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Reviewed by Michael French

At present, few institutions appear less stable, predictable, or resilient than major political parties in advanced capitalist economies. Their fortunes waver or wane, with often astonishing rapidity, in the face of the combined forces of globalization, internal polarization of incomes, wealth and opportunities, and the long-run effects of deindustrialization and technological change plus the impact of recessions. Earlier patterns of voting that were rooted in the class politics of industrial districts have decayed. Instead, the potent effects of identity politics increasingly center on differing cultural perspectives that are transmitted and reinforced by the powerful effects of networking through new social media. These developments incorporate strands of nationalism, often with widely varying interpretations of current circumstances or desirable future directions for economic and social policies. Such assertions of identity value the role of nation-states and their capacity to achieve desired goals. Yet, many commentators have argued that national governments have become weaker relative to the influence of financial markets and investors, transnational companies, and global political agencies. From this perspective, greater mobility of capital places effective limits on sovereignty and on the types of policies that governments pursue, as Dani Rodrik and others have emphasized. Extensive academic literatures, media commentaries, and political debate, both formal and informal, now wrestle with the challenges, uncertainties, and potential of these kaleidoscopic developments. Yet Torben Iversen and David Soskice’s book offers a far more positive vision of the character and prospects of the advanced capitalist democracies of Europe and North America, emphasizing their resilience in the face of economic, social, and political instabilities over the last century. Moreover, they forecast continuing durability and stress the “primacy of politics” in structuring markets, including choices between liberal market economic systems and coordinated market arrangements and on the terms of engagement with the global economy (p. xv).
In a clear exposition, Iversen and Soskice carefully trace key political and social features of leading economies and their political systems, deftly tracing institutional connections and their historical roots. They find a symbiosis between democracy and capitalism over the past century. In chapter 2, the evolution of democratic systems is traced to identify factors that promote more corporatist or more market-driven practices. Underlying political and institutional systems, it is argued, have ensured an excellent economic performance plus sustained and substantial advances in social welfare, particularly standards of living, health and mortality rates, levels of education, and greater opportunities for many women. Consequently, they reject narratives of decline, while acknowledging the existence of significant inequalities. States or national governments remain powerful agents, although Iversen and Soskice accept that governments in less-developed economies can be forced into a “race to the bottom” on welfare or tax under pressure from highly mobile transnational companies, capital markets, or neoliberal development programs. Their appraisal emphasizes the significance of high-tech clusters of industries and services, the necessity for elected governments to recognize and cater to the interests of a skilled middle-class (or knowledge workers), and the importance of policies that promote competition in product and labor markets, provide education and training, support research, and operate tax and welfare programs. These elements, it is argued, reflect the political necessity for governing parties to meet the expectations of key voters, variously referred to as “aspirational,” “decisive,” “skilled,” or “middle-class,” and to reap the advantages of specialization within the global economy. Equally, rising inequalities or other problematic social policies reflect choices made by these voters and by politicians catering to them.

Chapter 3 attributes rising inequalities since 1980 to the breakup of coalitions among unionized skilled and unskilled workers. The next chapter explores the rise of innovative information technologies as a powerful “shock” that prompted new economic and social policies and, to varying degrees, a disengagement of the skilled/unskilled political coalition. Its urban clusters of “winners” were less committed to providing social supports for “losers,” whether unskilled workers or older middle-class occupations losing status. They depict post-Fordist business organizations and strategies as agents of innovation tied to specific places in order to facilitate critical interactions among skilled workers. Even knowledge-based multinationals need to engage with such clusters, which, it is argued, promote foreign direct investment that is not readily transferable elsewhere. Their dependency on local pools of talent then impedes mobility and empowers governments: the world is not flat.
A deft engagement with “varieties of capitalism” as well as with contemporary debates about globalization and inequality offers much of interest for business historians. The analysis blends literatures on innovation, management, and economic geography, carefully delineating forests rather than trees. Their clear framing offers scope for others to embed their own work and to test assumptions about the roles of business at different times and places. Indeed, firms and business occupy a rather secondary role given the emphasis on the primacy of voters and politicians, but their efforts to set or change agendas deserve fuller consideration. The efforts of the Business Roundtable and other lobbyists to redirect public policies are well documented, not least over regulatory regimes and taxation. Business, like workers, expresses preferences for investments in education and infrastructure and devotes resources to public relations campaigns and political donations. With the dynamics of labor markets being so central, there is surprisingly little here on the emergence of outsourcing, downsizing, dividend policies, and changes in company pension schemes as features of what William Lazonick labeled a “new economy business model” (“Sustainable Prosperity in the New Economy?: Business Organisation and High-Tech Employment in the United States” [2009]). More broadly, changes in corporate strategies, including the impact of shareholder value and mergers and acquisitions, warrant greater attention. All alter implicit social contracts, including in high-tech clusters, and contribute to policy debates, social polarization, and the fragmentation of previous coalitions of voters. Equally, Iversen and Soskice’s work poses a challenge to business historians to explore further the replication of industrial and service clusters and the operation of global value chains for their political and social consequences, not simply as exercises in coordination.

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