to a variety not because of common ancestry but, typically, despite its absence.

And what about states? Rather like capitalist variation, this is more difficult – and it depends a lot on how we pose the question. If, by the state, we mean constitutional rules and if, by variety, we mean exhibiting family resemblance (such that one might infer common ancestry) then, yes, some states (colonial or post-colonial states, for instance) might be seen, relatively unambiguously, to belong to one or other variety of state (Westminster states, for

\(^1\) One could be pedantic here and note that both of these examples are subtly different in form from the question with which we began, in the sense that both they refer to a plural X – ‘political ideologies’ and ‘states’ rather than capitalism (singular). There are two potential solutions to this – simply to rephrase our initial question in the plural – ‘do capitalisms come in varieties’? Alternatively, one might suggest that ‘capitalism’ is itself the (affirmative) answer to a more abstract and general question of the same form – ‘do modes of production (plural) come in varieties’. Either way, the issue is not difficult to resolve and need trouble us no further.
instance). But if that is not what we mean by states (and typically it is not) and that is not what we mean by variety (and typically it is not), then the puzzle remains and is it far more difficult to assume that states unambiguously and self-evidently come in varieties (though see Badie & Birnbbaum, 1982).

It might not seem like progress, but I think it is. The point about political ideology is important. And there is a certain irony here. For the clearest analytical pathway to the self-evidence of the claim the patterned diversity is likely to manifest itself in terms of discrete and real varieties (such as might make possible categorical distinctions between types) is an historical argument, of the kind typically made by institutionalists about path dependence (on the past as the key to understanding the possibilities inherent in the present, see Arthur, 1994; Mahoney, 2000; Pierson, 2000). Such an analytical pathway is perhaps best depicted schematically.

[Insert Figure 1 here]

The irony, of course, is that the varieties of capitalism claim is invariably an institutionalist claim (a claim for the importance of institutional context in shaping political and economic practices) and one associated with the high priests of path dependence. Yet it is also one which, strangely perhaps (and certainly in Hall & Soskice’s seminal treatment) shuns the idea of common ancestry or shared path dependence. Thus, whilst a genealogical approach to capitalist institutional diversity makes a deal of sense, it is typically not the path chosen.

That certainly helps us in clarifying what the nature of claim that capitalism comes in varieties might be. But it does so in a rather negative way. For it tells us what that claim might credibly be but isn’t (and, arguably might more credibly be than it is); but it doesn’t tell us much about the nature of the actual claim itself. Here, once again, a little conceptual clarification potentially goes a long way.

The most basic distinction at least implicitly invoked in this literature, is that between variation and variety – though all too frequently a subtle conflation occurs in which one is seen as synonymous with the other. It does not take much to see that they are not. And, as
this perhaps suggests, that makes it important, from the outset, to be clear about the distinction between the two.

In what follows by *variation* I refer to the claim that capitalism takes different forms, that it varies, that there is not one capitalism (singular) but many capitalisms (plural). And by *variety* I refer to the claim that such variation manifests itself in a certain clustering of cases (of capitalisms) such that we might identify, as discrete and distinct, varieties or ‘worlds’ of capitalism in which capitalist social and economic relations (presumably) proceed differently. Neither definition is, I think, contentious; neither is likely to pose any problem of authors within the varieties of capitalism tradition.

But the clarification is immediately useful. For it suggests that the second claim (the varieties claim, V2) rests on the former (the variation claim, V1), *but is not logically implied by it*. It is quite possible to see capitalism as varying and hence coming in different forms (as, in effect, positing the existence of different capitalisms) without positing the existence of varieties to which specific cases might be seen to belong. The varieties claim is, quite clearly, a second-order or subsidiary claim: a claim, in effect, about the topography (the patterned diversity or clustering) of actually existing cases.

But there is a caveat here that we need to deal with before we can proceed further. This is the limiting case in which all capitalisms are deemed varieties. In such a view, if France is or has a capitalism there is a French variety of capitalism; if Ireland is or has a capitalism there is an Irish variety of capitalism. If that is what we mean by a variety of capitalism, then the claim that capitalisms vary (here, between national economies) is sufficient to establish (by definition) that capitalisms come in (national) varieties. But this is not much of a claim and, more to the point, not the claim that I am interested in here. Accordingly, to proceed and in what follows, I will disqualify, in effect, any use of the term ‘variety’ such that V1 and V2 are equivalent. More precisely, I will use the term variety to refer solely to claims about the patterned diversity of cases that are more descriptively parsimonious than the variance at the level of the individual cases from which they derive or to which they refer. Put more simply, the number of varieties must be fewer than the number of cases.
This is hopefully clear. But the process of clarification is also analytically instructive. For it helps us to see that the positing of varieties is, itself, a simplifying device. The re-description in varietal terms of the patterned diversity exhibited by the full panoply of real cases is a simplification of a more complex real world. And it is so on a sliding scale: the smaller the number of cases the greater the simplification implied. Though this might well seem like an obvious point it is a key step in the argument I am seeking to build. For it is suggestive of a further, seemingly innocent, observation with potentially very significant consequences about the very status of the claim that capitalisms come in varieties. That claim, it suggests, is an analytical convenience, an aid to parsimonious (re)-description – in short, a construct and an abstraction from the real world. Varieties of capitalism, put simply, are revealed to be analytical constructs which lack direct real world referents and real world facticity (though which, under certain conditions, might usefully stand in for the patterned diversity exhibited by real world referents). Though capitalism varies, it does not come in varieties – even if it might sometimes be useful to think that it does. Varieties are, at best, ‘as if real’, in that we might credibly claim that analytical purchase on the real world can be generated from the convenient pretence that they do exist (on ‘as if realism’, see Hay, 2014; Parsons, 2015).

This is either a deeply heretical claim or a statement of the obvious. But that is perhaps not really the point. For, either way, it is very different from the claims typically made or implied in the existing literature and it has serious, indeed profound, implications for what we can and cannot (or should and should not) do with categories like varieties of capitalism. In short, if we concede that varieties of capitalism are only ‘as if real’ (a potentially useful analytical pretence), we need to be extremely cautious with what we do with them – with what conclusions we draw from the processes of inference which proceed on the basis that they are real. And, to cut to the chase, if there are occupational hazards with simplifications of this kind (as I hope to show presently), then we need to be fully aware of them if we are to retain the additional analytical purchase to be gained through abstractions of this kind whilst protecting ourselves from the dangers (safely plucking the baby from the dirty bathwater, as it were).
But, not for the first time, we need to backtrack just a little if we are to get this right (plucking social scientific analytic babies from their bathwater can be a delicate operation). Here it is useful to ask ourselves what kind of claim could we be making (and might those who make such a claim credibly be making) when we (or they) claim that capitalism comes in varieties. What types of claim are possible here? Or, to put it slightly differently, what is the status of the claim that we, or they, might be making?

The claim, I want to suggest, it invariably one (or more) of the following:

1. The statement of a self-evident truth or truism (which itself requires no justification) and where the task of the analyst is to establish the number and nature of the varieties in question where that is not also deemed self-evident (Calmfors & Drifill, 1988; Esping-Andersen, 1990; Hall & Soskice, 2001);
2. A hunch, intuition or feeling derived from some prior experiential or, conceivably, ethnographic induction (Albert, 1993);
3. A theoretically-derived proposition, a deductive inference (Hall & Soskice, 2001);
4. The description of an empirically-established regularity through inductive inference – either through the tracing of a common historical path or trajectory (van Kersbergen & Manow, 2009; Streeck & Yamamura, 2001) or by mapping the position of political economies in a multi-dimensional space (Hall & Gingerich, 2009);
5. An ideal type in the Weberian sense (Hall & Soskice, 2001; Hall & Thelen, 2009);
6. An analytical convenience, an aid to analysis, a convenient simplification (Crouch, 2005; Garrett, 1998; Hall & Soskice, 2001);
7. A purely heuristic device, a thought experiment (that might prove analytically useful);
8. A false premise, a fiction, a distortion, an error of political economic categorisation (implicitly, neo-classical economics).

Of these eight possibilities, it is not difficult to associate authors with at least seven. The exception, of course, is the seventh position (the positing of varieties as an heuristic device) – predictably perhaps that closest to my own. It is important to note that a number of these positions are far from mutually exclusive – positions 5 and 6 and, indeed, 6 and 7 might almost be seen as synonymous. Similarly, position 1 might easily be reconciled with position
2 and positions 3 and 4 might, just as easily, be seen as further elaborations of either. But note, for positions 1-4, varieties of capitalism are real or at least potentially real (varieties exist independently of our knowledge of them; the question being merely whether we are capable analytically of capturing their real world facticity correctly). By contrast, for positions 5, 6 and 7 this is not the case. Here, varieties are constructs and/or abstractions which have, one can only assume, an altogether different ontological and analytic status (since they have no direct real world referent with which we might seek to make them correspond). The point is that, if this is accepted, it should be difficult to hold any of positions 1-4 simultaneously with any of positions 5-7. Or so one might think.

For what is striking, indeed remarkable, is the extent to which key authors in this debate seem ostensibly to hold multiple and ontologically incommensurate positions on this question. Take, for instance, Hall and Soskice, the current high priests of ‘capitalist varietalism’. Without ever really addressing the question in a direct and definitive way, it is not difficult to see that they inhabit, sometimes in the same work, sometimes in different pieces, sometimes together, sometimes apart and with a range of co-authors, at least 5 and probably 6 of the positions identified above, including all bar one of the positions for which the claim that capitalism comes in varieties in an empirical fact and at least two of the positions for which it is a purely analyst construct on the part of the analyst. This is certainly confusing and, as I will suggest, itself the product of an unfortunate confusion with important and problematic implications.

It is instructive to examine their position in some detail, not least because, even after the crisis which it failed to anticipate and arguably still struggles to make sense of, it remains the paradigm-defining contribution in comparative political economy (Blyth, 2003; Howell, 2003). My argument, to be clear, is not that it should be deposed from its perch. Rather, I would suggest, if it is to continue to enjoy this status and, above all, if its analytical ascendancy is not to hinder our capacity to make sense of capitalist crisis, we need to be far clearer than we have been about the status of the assumptions on which it is predicated and their relationship to our shared subject matter.
But to get all of this right, we need to turn – albeit briefly – to Weber on ideal types. For much of the mystique and mystery (and arguably much of the confusion too) of Hall and Soskice’s take on varieties of capitalism arises from the claim that the twin varieties to which they appeal are ideal typical. That claim, I want to suggest, is confused, confusing and ultimately problematic in ways which bear directly on the question of the status and value of the varieties of capitalism posited and in ways clearly anticipated by Weber and underscored by the wider literature on ideal types to which he has given rise.

As the literature on the subject, much of it dating from the 1950s, makes clear, Weber used the term ideal type in two rather different senses. But both derive from a common understanding. As Werner J. Cahnman put it, writing in The Sociological Quarterly in 1965, ideal types (in either form) are, for Weber, “an accentuation or an enhancement (Steigerung) of actually existing elements of reality to the point of their fullest potentiality, amounting to the image of a utopia” (269) – or, one might add, a dystopia (a point to which we return presently). As such, and as he goes on to explain, “the ideal type is not a description of concrete reality or even of the essential features of such a reality (eigentliche Wirklichkeit); it is not a hypothesis; it is not a schema under which a real situation or action is subsumed as one instance; it is not a generic concept or a statistical average”. Rather, it is “an ideal limiting concept with which the real situation or action is compared” (269; Weber 1922 [1949], 190, 191, 192, 194).

This general conception leads Weber (albeit at different stages in his writing) to make the case for the use of ideal types and ideal typical reflection in two different forms – what Watkins (1952) refers to as individualistic ideal types (agential or motivational ideal types) and holistic ideal types (structural or, indeed, institutional ideal types).

In the former (IT1), the ideal type is constructed at the level of the individual actor, as in neo-classical economic theory and its many derivatives Watkins, 1952: 24-5; Weber, 1947). It is the actor that is idealised (or, indeed, rendered dystopic) in that the real world actor is replaced in the ideal typical reflection by a stylised simplification. This pared down account of the individual and his or her motivational disposition is used to derive an idealised model – the analysis, in effect, proceeds by way of ‘as if reasoning’ (if the actor were of this kind
then, logically, s/he would act as follows...). The aim is not to describe the real world, but to develop a stylised/idealised model of it. This might then be compared with real world scenarios in the hope of gaining some additional insight or analytical traction.

In the second (arguably more familiar) type of analytical strategy (IT2), the ideal type is constructed at the level of the system in question (Watkins, 1952: 25-6; Weber, 1922[1949]: 87, 93, 96). It is holistic, but similarly stylised. Such an ideal type (the protestant ethic, the spirit of capitalism, the liberal market economy) is, again, a theoretical construct and a (potential) aid to analysis. In it, the analyst seeks to capture, clarify and convey precisely through abstraction certain features of the whole to which attention is being drawn in a pure (and hence idealised) way. In both cases (IT1 and IT2), the positing of the ideal type is an heuristic devise, analytically useful insofar (and only insofar) as it aids comparison.

To IT1 and IT2, which come directly from Weber, we might usefully add a third type of analytic strategy, which does not. This also seeks to develop holistic types at the level of the system or institutional complex in question. But it does so not deductively (on the basis of a theoretical hunch or conjecture as to the importance of a factor or process whose pure logic might be captured in the form of an ideal type), but inductively (from an analysis of the patterned dispersion and diversity of actually existing cases). This is not an ideal type, but a real type (RT1). It is, invariably, an inductively inferred statistical archetype or aggregate held to represent (or stand in for) an actually existing empirical cluster (Watkins, 1952; Gerhards, 1995; Spiethoff, 1952; see also Arts & Gelissen, 2002).

Armed with the distinction between IT1, IT2 and RT1 as different analytic strategies which might credibly be applied to the question of capitalist variation and variety, we can now return to Hall and Soskice. Their claim is that the account of varieties of capitalism that they offer – and, specifically, of liberal and coordinated market economies within it – is ideal-typical (2001, 8). Since the categories they deploy are clearly holistic, it would seem obvious that their analysis is ideal typical in the second sense above (it is, in effect, a form of IT2). Obvious, perhaps; but wrong. Ironically, perversely even, Hall and Soskice’s construction (in effect, deduction) of the liberal and coordinated market economies is much more clearly consistent with ideal typical analysis of the first kind identified above (IT1). For even
although its aim is to produce an holistic typology, it is ideal-typical, first and foremost in the assumptions at the level of the individual (the ‘micro-foundations’, in standard economic parlance) that they deploy and on which their account is explicitly premised. But, as this perhaps already serve to suggest, things are rather more complicated than this implies. For, in effect, Hall and Soskice derive IT2 holistic ideal types from an IT1 mode of analysis, most clearly in their seminal introductory essay to the Varieties of Capitalism collection itself (2001). Weber never countenances such a move. He sees IT1 and IT2 as mutually exclusive strategies, as alternative and incompatible means of generating analytical purchase. Indeed, part of the justification for IT2 is to expose the limitations of IT1-type reflection. For Weber as, indeed, for the wider literature on ideal types, question like ‘does capitalism come varieties and, if so, how many and which varieties’ cannot be answered in this way.

Yet, at best, this is only half the problem. For when Hall and Soskice and their various co-authors go through the details of showing us how the holistic types to which they refer are constructed, more often than not they reveal not a deductive logic (the derivation of twin Pareto optimal solutions in a game theoretic scenario, for instance) but an inductive one (see, particularly, Hall & Gingerich, 2009). And that suggests that their holistic ‘ideal’ types are not in fact ideal types (IT2) at all, but real types (RT1). They are, typically, empirically and inductively-derived statistical archetypes or aggregates used to capture, in effect, the median position of a demonstrably discrete cluster of actually-existing capitalisms when mapped in a multi-dimensional empirical space. Though this is undoubtedly an exercise in typology and typography, it is not ideal typical in Weber’s sense at all. The claim that it is so is misleading – not least because it conflates and confuses IT1, IT2 and RT1. Consequently, it leaves almost completely unresolved the question of the status of the resulting typology (and the categorical distinction between the varieties of capitalism posited). For IT1, IT2 and RT1, as discrete and distinct (and arguably incommensurate) analytic strategies, generate very different expectations about whether (and to what extent) we would expect the world of actually existing capitalisms to correspond to any varieties we might identify. This might not seem that important, but I want to argue that it is in fact crucial to the political economy of contemporary capitalism, particularly in the period following the crisis.
IT1 as an analytic strategy deploying stylised assumptions at the level of the individual is entirely neutral with respect to the question of whether capitalisms come in two or more varieties. Ideal-typical analysis of this kind is, of course, typically deployed by neo-classical economists for whom the claim that capitalism comes only in one variety is an almost ontological article of faith. But, as authors like Calmfors and Driffill (from whom Hall and Soskice clearly draw much inspiration) in effect show, it is perfectly compatible with the claim that capitalism comes in two (or more) forms (each with a distinct institutional form which structures the games idealised actors might play to produce different anticipated outcomes). For Calmfors and Driffill (1988), the assumption that the relevant institutional settings for the game they seek to model vary and come in two varieties is externally generated – it cannot be derived from the idealised assumptions about human behaviour on which their model is premised. Of course, Hall and Soskice imply that it can – in appealing, implicitly, to some kind of capitalist coordination game in which, for firms at least, there are two Pareto optimal solutions – one liberal and one coordinated (2001, 45). But they never show us the details of the game. Yet even assuming that they could, there are at least two objections to this as a strategy for deriving the number of actually existing varieties of capitalism (and the defining features of each). The first is that a different specification of the game would almost certainly produce a different solution – more (or, conceivably, fewer) varieties and/or varieties of a different kind. But second, and arguably more fundamentally, it is just not credible to think that a form of political economic analysis so self-consciously parsimonious at the level of its basic assumptions about human nature (to say nothing of its privileging of the firm as the core actor in capitalist coordination) could be used to derive expectations about the number and nature of varieties of capitalism which we would expect to be able to pick up in the clustering of real world cases. It might well be useful, heuristically, to explore the value of the simplifying idea that capitalisms come, not in one, but in two varieties and to do so using game theoretical techniques. But it is surely to misunderstand the value of such a hypothetical mode of reflection to assume that it is capable of generating usefully testable propositions about the patterned diversity of actually existing capitalisms. Yet that appears to be precisely what Hall and Soskice assume.

IT2 as an analytic strategy proceeds very differently. Here the ideal types are, in effect, parsimonious categories which the analyst constructs in order to explore in a pure or purer
form some logic or logics at the level of the system as a whole (here, a variety of capitalism as a political economic order). Such ideal types are, in effect, abstracted extrapolations from the real world, designed to capture a (putative) essence, held to be defining of the variety in question, which might warrant further and more focussed reflection. The logic here is neither purely inductive nor purely deductive. Typically, the analysis proceeds from an inductively inferred hunch treated as an heuristic which is then developed deductively in the fleshing out of the characteristics of the ideal type. The ideal type is, then, at best a stylised extrapolation from processes or logics credibly (and putatively) present in real cases. Its aim is to aid reflection and to sharpen the capacity for comparison. But the crucial point is that there is absolutely no expectation that real cases should correspond at all to the holistic ideal types developed and deployed in this kind of analysis. As Weber himself suggested, such ideal types are limiting extremes (1922[1949]: 93). Moreover, and crucially for varieties of capitalism, that one can posit two discrete, distinct and analytically separable coordinating logics within contemporary capitalism and develop ideal types based on a pure expression of each is not to generate the expectation that real world cases should resolve themselves (or will resolve themselves, under the competitive challenges of globalisation or austerity, say) into one or other type. The relationship between the ideal types and the world of actually existing cases, for a two varieties solution is shown schematically in Figure 2.

[Insert Figure 2 here]

Moreover, that a categorical distinction can be posited at the level of the ideal type should not lead us to expect a real world bifurcation of cases. For categorical distinctions are inherent in the very nature of ideal types. Put slightly differently, we are almost bound to see things in (artificially) categorical terms if we think in terms of ideal types. This, arguably, is an occupational hazard from which we need to protect ourselves – and from which we need to protect ourselves rather better than we do now (a point to which we will return presently).

Finally, we come to the analytical strategy associated with RT1, the positing of real types. Here the question becomes, for the first time, a purely empirical one. Whether capitalism
comes in discernible varieties or not and the characteristic of these putative varieties can only be established empirically, inductively and, Invariably, statistically (through cluster analysis, for instance). As with IT1, the approach itself is agnostic as to whether things like capitalisms come in varieties – it is, in end, for the statistics to tell us whether a varietal solution to the problem of patterned diversity is a good one and, if so, how many varieties we should identify (though, of course, we have to insert some of the parameters – how much of the variance are we prepared to sacrifice for a more parsimonious solution, how many varieties are too many and so forth).

There are two important points to be made about the RT1 strategy. First, the types produced are clearly and consciously acknowledged to be convenient analytical/statistical constructs. Even if they quite closely approximate real world cases, they are not themselves real – their properties are (statistical) artefacts determined by the (statistical) parameters we choose. Their value is in simplifying a more complex world than we can credibly deal with in one go – and to do so with as little distortion as possible. Consequently, if a two varieties solution is best and we have good grounds for seeing in the cases which together comprise each variety the expression of a conserved logic, then we have established a firm empirical basis from which to draw a categorical distinction between these two varieties of capitalism. Second, as Figure 3 shows schematically, the relationship between the types identified by this kind of approach and the patterned diversity of actually existing cases is very different from that of IT2.

[Insert Figure 3 here]

In IT2, the ideal types are polar extremes, well beyond the range likely to be exhibited by actually existing cases (there is, in effect, a *reductio ad absurdum* logic in play); in RT1, by contrast, insofar as clear clusters of cases can be identified the real types to which they give rise are cluster medians. In short, IT2 ideal types are outside of the pack (and they exist in effect in a parallel universe of the analyst’s construction) whilst RT1 real types are in the middle of the pack. As such, whilst the properties of the former are ‘other-wordly’, the properties are the latter are ‘real-worldly’ (and may correspond quite closely to actually existing cases).
Putting this together, it is clear to see the compound conflations and confusions which continue to characterise the varieties of capitalism literature. Here, as ever, the problems of Hall and Soskice’s account are merely indicative of a wider failure to think through the very notion of a variety of capitalism and what it means to posit varieties of capitalism as ideal types. The result is that: (i) they deduce holistic ideal types from individualistic ideal types; (ii) they anticipate a patterned diversity in the real world that corresponds with the holistic ideal types thus derived; (iii) they fail to see that the categorical distinction between the twin varieties they identify is a product of the use of an ideal type analytical strategy in the first place (which can only deal with continuous variables by turning them into categorical distinctions); (iv) they use statistical techniques inductively to identify real types which they (mis)-label as ideal types; (v) they take the fact that their inductive and deductive logics end up with equivalent types as a verification of the former strategy; and (vi) they then proceed to treat real world cases (the US and Germany, respectively) as, in effect, hybrid ideal-cum-real types – despite the fact that they can be neither (in that ideal types are theoretical abstractions and extrapolations and real types are statistical aggregates not outliers).

This is all very well but it remains rather abstract. How might such conceptual problems lead us astray? To see that, it is important to turn from the static treatment of the problem of capitalist variation to the rather more dynamic form that it usually takes.

What Hall and Soskice and other proponents and followers of the varieties of capitalism perspective typically do is to import their preferred solution to the varieties problem into a no less stylised (though very familiar) account of the competitive environment in which political economies now find themselves (see for instance Garrett, 1998; Kitschelt et al., 1999). The assorted challenges of that environment are usually bundled together in the rather generic term ‘globalisation’ – and globalisation, as in a much wider literature, is here essentially synonymous with the claim that nations and national economies must compete successfully to survive and that the rigours of such competition are far more intense today than they have ever previously been. The varieties of capitalism perspective’s contribution to this literature is two-fold: the idea that there is more than one way to make this work (two ways, in fact); and that the key to understanding how capitalisms can make this work is
the economic return, in effect, that they might be seen to gain from their institutional investment or endowment (Hall and Soskice [2001, 36-44] call this ‘comparative institutional advantage’). In short, in an ideal typical account of capitalism’s adaptation to an equally stylised account of the competitive challenges posed by globalisation, there are held to be two Pareto optimal solutions. Liberal and proto-liberal market economies need to consolidate their comparative institutional advantage by, presumably, either reinforcing or augmenting their market liberalism; coordinated and (conceivably) proto-coordinated market economies need to shore up their comparative institutional advantage by, presumably, resisting the inexorable march to liberalisation and by defending their institutional endowment. The result is a predicted dual convergence, in which capitalisms, at pain of poor economic performance, gravitate towards the liberal and coordinated market economic poles, hollowing-out a dysfunctional middle ground in the process (see also Garrett, 1988).

It is not difficult to see how the problems that we have already identified in the varieties of capitalism literature lead to problems here – and how those problems, in turn, fail to provide us with the analytical resources to make sense of the period of crisis in and through which we now acknowledge ourselves to be living.

The first problem is that Hall and Soskice’s failure to see holistic ideal types as Weber sees them leads them to treat as real ontologically (and also as categorical) the distinction between liberal and coordinated market economies – and to generate illegitimate expectations about the real world on this basis. What, in fact, they show (and this is no mean feat) is that the highly stylised modelling typically used by neo-classical economists to demonstrate the superiority of pure market liberalism can, if subtly altered to give even some basic consideration to the possibility of non market-based modes of coordination, generate more than one Pareto optimal solution. But that should not lead us to expect that real world cases will line-up neatly in conformity with the revised model they produce (and its predictions of dual convergence).

This leads directly to a second problem. For it is only on the basis of this epistemic and ontological error (the expectation that what the stylised model elucidates should find a
direct real world referent) that good economic performance is associated with proximity to one or other of the hypothesised ideals. Dual convergence follows directly from this, in that the new rules of the game (those prevailing under conditions of globalisation) are held to increase the economic returns to institutional investment and endowment. The result is to increase the costs of what Garrett (1998) calls ‘incoherence’ (non-conformity with an ideal type), generating the expectation of a strong centrifugal force driving real world economies inexorably towards the idealised poles (though Garrett identifies the poles rather differently to Hall and Soskice, the analysis takes essentially the same form).

[Insert Figure 4 here]

A range of additional problems follow from this. First, Hall and Soskice in particular offer us no account of change other than the centrifugal cleansing of institutional dysfunction and no account of institutional dysfunction other than the lack of conformity to a stylised ideal type. This precludes the very possibility that liberal market purism, if taken to its logical extreme, may well sow the seeds of its own downfall. As a number of critics, before and after the crisis, have suggested, the wider problem here is that varieties of capitalism approaches tend to posit as one of their ideal types an understanding of market liberalism that comes straight out of a neo-classical economics textbook (see, for instance, Coates, 2000; Howell, 2003). As a consequence, it tends both to present market liberalism, somewhat naively, as institutionally-light (a tendency reinforced by the positing of CMEs as its polar opposite) and, partly as a consequence, as stable precisely by virtue of its disposition to leave markets essentially to regulate themselves. Tellingly, Hall and Soskice do not discuss regulation at all in their field-defining introduction to the perspective – and neither do they have anything to say about financial markets. After the crisis these seem like egregious omissions – and they are; but arguably they were no less egregious before. Yet more egregious still is that even that which they do consider, they do so in narrowly equilibrium terms.

But in a sense the problem is a more general one. For although (as widely noted) the varieties of capitalism perspective’s account of LMEs is particularly thin (for a sensitive critique see especially Howell, 2003), what applies to LMEs also applies to CMEs. The point is that, in their desire to present each in stylised ideal-typical terms, all potential sources of
endogenous stress, tension and contradiction are excluded from consideration (as, indeed, is the possibility that, through interdependence, crises might prove contagious between LMEs and CMEs).

What we are offered, in effect, is an abstracted depiction of a liberal and a coordinated market economy in a benign condition of perfect equilibrium (it is only economies that fail to conform to either ideal that are in disequilibrium). Here we stumble across something of a truism – *highly parsimonious accounts of equilibrium are far more dangerous analytically than similarly parsimonious accounts of disequilibrium*. It need hardly be pointed out that, at present at least, varieties of capitalism perspectives are invariably examples of the former – though there is nothing inherent in the positing of capitalist varieties that guarantees this. But thus conceptualised, the danger is that they lead us to assume that as long as real world political economic systems are recognisable variants of one or other ideal type, we should assume that they will prove stable. A similarly parsimonious account of the (ideal) typical pathologies, tensions and contradictions of LMEs and CMEs might be no less problematic theoretically (ideal types, as we have seen, need to be treated with considerable caution and pose serious occupational hazards). But, in both alerting us to the possibility of disequilibrium and crisis and in giving us at least some warning signs to look out for, it is far less dangerous politically. This, I think, is the chastening lesson of the crisis for the varieties of capitalism perspective.

**Conclusion**

As this suggests, there is much to put right in the varieties of capitalism perspective. But, to reiterate, there is nothing inherent in the positing of capitalist varieties to preclude that revision. That said, and as I have argued throughout, to get our treatment of capitalist variation right entails being rather clearer about the status of the claim that capitalism does, indeed, come in varieties in the first place – and following through the implications for our expectations about the real world of actually existing capitalisms.

I conclude with ten simple lessons which arise directly from seeking to pose and clarify, at best I can, at least some of these issues.
1. It is fine to use game theoretical techniques to model and thereby to explore in a stylised way the coordination problems and dynamics of contemporary capitalism (and capitalisms), but this is not a legitimate basis from which to generate expectations about the patterned diversity of real world cases treated holistically.

2. Capitalisms do not really come in varieties, even if it is sometimes useful to proceed on the basis that they do. Such varieties, however derived or inferred, are analytical/theoretical constructs lacking direct real world referents. They are best seen as heuristic devices to aid the analysis of multiple cases simultaneously. Their parsimony, like all parsimony, comes at an analytic price – a price almost certainly worth paying, but a price to which we need to extremely sensitive.

3. Given the first point, such constructs are best generated inductively on the basis of the exhibited clustering of cases with respect to relevant variables, factors or dimensions (which might themselves be established more deductively). Varieties of capitalism cannot be derived deductively; the generation of holistic ideal types from individualistic ideal types is a deeply problematic analytic strategy, certainly if it leads to the expectation that the patterned diversity of actually existing cases should correspond in some way to the ideal types posited.

4. A varietal solution to the problem of capitalist variation needs to be gauged, judged and evaluated not in terms of its correspondence to the world of actually existing capitalisms and the patterned diversity they exhibit, but in terms of its analytical utility for the task in hand. There is potential analytical value to be gained by positing capitalist varieties, but there are also costs. The balance between the two can only be adjudicated on a case by case basis, just as the varieties one might posit (and the means by which one might determine their number and nature) will vary depending on the research question.

5. Parsimonious accounts of equilibrium (such as might be generated by a reflection on the properties of ideal types) are dangerous in that they may lead us to the fallacious assumption that as long as real world cases are recognisable as variants of a stable ideal type, they are themselves stable. Parsimonious accounts of disequilibrium, though no less problematic theoretically, are far less dangerous in that they sensitise us to the possibility of crisis and are suggestive of at least some of the warning signals.
6. As this suggests, the varieties of capitalism approach might most usefully proceed through the development of what might be called ‘dystopic types’ to be set alongside and counter-posed to its more familiar ideal types – and which might build from a more general reflection on the crisis-prone character of capitalist accumulation over time. Thus, we might complement Hall & Sockice’s idealised account of the LME, for instance, with a dystopic account of its characteristic contradictions and pathologies (its tendency to leave inadequately regulated the markets it venerates, its tendency to undermine the political stability on which it relies through its various inequality multipliers and, associated with that, its tendency to become ever more reliant on private debt to fund consumption).

7. The holistic analysis of capitalist variation precludes a privileging of a sub-category of relevant actors (such as the firm). Varieties of capitalism cannot be credibly established on the basis of a consideration of the stylised coordination games that firms play, or are seen to play, alone. Finance, in particular, needs to be fully integrated into any reflection on capitalist varieties.

8. The analysis of capitalist variation and variety cannot be limited to a consideration of the institutional configurations which might be seen to characterise particular models (and the complementarities and dis-complementarities they might be seen to exhibit) alone. It must also consider the more historically variable and politically contingent growth models in and through which any exhibited pattern of comparative institutional advantage and disadvantage is likely to manifest.

9. As well as a consideration of endogenous sources of disequilibrium, it is equally important to consider the interdependence (though trade, finance and shared environmental externalities, for instance) of varieties of capitalism and the growth models to which they give rise. Crises are likely to prove contagious between putative varieties insofar as, for instance, the demand satisfied by a growth model in one variety is generated in and through the growth model of another.

10. Path dependence is no guarantee of dynamic stability. Path dependent processes (such the inflation of asset-price bubbles or the related herding effects in the behaviour of financial market actors) can be cumulatively destabilising just as much as they can be cumulatively stabilising. Moreover, if there are economic returns to institutional investments and endowments and institutions are interdependent, then
incremental change may well be the norm but it can also give way to domino effects – as institutional change in one domain may serve to reduce the economic return from institutional endowments elsewhere.

In short, viewing capitalist diversity in varietal terms *distorts* our object of analysis – and the fewer the varieties (the more parsimonious the varietal solution to the variation problem) the greater that distortion. Varietal thinking shines an analytic torch on some aspects of political economic reality at the expense of others. And the varieties we have tended to construct distort principally in that they have led us to anticipate stability, equilibrium and the cleansing of institutional dysfunction to produce dual convergence (particularly in a context of globalisation) – when, if differently specified, they could have led us to anticipate disequilibrium, the path dependent accumulation of destabilising contradictions, and the factors most likely to precipitate crisis. That would have been no less distorting, but it would have been less *damagingly* distorting – and it would give us more resources to make sense of the world in which we now acknowledge ourselves to live.

My aim has not to been to bury the varieties of capitalism perspective but rather to reflect seriously on what it needed to restore it; the phoenix may well rise one more from the ashes. But there is quite a lot of conceptual work required before it will find the wings to fly again.

**References**


