

Book Reviews

Wolfgang Streeck (2009):
Re-Forming Capitalism. Institutional Change in the
German Political Economy
Oxford University Press, Oxford, New York, pp. 300,
58,99 €, ISBN 9780199673981

Steffen Lehndorff (ed.) (2009):
Abriss, Umbau, Renovierung? Studien zum Wandel
des deutschen Kapitalismusmodells
VSA-Verlag, Hamburg, pp. 242, 19,80 €,
ISBN 9783899653250

Gerhard Bosch, Steffen Lehndorff and Jill Rubery
(eds.) (2009): European Employment Models in
Flux: A Comparison of Institutional Change in Nine
European Countries
Basingstoke: Palgrave Macmillan, 2009, pp. 304,
\$ 100, ISBN 9780230223554

Reviewed by Oliver Nachtwey

German capitalism in “comparative capitalism research”

German capitalism is once again booming. It seems that Germany has successfully recovered from the financial crisis. The worst economic slump since World War II is now being followed by a sudden boom that has left many surprised and which has brought unemployment rates down to the lowest they have been in 15 years. Already there is talk of a “job market miracle” in remembrance of the German “Wirtschaftswunder” (“economic miracle”) that

took place over the two decades following WW II, when the German economy recovered from the destruction caused by the war at unforeseen speed. A much longer-lasting boom, however, may be claimed by the social scientific debate over German capitalism. After Germany had coped much better with the crisis of the 1970s than most other advanced capitalisms, politics and social sciences started referring to the “German Model”. However, what followed was a reversal of signs. Throughout the 1980s, especially the Anglo-Saxon capitalisms initiated a reform process consisting of deregulation and liberalization. The German economy, in contrast, was seen as “sclerotic” and as the “sick man of Europe”, especially toward the late 1990s, as it was lagging behind in terms of economic growth as well as employment. From there on, German capitalism has been regarded as resistant to reforms and globally uncompetitive due to its high level of regulation and the comprehensive welfare (-state) coverage.

The Varieties-of-Capitalism approach, a theory of intermediary scope, then found its way into the academic discussion. In this academic debate, German capitalism was alternatively conceived of as a coordinated (Hall/Soskice), negotiated (Coates), or non-liberal (Streeck) economy, and set in contrast to the liberal market economies of the United States or Great Britain. All these approaches were essentially institutionalist theories, the most influential authors being Hall and Soskice, that focussed above all on the strategic interaction of the actors, i.e. especially that of business companies. They examined the different capitalist models’ institutional complementarities and relied on a more or less institutionalist assumption of path dependency.

But if the scientific tool is a hammer, even the best scientist will only find nails. Focussed methodologically on nation-state models, the interconnections between the different capitalisms and of those and the world economy were barely considered for analysis. Most strikingly, however: it seems hard to believe, capitalism as a mode of production and its endogenous processes were analytically marginalized.

Bringing capitalism back in

Wolfgang Streeck, a central figure within comparative capitalism research, has committed himself to resolving some of these problems. In his latest book, “Re-forming Capitalism: Institutional Change in the German Political Economy”, he initially examines the development of German capitalism over the past decades. His case study involves a more far-reaching goal beyond that though. He sets out to clear the research agenda of “historical institutionalism” of some of its shortcomings and make some theoretical adjustments to it. In the course of this, Streeck, as always, proves to be up to date on political-economic and political-sociological theories, reveals their weaknesses, and elegantly synthesizes them into an historical and actor-centered sociology.

Nevertheless, he remains mostly within the theoretical universe of institutionalism and does not include any heterodox theories in his analysis. Streeck is analytically interested in the specific institutions, i.e. mainly in the systemic aspect of capitalism as an “institutionalized social order” (3).

His last chapter is tellingly titled, “Bringing Capitalism Back In”. Here, Streeck identifies as the cause for change mainly in endogenous instead of exogenous factors such as “globalization”. With regard to German capitalism he proposes the “dialectical self-undermining of institutions and social orders in the course of their normal operation” (2), instead of the different variations of functionalist, structuralist analyses or simple path dependencies.

Drawing on five case studies from the first part of the book: Collective Bargaining, Intermediary Organizations, Social Policy, Public Finance, Corporate Governance, Streeck further develops his concept in the second part by elaborating the processual character of institutions in their historical trajectory. The separate cases are not presented as mere examples, but instead each case is empirically expanded and developed throughout the course of the book. Though this does lead to some redundancy, it nevertheless continuously enhances the density, interdependence, and complexity of the argument.

In the last section of the book, Streeck deals with the inevitable questions of convergence and divergence of modern capitalisms and the role of globalization. His analytical strength becomes most visible when he depicts how German capitalism was disorganized through continuous politics of liberalization. In all of the fields studied he sees the same process of liberalization, and thus disorganization: “What disappears in liberalization is not institutions as such, but institutions designed for and capable of subjecting economic actors individually and collectively to social obligations and public responsibilities” (158). For Streeck this is owed to the very nature of capitalist actors, to whom strong regulations represent barriers for entrepreneurial activity. He applies Polanyi’s theory that capitalism is an expansive system which nevertheless includes processes of “containment”. Streeck criticises pseudo-neutral concepts such as “the market” or “the economy”, which tend to evade issues of actors’ interests, market expansion, or accumulation, or which phase them out altogether by reference to equilibrium theory theorems.

While Streeck re-imposes capitalism as a central category in the institutionalist debate, he is hesitant about its theoretical foundation. He distances himself from structuralist as well as, to him there is no difference between the two in terms of research logic, marxist approaches. His main point of reference is Polanyi, though he does not refrain from drawing on Marx at times. However, this mostly remains historical reminiscence. But it is precisely Marx’ hypothesis of the tendency of the rate of profit to fall, which Streeck does mention, and on which there has been a great deal of theoretically and empirically elaborated research up to this day, that is one of the most important endogenous variables in the explanation of the *undermining* of German capitalism, which Streeck analyses and repeatedly describes as “dialectical”. Unfortunately, Streeck only scratches the surface and makes no attempt to systematically integrate this variable in his theory. As a result, his explanation of the endogenously induced change of capitalism seems a bit tautological or even reificated, as is the case when he touches on the financial crisis of the state, and repeatedly writes of the “secular” exhaustion of state capacities. However, this criticism cannot diminish the overall value of the book. Streeck’s book is one of the most important works on institutionalist theory of the past years.

Comprehensive empirical case studies

A little less theoretically advanced than Streeck, but equally important, are the two studies, “Abriss, Umbau, Renovierung? Studien zum Wandel des deutschen Kapitalismusmodells”, by *Lehndorff (ed.)*, and “European Employment Models in Flux: A Comparison of Institutional Change in Nine European Countries”, by *Bosch et al. (eds.)*, which both deal with the changes in the German employment model, or rather, the European employment models.

What distinguishes both books is the attempt to correct the tendency of Varieties-of-Capitalism research to focus on a certain industrial branch and then deem it representative for the entire national economy of a given country. In the German case, current Varieties-of-Capitalism research sees the production sector as style-forming and typecasting for this variant of capitalism, while the consumption, distribution and provision sectors are dismissed. This deficiency is corrected through the inclusion of the other sectors. Another strength of both books is that the analysis of the employment models involves the welfare regime and thus institutionalized social and family policy. Both editors as well as their respective authors choose a more holistic approach than Streeck for the analysis of capitalisms. At the same time, however, they (pleasantly) do not play the academic game of term-coining, but instead draw on existing theorems and join them together according to their benefits. But this strength is also somewhat a weakness because the theoretical golden thread does get lost at times. A parsimony theory may be more controversial, but it can lead to clearer and more easily verifiable results, whereas here, the theoretical course seems a bit eclectic. It is, however, not the authors’ prime intention to develop a new theory, but to conduct theory-driven case studies of the development of employment models, and this standard is perfectly met. The volume by Bosch et al. (eds.) impresses the reader through the scope and depth of its studies. 45 researchers from ten different countries were involved in the research project, “Dynamics of National Models of Employment” (DYNAMO; <http://www.dynamoproject.eu>), that was sponsored by the European Commission, and which ultimately produced this volume.

The integration of such a group of researchers into a coherent research design, as happened in this case, is in fact an achievement in its own right. An elaborate introduction by the editors is followed by country studies of Great Britain, Sweden, Germany, Austria, Hungary, France, Greece, and Spain. These studies examine the development of the respective countries from 1995 to 2005 and were all composed by national experts. The main dynamics and patterns of change are identified and analysed for each case.

The volume by Lehndorff (ed.) does not offer such coherence. Its strength lies in analyzing the German employment model from different perspectives, following the criticism of the Varieties-of-Capitalism approach. For example, even if gendered discrimination is discussed “only” for the German retail sector, and the central, very insightful, contribution on industrial relations classically explores the automobile industry: each essay comprehensively illuminates its respective field of study and identifies the crisis tendencies in a clearly structured analysis and comprehensible language. The examination of the employment model in the retail sector, the construction sector, in geriatric care, and in public transportation, respectively, represents an important contribution to the study of capitalism. The book’s strength derives from the authors’ theoretically informed approach which gives the reader sufficient critical knowledge of the field of study in each contribution. A second strong point is that the authors have the confidence to make critical-normative statements and to call a spade a spade when it comes to the development of German capitalism, i.e. liberalization, deregulation, and the related social consequences. They also take a look ahead and describe what the development of German capitalism might look like if the path currently chosen is further pursued. At the same time though, the authors also present alternative paths of development within the space of possibilities of social change. That makes this volume recommendable not only to social scientists, but also to social-scientifically interested trade unionists.

The books edited by Streeck and Lehndorff each illuminate a different cause for the new German “job market miracle”: the deregulation of the labour market(s) (Lehndorff), and the liberalization of the entire socio-economic model (Streeck). Both books reach the same conclusion: There is very

little left of the “German Model” of unity of economic efficiency and social security.

According to these works there can hardly be any talk of a “model for the future”: and it may well be doubted whether the chosen path of liberalized capitalism will lead to renewed systemic stability.

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