# Comparing Capitalisms: Debates, Controversies and Future Directions

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Abstract

Various strands of the comparative capitalisms (CC) literature agree that the advanced economies have liberalized in recent years, bringing with it rising income and wealth inequality and job insecurity; although these perspectives differ in important ways, there is much common ground between them to explain this heightened level of inequality and insecurity. Through reviewing contributions to three key CC perspectives since 2007/2008, we argue that they have tended to focus on developments in co-ordinated market economies, leading to a neglect of growing structural crises in liberal market economies, which have contributed to the UK and the US entering uncharted socio-political waters. We extend recent work that emphasizes how variation between countries in labour-market institutions, different corporate forms and states' fiscal policies help to explain income and wealth inequality to highlight future research agendas that seek to combine more systematically these institutional areas to explain social inequalities, workers' experiences and socio-political crises within capitalist systems.

Keywords: comparative capitalism; economic sociology; inequality

## Introduction

Income inequality and job insecurity have increased in many developed economies, especially since the 2007/2008 financial crisis (Thelen, 2014). The persistent differences in inequality within and between developed economies and, more recently, right-wing populist backlashes, have highlighted the need for fuller understandings of the relationship between different forms of capitalism, social equity and crisis (Dorling, 2018; Hall, 2015b; Morgan, 2016; O'Reilly et al., 2016; Wilkinson and Pickett, 2009).

We review the relevant comparative capitalisms (CC) literature since the crisis. Existing studies have tended to focus either on how economies characterized by non-market forms of co-ordination are likely to become more de-regulated (Baccaro and Benassi, 2014, 2017; Hall and Thelen, 2009; Streeck, 2014b; Thelen, 2014; Whitley, 2012) or the global spread of neo-liberalism (Jessop, 2012; Streeck, 2012; cf. Pradella, 2017). Yet, neo-liberalism brings with it many contradictions and problems. Sandel (2012) highlights the moral and practical limits to the extension of markets: within many developed societies, markets have extended into a number of areas where previously their influence was more limited, including education, health, government, law, and family life. In turn, this undermines those moral and civic goods that make markets possible (Sandel, 2012).

However, mainstream politicians have often been unwilling or unable to offer policy alternatives to liberalization (Kuttner, 2007), leaving a large proportion of the electorate demonstrably worse off (Kalleberg, 2009), and enabling populists to gain influence and/or power (Hopkin, 2017). This implies that, if co-operative features of markets recede and/or that a specific manifestation of capitalism does not deliver for many, the entire system may be challenged (Hopkin, 2017; Kalleberg, 2009). Furthermore, capitalist systems that have more co-operative features may be more sustainable as they have a greater ability, relative to other capitalist forms, to better reconcile shareholder and stakeholder interests (Dore, 2000).

However, much of the CC literature tends to downplay how institutions associated with the most liberal market economies, the UK and the US (Gamble, 2014), can lead to particularly marked increases in equality and insecurity (Hall, 2015b; Hay, 2013; Hay and Payne, 2015; cf. Williams, 2017), and, potentially, socio-political instability (O'Reilly et al., 2016). For instance, the UK and US display the highest levels of inequality (see figures 1 and 2 below) and high levels of wealth inequality (Alvaredo et al., 2018). Indeed, rather than most advanced economies defaulting to neo-liberalism, the UK and US have entered uncharted socio-political waters, raising questions about their relative stability. This has significant implications for capitalism as a global phenomenon, especially as the liberal market economy (LME) model has been upheld as the gold standard for emerging markets (Dewenter and Malatesta, 2001). However, evolving capitalisms in state socialist countries, such as China, may continue on a distinct trajectory (Zhang and Whitley, 2013).

We argue that there is a need to explain not only changes in the levels of income inequality and job (and occupational) security, in general, but also differences between LMEs and other types of market economy and, indeed, between LMEs themselves. By focusing on overall growth and employment, the existing literature tends to downplay systemic outcomes that still leave many (or, indeed, most) worse off, in turn making for socio-political problems (Lavery, 2018). In other words, the recursive relationship between inequality experienced by individuals and societal changes is important (Halford and Strangleman, 2009; Strangleman, 2017; Watson, 2009), and, indeed, may eclipse broadly positive 'headline' figures around growth. We build on existing work that emphasizes the influence of labour-market systems (Thelen, 2014, 2019) as well as different corporate forms (Kristensen and Morgan, 2018) and the broad role of the state (Morgan, 2016) to put forward a research agenda that more systematically captures these explanatory factors.

**Boundaries of Analysis**

Work on capitalism and comparative capitalisms has a long history (Giddens, 1970; Lane, 1989; Lincoln and Kalleberg, 1990; Melling, 1991). We use the term ‘CC’ to encompass work that adopts a largely geographical perspective and that draws on socio-economic analysis to compare, *inter alia*, variations in formal and informal regulation, the nature of firms, their competitive strengths, and the associated cross-country patterns of inequality and comparative advantages (Jackson and Deeg, 2008). The three approaches we review are: 1) the Varieties of Capitalism (VoC) (Hall and Soskice, 2001; Jackson and Deeg, 2008) and the related business systems theory (BST) (Whitley, 1999, 2003, 2012), 2) historical institutionalism (HI) (Steinmo and Thelen, 1992; Thelen, 1999), and 3) the régulationist literature, and its recent developments and extensions, including the Social Systems of Production (SSP) approach (Hollingsworth and Boyer, 1997) and the literature on variegated capitalism (Jessop, 2012). We recognize that the differences between these three approaches are not always as distinct in practice as we propose here, and that individual analyses do not necessarily fit consistently or neatly into one of our three categories (Wood, 2013). The primary focus of this article is on capitalisms within the developed world; however, where salient, we make reference to other forms of capitalism.

The CC perspective differs to mainstream economics and finance approaches (for example, Djankov et al., 2003), which tend to adopt a narrow, ‘uni-dimensional’ view of institutions and their influences, centring on the institutional foundations of private property rights and assuming that this single institutional feature over-rides all others (Boyer, 2011; Whitley, 2003).

We examine the emphases these frameworks place on different explanatory factors and highlight the implications for societal inequalities and broader socio-political stability. We provide, in Figures 1 and 2, key measures of income inequality; such measures are important indicators that often form part of broader analyses (Halford and Savage, 2017; Wilkinson and Pickett, 2009). We recognize, however, that such measures alone do not capture all nuances of social inequality (Goldthorpe, 2010). Both figures show Gini coefficients before and after taxes and transfers. Figure 1 shows data for 2008; Figure 2, 2016. Both figures reveal that, even though the UK and the US did not have the highest levels of income inequality before taxes and transfers, they did after, indicating that their governments play a relatively limited role in reducing market-based income inequality. This role has persisted and the current CC literature does not fully consider it when explaining income and wealth inequalities.

Figure 1 about here

Figure 2 about here

**Methods**

We focus on the dynamics of individual capitalist systems as well as capitalism per se in developed economies. We have stopped short of conducting a full systematic review, but have, nevertheless, attempted to do justice to the CC literature since 2007/8; during this period a re-assessment of capitalism has taken place (Morgan, 2016; Streeck, 2016; Thelen, 2019). We seek to capture how themes within three strands of the CC literature have evolved since the end of the 'Great Moderation', which lasted from approximately 1989 until 2007/2008 (Coates, 2015). Generally, sustained economic growth, buoyant labour markets and rising living standards in advanced capitalist economies characterized the Great Moderation, leading the CC literature to focus on capitalist variation rather than capitalist commonalities (Coates, 2015: 18–20).

**VoC and BST Frameworks**

Drawing together key strands of comparative political economy, an influential 2001 edited collection first laid out the VoC framework, which combines an analysis of institutions and societies with an assessment of rational economic actors' strategic interactions (Hall and Soskice, 2001). Focusing on how institutions generate and sustain trust and enhance knowledge within economies, business systems theory is more explicitly sociological (Whitley, 1999; Hall and Soskice 2001). Both perspectives have traditionally focused on the diversity of firms, production and their capabilities and how institutions help or hinder companies solve particular co-ordination problems rather than the dynamics of capitalism or the consumption of finished products and services; by doing so, they identify patterns of firm behaviour within particular national archetypes (Hall and Soskice, 2001; Whitley, 1999).

This does not mean that all firms within a particular national economy will behave the same; however, the diversity of company forms and capabilities will be bounded (Wood et al., 2009). Although differences exist between the two approaches, both place growth within the context of relative stakeholder well-being; both, therefore, differ from orthodox economic approaches to comparative institutional analysis (Djankov et al., 2003).

Initially, both perspectives viewed institutions and patterns of economic organization as relatively stable (Boyer, 2005; Hall and Thelen, 2009; Thelen, 2014). When institutional change did occur, the VoC and BST perspectives focused on how diverse groups of collective actors responded to exogenous challenges, such as the internationalization of markets, advances in technology and the collapse of communism (Hall and Soskice, 2001: 56–60; Morgan, 2005; Whitley, 2012). They did not incorporate developments from within the institutional system itself into their analyses (Boyer, 2005; Streeck, 2012).

Some recent contributions, however, highlight 1) how collective actors continuously test the limits of existing institutions to maximize the distributive benefits accruing to them or the coalition that they represent, 2) the role of financialization in institutional change and 3) the recursive effects of greater liberalization and austerity on future liberalization (Kristensen and Morgan, 2018; Morgan, 2016). This important development highlights capitalism's dynamic qualities (Hall and Thelen, 2009; Morgan, 2016; cf. Wood and Lane, 2012) and recognizes, therefore, that any dominant set of institutional arrangements is always conditional and contested.

The key issue here is the argument that endogenous and exogenous factors are likely to undermine particular institutions, such as labour-market regimes and corporate-governance codes, that do not conform closely to liberal-market precepts, leading, typically, to conclusions that emphasize the weakening of institutional systems that enable obligational forms of contracting and 'non-arm's length' modes of exchange (Morgan, 2014, 2015; Whitley, 2012).

Whilst some of this research does not assess the ramifications of increasingly liberalized forms of capitalism for different forms of inequality (Morgan, 2015; Whitley, 2012), some does, arguing inequality is increasing in many countries (Morgan, 2016; Morgan and Kristensen, 2014). This latter work typically builds on existing theories. First, key arguments draw on Polanyi's (2001 [1944]) notion of a ‘double movement’ to highlight how the state, reflecting societal pressures, uses funds from taxation and borrowing to provide social and economic benefits to individuals based on citizenship rights rather than market power (Morgan, 2016: 1; Morgan and Kristensen, 2014). Second, these arguments draw on Weberian and Polanyian insights to emphasize how some actors seek to extend the market’s breadth and depth (Morgan, 2016; Morgan and Kristensen, 2014; Morgan and Whitley, 2012). Finally, these contributions cite Marx and Schumpeter to explain how markets and competition develop dynamically, often leading to increased inequality (Morgan, 2016).

By drawing on Polanyi to highlight potential ‘double movements’ and by emphasizing the dynamism of capitalism more heavily than they did, recent VoC and BST contributions resemble HI ones. However, unlike the HI and regulation approaches, the VoC and BST perspectives tend also to highlight how variation in corporate-governance regulations influences the types of firm that exist in different countries and their abilities to pursue particular objectives, helping to explain differences in societal outcomes, including income inequalities (Kristensen and Morgan, 2018; Morgan and Kristensen, 2014).

**Historical institutionalism**

HI tends to focus on particular policy areas within broader political structures, often seeking to explain secular political processes (Steinmo and Thelen, 1992; Thelen, 1999). It analyses how collective actors, such as businesses, business organizations and unions, initiate and contest political developments within existing political structures and policies, such as decision-making procedures, the constitution of political parties and electoral systems (Thelen, 1999). Institutions, therefore, not only structure actors' context, but also their understandings of problems and potential solutions (Steinmo and Thelen, 1992; Thelen, 1999). The HI literature tends, therefore, to focus overtly on political contests, resulting, we argue, in the inadvertent downplaying of crises that are more likely to affect the most liberal forms of capitalism than they are other forms of capitalism in developed economies (Deeg, 2012).

Political contests do not necessarily mean that economic and financial elites are always able to determine institutional regimes (Emmenegger and Marx, 2011). Instead, they must compromise and are likely to seek to adapt those compromises in their favour, whenever possible, to promote less constrained market relations, both within and beyond the workplace (Thelen, 2012). However, the 2008 crisis has led influential historical institutionalists to conclude that national institutional arrangements that mediate and inhibit 'free' labour markets are progressively unwinding, with all nations, even if at different paces, entering an era characterized by unmediated market relations (Streeck, 2013; Thelen, 2014, 2019).

Polanyian notions of double movements influence such arguments (Polanyi, 2001; Streeck, 2014a): periodically, political settlements seek to constrain the negative consequences of unbridled markets; these are then, in turn, challenged by counter pressures (Streeck, 2014a; Thelen, 2014). This means that there can never be a durable final institutional settlement (Streeck, 2012); capitalism develops along a dynamic path between state and market, and each period of state or market mediation is fundamentally different to preceding phases (Streeck, 2014a).

However, the emphasis on these double movements differs in HI work. Whilst HI analyses conclude that greater marketization is occurring, some work focuses on capitalism and other work highlights the potential for some actors to restrict the growth of the market. For instance, Streeck, (2014b) implicitly relies on a non-agential model of capitalism to explain socio-economic outcomes: it is capitalism itself that pursues relatively unencumbered and autogenic expansion (cf. Polanyi, 2001). Other accounts draw to a greater extent on Polanyi's (2001) notion of a ‘double movement’ to stress how ‘society’ may be able to act as a possible brake on increased marketization (Baccaro and Benassi, 2017; Benassi et al., 2016; Crouch, 2013, 2014). These latter studies tend, however, to argue that societies are largely unable to stop the erosion of institutions that prevent 1) the commodification of many forms of work and economic activity (Kinderman, 2017; Regini, 2014), and, consequently, 2) increased inequality (Greer and Doellgast, 2017); subsequently, they typically view institutional change and greater marketization as a process immanent within capitalism (Baccaro and Benassi, 2017; Crouch, 2013, 2016; Streeck, 2009, 2014a), making it difficult to explain variation in income inequalities both between and within different types of capitalism.

Such arguments also echo, in part, Marxian and Weberian logics about developments within capitalism that highlight how production or capitalism can become an end in itself rather than a means either to demonstrate one’s religious piety or to meet immediate material needs, leading to a lack of choice for individuals but to become a part of the capitalist system and the commodification of many forms of labour (Parsons, 1929: 43; Watson, 2009; Weber, 2001: 123–124).

These assessments often stem from a focus on Germany (Baccaro and Benassi, 2014, 2017; Kinderman, 2017; Streeck, 2009). The close scrutiny of any type of capitalism is likely to make some change or shortfall visible. Some HI literature focuses on Germany and its experience leading up to, during, and after the so-called Hartz reforms. These reforms changed labour-market and social-welfare policies significantly, and they followed recommendations by the Committee for Modern Services in the Labour Market, chaired by Peter Hartz (Seeleib-Kaiser, 2016). By focusing on Germany, such HI work may, inadvertently, have over-estimated market liberalism's robustness and under-estimated the relative durability of the German model's core features. For instance, recent work has highlighted how large German industrial foundations and families that own firms have closed ranks to ward off relatively short-termist UK and US institutional investors, even as other interests have continued to push for liberalization (Haberly, 2014).

When research focuses on other countries, the analysis often concentrates on how relevant collective actors cannot prevent the weakening of unions and collective wage bargaining, leading to increases in income inequality (Amable, 2017; Baccaro and Howell, 2017; Thelen, 2019). There has been a tendency for historical institutionalists to see change as primarily a political process, led by defectors from a particular institutional order who would gain materially from the changes they propose (Amable, 2017; Crouch, 2016; Kinderman, 2017). This analytical focus can potentially explain pre-tax and pre-transfer income inequality, but cannot address post-tax and post-transfer inequality. Such work, therefore, downplays how the state influences inequality, and, as Durkheim, (1960: 378, [1893]) noted over a century ago, how existing wealth inequalities influence earnings opportunities (see also Bukodi and Paskov, 2018).

Moreover, HI often suggests that any model of *capitalism* is likely to be unsustainable precisely because it is capitalistic (Baccaro and Howell, 2017; Streeck, 2014a, 2014b), downplaying the particular problems associated with liberal forms of capitalism and how fiscal policies influence levels of market-based income inequality.

However, Thelen's (2019) work stresses analysing labour-market institutions, such as unions and collective wage bargaining, and their variation across countries to explain employment insecurity and, by extension, income inequality.

## The Régulation Approach

We define the régulation approach broadly to encompass those who contribute explicitly to it as well as those who adopt a similar, but different perspective and who may use alternative labels, such as the Amsterdam School (Boyer, 1990). It focuses on the links between the *industrial paradigm* (the mode governing the technical and social division of labour), *mode of régulation* (that looks at the factors that influence individuals' behaviour), *accumulation* or growth regime (the typical patterns of consumption and production as well as how a national economy, typically, grows), and modes of development (when the former three work together for a sufficient period of time to ensure a long wave of growth) (Boyer, 2005, 2011; Jessop, 1990, 2001: xxvii).

More specifically, a mode of regulation is the '[en]semble of norms, institutions, social networks and patterns of conduct that can stabilize an accumulation regime', and the latter 'a complementary pattern of production and consumption' (Jessop, 1990. p. xxvii). Both are spatially and temporally confined, and the former is of very much shorter duration and scale than the traditional Marxist concept of a mode of production. It emphasizes the inherently unstable nature of all forms of capitalism (Boyer, 2005, 2010), with sets of institutional arrangements providing temporary, contingent, and spatially and temporally specific 'fixes' (Amable, 2016). This, in turn, highlights the endogenous characteristics of many instances of institutional change (Boyer, 2005, 2011; Jessop, 2012). The approach also highlights the inter-connections between different types of capitalism (Boyer, 2011) and how this can lead to increases in inequality in some countries (Jessop, 2014c).

Rather than seeing the firm as the arena in which embedded formal and informal rules are simply enacted and reconstituted, drawing on its part-Althusserian ancestry (Lipietz, 1993), the régulation approach accords a central role to the process of production and the inherent tensions it embodies (Boyer, 1990). Indeed, *régulation* theory initially focused on explaining the conditions under which Fordist modes of production and consumption provided stable growth for many years, but ultimately declined (Boyer, 2005; Jessop, 2012)**.**

As régulation theory builds from the idea that capitalist systems are inherently dynamic and prone to crisis (Boyer, 2000; Jessop, 1997), it was quicker than the VoC and BST approaches to identify and analyse financialization (Boyer, 2000, 2013b), which continues to develop (Davis and Kim, 2015; Jessop, 2014b). Although an emphasis on financialization may suggest greater liberalization is ineluctable, the régulation approach did, initially, consider the possibility of new institutional fixes emerging that might nurture and replicate more co-operative forms of work organization (Boyer, 2004).

Indeed, Boyer's earliest work on finance explored how financialization might underpin a new wave of growth; however, this work concluded that, at most, finance could only constitute part of a much more diverse production regime (Boyer, 2000). Moreover, change in one part of the system does not equate to systemic change. Boyer (2006) argues that aspects of the shareholder value model have infused Germany's mode of régulation; as other traditional aspects of the system, such as employment relations, have remained intact, a new configuration has emerged, but it remains distinct from the LME model.

Recently, though, the régulation approach's primary concern has been to highlight the causes of the present-day crisis, and the mechanics of institutional re-design (Amable, 2017; Becker and Jäger, 2012; Boyer, 2011; Jessop, 2014c); indeed, régulation theory has increasingly questioned the possibility of bringing about alternatives to neo-liberalism, as key strands of HI have also done (Boyer, 2010; Jessop, 1989; Vidal, 2013). There has also been an increased and explicit focus on financialization, most notably by Boyer (2000, 2010, 2011, 2013), but by others as well (Becker and Jäger, 2012; Jessop, 2013, 2014b, 2014c). Although the literature on financialization is undeniably diverse and has many strands, including postmodernism, régulation theorists placed it within its broader historico-spatial context and saw it less as a departure from, and more as a reflection of inherent features of, capitalism (Westra, 2019).

For instance, the dynamics of capitalism has increased financialization in many countries, leading to a loss of informational content and enhancing systemic risks (Boyer, 2013b). Moreover, financial capital and inherited wealth are often misrepresented or repackaged as entrepreneurially generated; only through understanding how financial capital and inherited wealth are reproduced, is it possible to fully comprehend how they feed into job insecurity and income inequality, both in the creation and reproduction of vested interests as well as individual and collective life chances (Herlin-Giret, 2017; Mayer, 2016).

In general, the régulation approach is more overtly critical of neo-liberalism than the VoC/BST perspective (Boyer, 2005, 2010; Jessop, 2014a, 2014b). In addition and in common with HI, the approach suggests that capitalism's dynamics, acting through financial firms, shareholders and managers, leads to greater de-regulation and increased income inequality (Boyer, 2010, 2011; Jessop, 2014a; Mayer, 2016).For instance, reflecting régulationist thinking, Lazonick's (2017) work highlights how financialization has resulted, in the US, in speculative investments outweighing investment in production capabilities, leading to the decline of traditional large corporations capable of generating decent work, employment security and social equality (Urry, 2014). The régulation approach has, therefore, highlighted how common features of capitalism can explain increases in inequality and associated socio-political problems; however, it has tended to downplay the role of the state and diversity between different types of capitalism.

**Limits to liberalization?**

A common CC theme is that wealth generation requires some production process of goods or services. Hence, financialization primarily represents a process of wealth re-allocation: highly fungible assets, and those assets that can readily be liquidated into highly fungible forms, are prioritized over non-fungible ones (Wood, 2013). The latter include not only money sunk into plant and machinery, and associated processes, but also organizations' human capabilities that are difficult to quantify (Hall and Soskice, 2001; Whitley, 1999).

Such developments help to explain why the LME model faces strong challenges and contradictions that other forms of capitalism do not (Wood, 2013; Wood and Wright, 2015). As recent global value chain theory highlights, greater outsourcing of production to low-wage economies has meant that dominant parties and intermediaries have been able to capture more of the value/wealth created by production (Pradella, 2017; Urry, 2014), at the expense of those involved in the actual production process who gained more from traditional, spatially contiguous production networks (Lane and Probert, 2009). Whilst resistance can sometimes prevent this process (Luthfa, 2017), in many instances, opposition may be difficult because of horizontal divisions and problems of co-ordination amongst countervailing actors (Lane and Probert, 2009). Outsourcing and offshoring can, therefore, diminish the process of production and labour's contribution, ultimately creating greater income and wealth inequality (de Thierry et al., 2014; Standing, 2011) as well as other forms of inequality within and between societies that are difficult to capture using nationally based measures alone (Urry, 2014).

In addition, social protection, which was already relatively weak in LMEs, has diminished further (Hay, 2011), increasing the stakes. Similarly, LMEs' over-inflated housing markets have made the property ladder inaccessible to growing numbers of individuals, especially those in younger generations, undermining the ability of house-price increases to off-set income inequality (Bone and O'Reilly, 2010).

Mainstream politicians have often been unwilling or unable to offer policy alternatives to these challenges (Kuttner, 2007), resulting in socio-political blowback (Kalleberg, 2009) and the rise of right-wing populist politicians (Hopkin, 2017; Mayer, 2016), who have attained political power not only in many peripheral and emerging economies, but also in the two archetypical LMEs, the US and the UK. Despite posing as challengers to the establishment, such leaders are typically personally wealthy and aggressively rent seeking, and have secured the patronage of specific sub-segments of financial capital (Dörry and Dymski, n.d.). Whilst the populist right is a global phenomenon and have made headway in many countries, it has only captured power, amongst the mature LMEs and co-ordinated market economies (CMEs), in the US and the UK. Moreover, owing to a long period of political stability, the US's and the UK's political institutions, conceived of hundreds of years ago, may be particularly ill equipped to withstand a period of populism without lapsing into civil disorder or authoritarianism. From the late nineteenth century to the 1930s, sociologists were much preoccupied with the relationship between constitutional legacies, and economic and political disorder (Durkheim, 1960; Henry, 1983; Levine, 1971). A long period of growth and stability does not mean that all within the financial and political elite become permanently wedded to democracy (Giroux and Bhattacharya, 2017).

## Discussion and Conclusions

A prolonged period of uncertainty, volatility and stagnant real incomes for the majority has challenged, to varying degrees, CC contributions' initial assumptions on institutional stability and path dependence, leading to a growing consensus across the different strands of the CC literature on 1) the temporally specific and contingent nature of institutions and 2) the tensions between embedded, nationally distinct firm behaviours and common trends across the global capitalist ecosystem. In addition, a common argument is that developed economies are likely to experience increasing liberalization. Although the emphasis may vary, much of the existing CC literature highlights the increasing importance of labour-market systems (Greer and Doellgast, 2017; Thelen, 2014, 2019) and the 'restless nature' of capitalism itself (Boyer, 2013a; Morgan, 2016; Streeck, 2014b). We do not dispute the importance of these processes to explain increasing liberalization and, hence, rising inequality in many countries.

However, the evidence suggests that income and wealth inequality as well as social and employment security continue to vary significantly across developed countries. Existing analyses on advanced economies focus largely on market-based, or pre-tax and pre-transfer, inequalities, neglecting how states reduce inequality and how states vary in the degree to which they reduce inequality by.

Although advanced economies have liberalized many aspects of their economies, the UK and the US have the highest levels of post-tax and post-transfer inequality. As noted above, the marketization of more areas of social life can weaken the social ties that markets need to function well in the first place (Polanyi, 2001; Sandel, 2012). That process may be underway in the UK and the US; however, much of the literature focuses on liberalization of other countries or regions (Baccaro and Benassi, 2017; Hall, 2018; Iversen and Soskice, 2013; Streeck, 2009; cf. Hay and Payne, 2015).These other countries may liberalize less if open-ended crisis increasingly characterizes the LME model.

The two largest liberal states' chronic inability not only to provide income and occupational security, but also to prevent declines in the material conditions of the bulk of their populations has led to a rise of populism in these countries (Froud et al., 2016; Hopkin, 2017; Inglehart and Norris, 2016). As theories of relative deprivation indicate (Runciman, 1966), poverty and inequality are often associated with compliance, but a significant worsening of material conditions increases notions of relative deprivation and the prospect of social unrest (Davies, 1962).

Right-wing populism's greater breadth and depth in the UK and US, compared to CMEs, and its relationship to income inequality, suggest the persistence of diverse outcomes (Hall, 2015a; Hay, 2011). Our analysis suggests three useful areas for future research. First, we need to analyse the causes of income inequality by extending existing theories that emphasize labour-market institutions, including unions and wage bargaining (Baccaro and Howell, 2017; Thelen, 2019). Such extensions could systematically analyse how the state and some firms influence inequality (Lain, 2016; Melling, 1991; Urry, 2014; Zhang and Whitley, 2013) as well as the broad patterns of society and social change that influence how that role varies both across countries and over time (Halford and Strangleman, 2009). There remains, therefore, a need for comparative studies to examine how institutions structure contrasting outcomes, including how various groups or classes experience work (Strangleman, 2017), both within and between different countries (Urry, 2014).

Second, studying the links between different models of capitalism and the role of (trans)national actors, on the one hand, and equality and socio-political outcomes, on the other, necessitates comparative analyses of the dynamic interplay between various actors, including elites, businesses, business associations, unions, charities, that may be largely regional, national or transnational in character (Luthfa, 2017; Morgan, 2016; Urry, 2014; Zhang and Whitley, 2013). Building on insights from fiscal sociology (Schumpeter, 1991 [1918]), such analyses could examine how the structure and power of elites, including multinational firms and large technology companies, influence states' abilities to tax them and how the elites' relative loyalty towards the systems that nurtured and serve them helped, in part, to increase right-wing populism in the UK and US (O'Reilly et al., 2016). The role of the German industrial foundations and families in supporting the German political and economic system, and likewise the Japanese zaibatsu, contrasts sharply to some sub-segments of the Anglophone financial elite, who have covertly funded far-right causes and sought to undermine social consensus (Giroux and Bhattacharya, 2017; Mayer, 2016). Yet, like their Weimar counterparts, they may battle to ensure the populists, whose rise they have facilitated, remain servile to their interests (O'Reilly et al., 2016). Such phenomena and trends should be set within an analysis of how different forms of capitalism interact with one another to weaken or support institutions, creating different opportunities for populist politicians to exploit (Hopkin, 2017) as well as making the case for internationally embedded analyses of largely national institutional systems (see Jessop, 2014a).

Finally, the links between social inclusion, on the one hand, and social and political unrest and the rise of populism, on the other, remain unclear; yet these would appear to be of fundamental importance to understanding the development of different capitalisms. By emphasizing the range of social outcomes across different developed economies, our work suggests that future research should assess how social action and developments in political preferences shape institutions (Morgan, 2016). Such work would supplement existing research that focuses on the interactions between institutions, on the one hand, and firms and, for example, their investment and employment decisions, on the other. It would also lead to a greater understanding of the material conditions under which more sustainable models of capitalism emerge and prosper. Interestingly, CMEs have adopted renewable energy much more vigorously than have LMEs, where populist politicians have become shrill in their evangelization of hydrocarbons (Wood et al., n.d.). Exploring the interlinkages between stakeholder and environmental wellbeing, and how any counter movement from neo-liberal excess can deepen them, represents, therefore, a fertile area for future enquiry.

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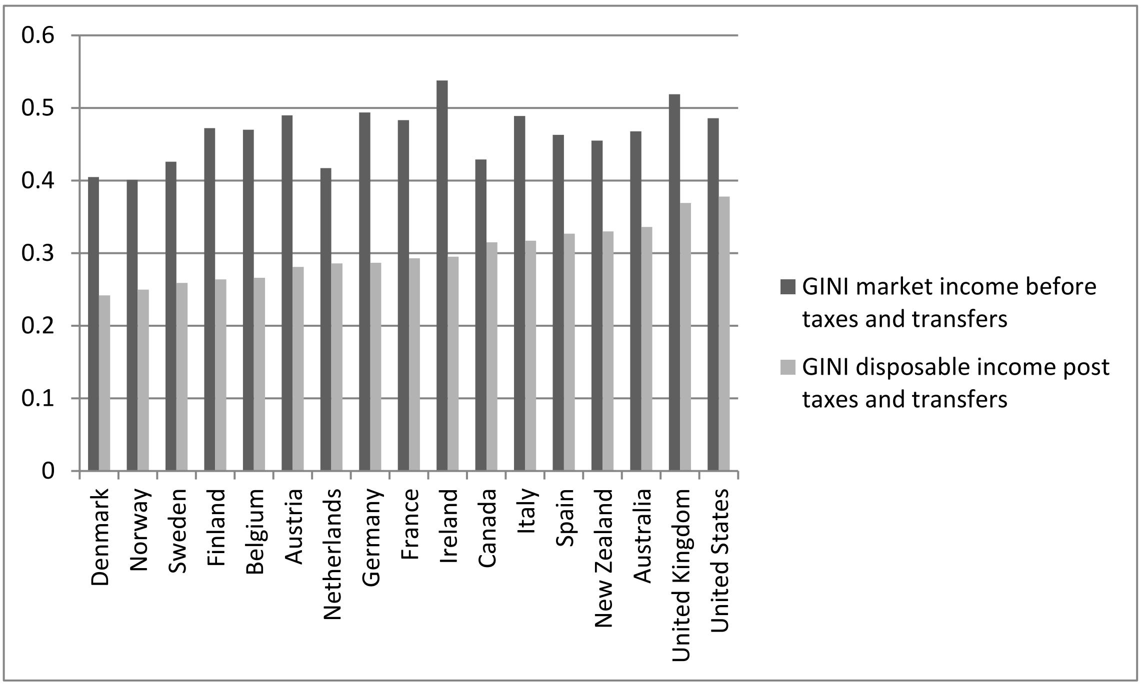
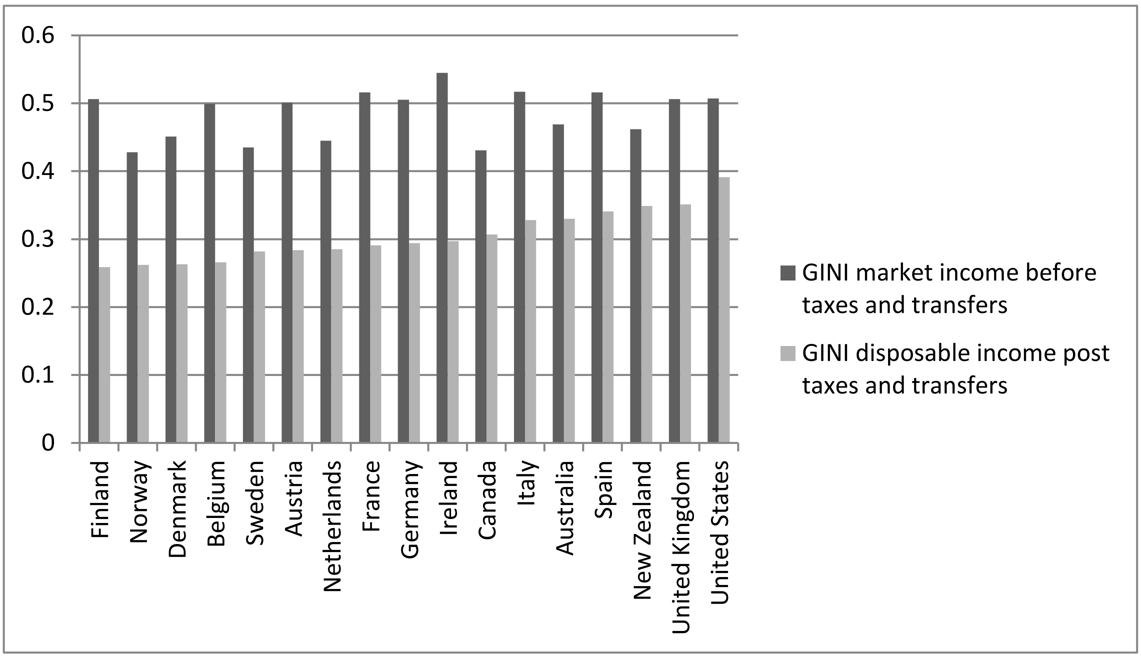
Figure 1 Gini Coefficients before and after taxes and transfers, 2008




Source: OECD

Notes: The Gini coefficient compares cumulative proportions of the population against cumulative proportions of income they receive, and it ranges between 0 in the case of perfect equality and 1 in the case of perfect inequality.

Figure 2 Gini Coefficients before and after taxes and transfers, 2016




Source: OECD

Notes: Data are for 2016, except: Denmark 2015, Ireland 2015, and New Zealand 2014.