ROUTLEDGE FRONTIERS OF POLITICAL ECONOMY

Capitalist Diversity and Diversity within Capitalism

Edited by
Christel Lane and Geoffrey T. Wood

ROUTLEDGE

Capitalist Diversity and Diversity within Capitalism

Edited by Christel Lane and Geoffrey T. Wood

Routledge
Taylor & Francis Group
LONDON AND NEW YORK

First published 2012
by Routledge
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

Simultaneously published in the USA and Canada
by Routledge
711 Third Avenue, New York, NY 10017 (8th Floor)

Routledge is an imprint of the Taylor & Franci s Group, an informa business

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

Library of Congress Cataloging in Publication Data
Capitalist diversity and diversity within capitalism/edited by Christel Lane and Geoffrey T. Wood.
p. cm. – (Routledge frontiers of political economy; 151)
1. Capitalism–Case studies. 2. Capitalism–Cross cultural studies. 3. Comparative economics–Case studies. I. Lane, Christel. II. Wood, Geoffrey T. III. Title. IV. Series.
HB501.C242452 2011
330.12′2–dc22

2011013968

ISBN: 978-0-415-58344-2 (hbk)
ISBN: 978-0-203-80240-3 (ebk)

Typeset in Times
by Wearset Ltd, Boldon, Tyne and Wear

Notes on contributors

Matthew M. C. Allen is Senior Lecturer in Organization Studies, Manchester Business School, The University of Manchester, UK.

Robert Boyer is economist at Centre Pour la Recherche en Économie et ces Applications (CEPREMAP, Paris) and 2010–2011 fellow at Wissenschaftskolleg zu Berlin. He has intensively worked on the dynamics of capitalisms along Régulation Theory.

Richard Deeg is Professor and Chair (Head), Department of Political Science, Temple University, USA.

Michael Faust is Senior Researcher at the Sociological Research Institute (SOFI) at Göttingen University, Germany.

Ray Hudson is Pro-vice Chancellor and Professor of Geography, Durham University, UK.

Bob Jessop is Distinguished Professor of Sociology, Lancaster University, UK.

Masahiro Kotosaka is a DPhil in Management Studies candidate at Saïd Business School, University of Oxford, UK.

Mari Sako is Professor of Management Studies, Said Business School, University of Oxford, UK.

Richard Whitley is Professor of Organizational Sociology, Manchester Business School, The University of Manchester, UK.

Preface

Christel Lane and Geoffrey T. Wood

This book is about internal diversity within specific national institutional configurations and their change. Despite protracted crisis, and the power of international financial institutions and associated ideologies, there remains little evidence of a convergence to homogeneity. The world is neither becoming coherently neo-liberal in the ideological sense of the world, nor are institutional structures dissolving into a common postmodern liquidity (Sayer 2005; cf. Bauman 2000). Yet, crises have demonstrated that clusters of institutions, at all levels, are neither rigid, nor develop in a coherently linear direction (Lane and Wood 2009). Bound up with institutional change is the issue of internal diversity. On the one hand, systems that incorporate hybrid or diverse features are likely to be more durable than purer forms (Crouch 2005; Boyer 2006). On the other hand, alternative institutional mechanisms and associated practices that coexist within a national institutional framework, may represent legacies of dominant past paradigms, or incoherent experiments that may or may not provide the foundations for a future institutional paradigm.

In the opening chapter, the editors revisit the existing literature on comparative capitalism, common trends and differences; they move on to consider alternative conceptualizations of internal diversity. To the editors, the nature of such internal diversity is inherently bound up with crisis and change; they highlight the extent to which much of the literature on comparative capitalism has come to accept regulation theory's assumption as to the temporally and spatially confined nature of any set of institutions and associated patterns of accumulation.

Lane and Wood go on to highlight the very different starting points for understanding institutions, a key distinction being between those approaches that primarily focus on institutions as protectors of private property rights, and those that see them as epicenters of embedded webs of social relationships. Whilst the latter conceptualization is dominant in the socio-economic literature, the former, despite being marred by preconceptions as to the nature of economic man, do provide some important insights as to the impact of formal regulatory structures on practice. However, the potentially greater importance of informal regulation is neglected.

Within the socio-economic literature on comparative capitalism, there has been a move away from early dichotomous accounts to multi-variety models;

again, there has been a growing awareness as to the relative importance of 'formative discontinuities' that impose their stamp on subsequent institutional frameworks within specific contexts. Both these developments serve to highlight the persistent nature of diversity not only between contexts, but also, potentially within them. They then move on to the nature of social action. Here, they focus both on the cognitive capabilities of the firm as a whole, and the nexus between broader objective forces and the mediating interventions by firms, individuals and associations. Lane and Wood argue for a new more complex and dynamic concept of institutional complementarity, that enables a better understanding of institutional heterogeneity and its effects.

The editors move on to interrogate different understandings of systemic change, providing a synthetic taxonomy of the different types of change possible. It is argued that whilst the nature of specific changes is much debated, the material causes of change are under-investigated. Turning to the state, Lane and Wood note that the nation state is both less able (reduced autonomy and authority) and less willing (due to ideological constraints) to exercise its coordinating function than in earlier post-war decades.

Yet, even within ostensibly neo-liberal settings, the state plays an active role in mediating market excesses, and channeling resources to specific economic interests that have assumed an important role; again, this is likely to make for greater diversity within a specific national framework. This vests regional and sectoral specific institutional frameworks with particular importance. Throughout the opening chapter, the editors highlight the malleable, dynamic and spatially and temporarily confined nature of institutions and of associated complementarities, and the extent to which experimental or structured institutional redesign is both generally inherent and particularly extensive under specific circumstances.

This is followed by a very rich and stimulating chapter by Robert Boyer which utilizes an analysis of China's mode of development to raise challenging theoretical questions about capitalism in general, about enduring diversity between capitalisms and about how the Chinese model fits into a general typology of capitalisms. Boyer adopts a regulationist theoretical approach to critique the Varieties of Capitalism (VoC) thesis by Hall and Soskice (2001). He demonstrates the dynamic nature of China's development and its pronounced institutional diversity; makes evident that dynamism and internal diversity under gird both China's recent high economic growth and relative macro level stability and holds the potential to de-stabilize Chinese capitalism in the future. Boyer views Chinese capitalism as a model of capitalism, with features diametrically opposed to those found in US capitalism and which cannot easily be adopted by other developing countries.

Boyer's regulationist analysis, focused on competition, labour conflict and an accumulation regime that becomes the law of motion, suggests that China should be regarded as a capitalist economy. He demonstrates that, although conventional economic analysis would diagnose the Chinese economy as being in dire straits, in actual fact this is far from the truth. The Chinese brand of capitalism has developed a very specific set of seemingly idiosyncratic complementarities that have coalesced into a coherent accumulation regime. However, question marks are being raised about the regime's longer-term stability.

The building blocks of this whole configuration are: first, local corporatist states competing against each other for investment funds, tax revenue and employment which are nevertheless informally coordinated by intense networking between business, government and the Communist Party. This has facilitated an implicit compromise of a promise of better living standards in exchange for acceptance of the monopoly of the Communist Party. Second, is the politics/economics and the local/national nexus in which the national state has been 'mainly the architect of a sophisticated web of incentive contracts'.

Local state corporatism has been the systemic base which has given rise to a very high degree of institutional and organizational heterogeneity, of which only brief indications can be supplied here. First, diversity abounds in company law and also results from the fuzziness of property rights and is largely viewed as beneficial for China's transition from command economy to a capitalist one. Second, there has developed a segmented and divided labour force and a diversity of labour relations, depending on varying ownership forms and types of owners. Third, there is geographical and sectoral diversity between coastal and inner provinces and between urban and rural areas. Fourth, these heterogeneous contexts have resulted in a widening of inequality, particularly between 2001 and 2008, at both the personal and regional level. The Chinese growth régime, Boyer concludes, 'is not the expression of a homogenous macro-institutional configuration but the outcome of a continuous readjustment of a variety of local configurations', endowing the Chinese economy with a lot of flexibility and reactivity. In regulationist terms, this has resulted in a coherent and resilient system, at least in the shorter run. It also influences the way in which China has inserted itself into the international economy. However, this competition-led regime of accumulation also has introduced major imbalances which may come to threaten social and economic stability in the longer run.

Boyer's analysis of Chinese capitalism exposes some of the inadequacies of the VoC approach. Overall, capitalisms are viewed to be both more varied and to have greater plasticity than the VoC thesis allows for. Boyer concedes, however, that we may be dealing with a transitionary phenomenon and that 'the impressive heterogeneity of China is a permanent threat to its long run viability'.

Chapter 3, by Mari Sako and Masahiro, assess the substantial extent of institutional change which has occurred in Japan since the late 1990s and gauge its impact on organizational diversity. They chronicle change in two institutional spheres, namely the financial system and the employment system. They carefully examine when change became significant and why, what forms it has taken and who were the main agents of change. Last, they cautiously assess the impact of the resulting institutional and organizational diversity. In the financial sphere, they study the rise in demand by entrepreneurial start-ups for venture capital and the new (secondary) stock markets which developed in response. The changes in the domain of employment they study are the substantial hollowing out of the shunto national wage bargaining round (a functional equivalent of bargaining by Olsonian encompassing organizations which avoid free riding) and the significant rise in flexible or atypical forms of employment.

In theoretical terms, Sako and Kotosaka posit slow incremental change from a 'coordinated market economy' towards a 'liberal market economy' and in both cases capital/employers have been the main agents of change. They identify mainly institutional layering in the financial sphere, and functional conversion in the employment system. In the financial sphere, powerful incumbents are identified as having prevented any drastic change. Overall, the layered nature and slow pace of change so far have preserved the main features of the established Japanese coordinated financial system and the power of the corporate-financial zaikai.

In the employment system, in contrast, powerful large corporate employers, who, during the 1990s recession, no longer saw the value of life-time employment, have largely side-lined labour. They have pushed through, with legal support from the state, a functional conversion of the nationally coordinated shunto spring offensive. This allows more decentralized wage setting and has ushered in significant wage dispersal. A similar emasculation of unions has occurred at company level, where the former institution of life-time employment has been seriously undermined by the adoption of various forms of flexible employment. Thus the danger of institutional displacement is much more acute in the employment than in the financial system. Institutional and organizational diversity thus have increased significantly, but in only one sub-system has transformation been substantial, ushering in de-stabilizing trends. Hence Sako and Kotosaka conclude that greater resulting organizational diversity has become a defining characteristic of the Japanese variety of capitalism but does not indicate its imminent breakdown. These changes do raise questions though as to impacts on existing complementarities – an aspect not covered by the chapter.

Chapter 4 by Allen and Whitley on 'Internationalization and Sectoral Diversity' examines differences in firms' coordination activities between high-technology sectors – marine energy and biotechnology – in the context of firms' responses to internationalization. The authors focus on diversity both within and between countries. Drawing on both primary and secondary data, they explore the connections between institutional regimes, sectoral differences and responses to internationalization. Allen and Whitley study the extent to which firms in each sector are able to rely for the capabilities needed to compete, i.e. human, financial and knowledge resources, on the support of their domestic institutional environment, or alternatively, are obliged to look to international actors for support in one or more of these areas. They additionally study how domestic institutional regimes encourage or discourage inter-firm knowledge-pooling networks.

Allen and Whitley are able to show that the degree of domestic institutional support to high-tech industries differs between the three countries – Britain, Germany and Denmark – in ways partly predicted by comparative capitalisms/business systems theory. Only marine technology firms from Denmark are able to draw to a high degree on domestic resources and relationships, whereas biotechnology firms in Germany and marine technology firms in Britain find the domestic institutional framework much less supportive. British biotechnology firms, due to their high to moderate degree of reliance on international provision of capital and skilled manpower respectively, constitute a somewhat ambiguous in between case. The authors' findings from the sectoral comparison within Britain are more novel. This shows that, due to different capability requirements and levels of appropriate risk in each sector, the internationalization strategies of firms and their ability to obtain the required resources vary even within Britain. Biotechnology firms fare significantly better than those in the young marine technology industry. Firms in both industries are reliant on foreign financiers and knowledge, but, due to a lesser ease of risk assessment in marine technology, firms in this sector are much less successful in gaining international support. Alternatively, firms are sometimes forced into less innovative and less risky segments of a high-tech industry as has been the case for German biotechnology firms.

In terms of diversity within countries, the paper shows that firms in different high-technology sectors both interact differently with domestic institutional configurations and develop diverse internationalization regimes. The authors argue, for example, that certain institutional features, such as low availability of long-term knowledgeable funding, may handicap one high-tech industry more severely than another. A further source of sectoral diversity is the ability to access international markets for highly skilled labour, with labour markets more developed for biotech than for marine energy firms.

In sum, Allen and Whitley show that high-tech firms can partially overcome the lack of support gained from domestic institutional regimes by accessing internationally available resources. Concerning likely effects on the domestic institutional environment, they predict that, with increasing internationalization, business system diversity also will grow. It is implied that such diversity is beneficial for firms and that decreasing organizational homogeneity does not destabilize the British business system.

In Chapter 5, Richard Deeg, explores the implications of the relative dominance of financial capitalism in Germany and Britain. In contrast to accounts that depict it as a homogenizing – and homogenous – force, Deeg argues that it is larger listed firms that have been most influenced by this process, a phenomenon manifest in both these countries. However, whilst the impact of this has – hardly surprising – been more advanced in Britain, German SMEs have become more dependent on financial capital than their British counterparts. However, unlike the case of German large firms, this has more shored up than undermined existing relationship-based banking practices. Hence, Germany SMEs may have been more sustained than undermined, with existing complementarities persisting.

This reflects the extent to which only a few larger commercial banks and some Landesbanken adopted the investment banking model. And, their at best partial success may have deterred other banks from following suit; indeed, the losses incurred by the more 'daring' banks during the financial crisis highlighted the risks of following this model. More conventional banking models continue to serve German SMEs well. Meanwhile, whilst many larger German firms have not been adverse to exploring finance driven sources of profits, they have tended to play abroad, in centres such as New York or London. Even when large firms have formally espoused the shareholder value maximization model, actual practices remain often more orientated to reinvestment. This shows the German savings model to remain very different from the large institutional investor model dominant in Britain. Finally, while ownership concentration and cross-holding in Germany have gradually unwound, they remain extensive. All this points to the persistence of existing patterns of internal dualism in the German economy, between larger firms and SMEs. Within Britain, the relative importance of the financial sector is bound up with the latter's internationalization. Whilst impacting on non-financial firms small and large, the sector's relative internationalization distinguishes it from many other domestic players. This highlights the extent to which internal diversity within national settings is not just about reliance on alternative types of locally specific institutions and associated relations, but also about relative insertion in the global economy, and interdependence with local and trans-national players. Changes in corporate governance and their impact on industrial relations in Germany's coordinated market economy now have been widely studied, as they are viewed, particularly by employers and shareholders' representatives, as embodying conflicting principles. As such, they are raising questions also among academic analysts about institutional complementarity and the continued viability of this type of market economy. Michael Faust's study, in Chapter 6, of the interaction between forms of corporate governance and co-determination at board level manages to throw new light on this contested relationship and also offers a subtle interpretation of the outcomes of recent changes. The empirical data utilized came from qualitative interviews with human resources managers and industrial relations specialists in eight listed companies with an avowed capital market orientation, as well as with a number of external finance specialists, such as financial analysts of banks and fund managers. The research team ascertained evaluations, expectations and experiences as to the compatibility or lack of it between the adoption of the shareholder value concept and co-determination and uncovered a very complex and variable picture. The inclusion in the study of external financial actors is particularly helpful in its focus on mutual gaps in understanding and varying interpretations of both shareholder value and co-determination between these external actors and relevant management insiders.

The theoretical framework adopted to understand how much and what kind of institutional change has occurred emphasizes the gradual but yet transformative nature of change and highlights the various forms it has taken and the complexity of resulting relationships. Rather than identifying irreconcilable contradictions between the two institutional spheres, Faust argues that mutual adjustment has occurred and that, by and large, a modus vivendi has been established. Although external actors, particularly from liberal market economies, still raise questions about whether co-determination interferes with management agency, in Germany co-determination is no longer under political scrutiny. Moreover, recent regulatory changes even have enhanced the importance of the co-determination system and in some ways have strengthened the voice of employee representatives. Faust additionally makes clear that, due to pre-existing divergences in the degree of firms' ownership concentration, on the one side, and type of relationship between employer and employee representatives at board level (co-determination), on the other, the impact of the shareholder value concept also has been very diverse. Moreover, the influence has not been unidirectional but the kind of co-determination practised also has shaped managers' interpretation of the concept of shareholder value.

Faust suggests that, to understand recent changes in this relationship, the concept of institutional re-configuration is helpful. He additionally refers to institutional conversion and processes of translation by both internal and external actors. He stresses that the diversity in management interpretation of the shareholder value concept depends on local circumstances regarding both ownership structure and actual degree and kind of co-determination practised.

Chapter 7 by Ray Hudson explores the impact of neo-liberal reforms on regional development. Contrary to conventional wisdom, he argues that such reforms did not make for homogenous outcomes; rather, their consequences are uneven, making and reinforcing regional diversity. The 2008 depression has greatly weakened the basis of many regional economies; this has affected both highly marginalized regions, and centres of prosperity. Moreover, this has worsened the contradictions between the logics of 'territorial development' and corporate rationality. At a theoretical level, Hudson notes that the early Varieties of Capitalism literature neglected the possibilities of regional distinctiveness; whilst regulation theory (and, indeed, business systems theory) did always recognize this possibility, writers from all three approaches now have drawn on and incorporated perspectives from other theories of space and scale, making for more nuanced accounts.

In the early years of the industrial revolution, moves towards free trade, more wide-ranging flows of capital and labour were counterbalanced by a degree of closure and internal coherence in regional economies, most notably in emergent regions located on coal deposits. The subsequent emergence and persistence of industrial districts was again characterized by a degree of closure and denser ties between regionally based firms and other regional players. A common theme has been the capacity of some – but not all – regions to uniquely adapt and prosper despite or because of external pressures. As the historical basis of competitiveness of many regional economies has been undermined through the possibility of lower cost production abroad, cheaper centres of production are developing their own basis of distinctiveness.

Why have regions retained unique features despite the homogenizing pressures of neo-liberalism? Hudson argues that, first, within some regions, historical legacies have imparted a certain durability to regional institutional frameworks. Second, regional actors respond and capitalize on opportunities and challenges in different ways; moreover, regional and national government responses to trans-national pressures are not wholly coherent, with differences in choices remaking regional distinctiveness. Third, 'ideological distaste' for central governments has made the neo-liberal policy community not wholly hostile to distinct policy responses by local and regional governments. Fourth, the 2008 crisis has presented regional players with stark choices, which, in some cases, has involved falling back on past legacies and approaches. On the one hand, the relative resources available for regional counter movements may be limited in a time of great austerity. On the other hand, there remains a critical gap between the rhetoric and the practice of neo-liberalism, with powerful economic interests being able to rely on extensive regional and national state patronage; one example is the extent to which the City of London district has been revitalized after the 2008 shock, through the bank bailouts and other forms of ongoing government financial support.

In the climate of the present crisis, Hudson explores the possibilities for alternative regional development trajectories, centering on environmental sustainability. However, whilst the need for such alternatives may have become ever more pressing, the political will remains slight; elites are shown to be more interested in propping up aspects of the existing paradigm, rather than investing in alternatives.

In the final chapter of this volume, Bob Jessop provides a critique of the 'first wave' Varieties of Capitalism literature, before moving on to the more recent comparative capitalisms literature. He argues that both these strands of thinking on comparative capitalism have weaknesses that obscure the possibilities for a more integrated and dynamic understanding of the contemporary socio-economic condition.

Jessop argues that a key distinction between the VoC and DoC literature is that the former tends to deal in parsiminous ideal types, in contrast to the latter which recognizes the complexity, bounded diversity, and in some areas, outright messiness of contemporary capitalism. Again, whilst the former is founded on a limited range of case study evidence, the latter – often within the broad historical institutionalist tradition – derives analytical categories from correlations existing between specific systemic features. However, both models have weaknesses when it comes to 'variegation, compossibility, ecological dominance, and the world market.' First, it is clear that deregulated markets cannot on their own overcome the contradictions and crises inherent in capitalism; invariably, the state has to step in and mediate. Much of the literature on comparative capitalism discounts the central importance of formal and informal regulation in making growth possible. Specific spatial temporal fixes stabilize an assembly of diverse forms of accumulation. This *variegation* contrasts with the assumptions within much of the existing literature on comparative literature as to the dominance of an archetypical ways of doing things within particular clusters of national settings. However, all such fixes are linked to the world market, and cannot be considered to be totally discrete thereof. Reflecting its spatial and temporal specificity, varieties of capitalism are compossible, and co-dependent. Within the global socio-economic ecosystem, neo-liberal finance led growth is ecologically dominant, even if it is 'pathologically co-dependent' on other types of capitalism. Given this, it is quite simply not possible for a dominant model to become truly global; its survival depends on the co-existence of alternative ways of doing things both within and between national contexts. Much of the literature on comparative capitalism has failed to take account of this structural coupling. A counter pressure is that national and regional institutional compromises represent attempts to cope with external threats, be they from external competitors or the biosphere itself. And, there are many marginal or residual forms of economic activity that co-exist with more widely imprinted sets of practices. However, as noted above, no matter how internally variegated, different forms of capitalism exist within a dominant ecosystem and, in some or other manner, are subordinated to it, even if the latter cannot survive without the persistence and relative autonomy of the former.

It is encouraging that, even though the contributors to this volume come from different perspectives within the broad socio-economic literature on institutions, there is much common ground. All highlight the following features: the changing importance of different categories of investor; the challenges of adjustment whilst retaining residual strengths; the differences between stated ideologies and the actual role of the state; the complexities of the linkages between different institutional levels; the temporal and spatial confinement of any framework of institutional mediation; and the deep and protracted nature of the present crisis. Hence, the contributions all focus on the limitations of current institutional fixes, and the protracted and durable nature of the current crisis, which, the editors suggest, reflects profound changes in input costs and the utilization of technology. What characterizes this common ground is an inherent pragmatism, combined with an increasing sophistication in the usage of analytical concepts; we have clearly progressed since the early work on comparative capitalism in the late 1990s and early 2000s. What remains to be done is to move beyond the pessimism that characterizes much contemporary thinking. Whilst much earlier revolutionary optimism from the 1960s to the early 1990s proved profoundly misplaced, there remains the challenge of more systemic comparisons as to what institutional frameworks have provided better objective and subjective outcomes to different stakeholder categories through the crisis, and their relative transferability within and between contexts.

References

Bauman, Z. (2000) *Liquid Modernity*. Cambridge: Polity Press.

Boyer, R. (2006) 'How do Institutions Cohere and Change', in G. Wood and P. James (eds) *Institutions and Working Life*, Oxford: Oxford University Press.

Crouch, C. (2005) 'Three Meanings of Complementarity', *Socio-Economic Review*, 3, 2: 359–63.

Hall, P. and Soskice, D. (2001) 'An Introduction to the Varieties of Capitalism', in P. Hall and D. Soskice (eds), *Varieties of Capitalism: The Institutional Basis of Competitive Advantage*, Oxford: Oxford University Press.

Lane, C. and Wood, G. T. (2009) 'Diversity in Capitalism and Capitalist Diversity', *Economy and Society*, 38, 4: 531–51.

Sayer, A. (2005) *The Moral Significance of Class*, Cambridge: Cambridge University.

Contents

1 Institutions, change, and diversity

Geoffrey T. Wood and Christel Lane

Over the past 30 years, there has been growing interest in the effects of institutions on what firms do, and indeed, on their consequences both in temporarily securing growth and in ensuring bounded yet persistent diversity. Yet, there is much debate as to what makes for contextual diversity and change, and the bounded yet, in some manners, open ended nature in which such processes unfold. More specifically, there has been growing interest in the nature of internal diversity within national institutional settings, and its relationship to systemic change (Lane and Wood 2009). This opening chapter seeks to both consolidate and develop this literature, through exploring the dynamics, foundations and likely trajectories of internal systemic diversity and change.

Whilst the existing literature on institutions remains a diverse one, within the 'relationship' or socio-economic literature, there has been a convergence of thinking on a number of key issues. First, there is a growing common recognition that specific institutional forms can only stabilize growth on a spatially and temporarily confined basis, to be followed by a sustained period of experimentation (Streeck 2009; Hall and Thelen 2009). During the latter, dominant interests will use the relative strength their position affords to reorder things in such a manner so as to secure and strengthen their relative advantage; should their solutions imposed not prove functional even to insiders, then further contestation and renegotiation is possible. This may appear somewhat akin to the Polonyian (1944) notion of a double movement; however, the contemporary literature is a lot more pessimistic as to whether progressive forces will prevail once unrestrained property owner interests have exhausted themselves.

Whilst the concept of a temporarily fleeting 'growth regime' is most advanced in regulationist thinking, broadly similar assumptions have infused historical institutionalism, and, indeed the more recent varieties of capitalism, and business systems literature. Second, there is a growing recognition of the relevance and importance of internal diversity, and the relationship between specific institutional sets and spatially confined economic performance on a sub-national level. Such diversity provides opportunities for institutional redesign; at the same time, institutional layering constrains the opportunities for social action at subordinate levels. Third, and related to this, is the distinction between institutional frameworks that make growth and/or greater social well-being possible, and residual institutional ecosystems that provide benefits in terms of familiarity and the limited functionality of specific sets of interests.

Three further issues emerge. The first is the sustainability of competing orders within an overall institutional framework. A national institutional framework may be undermined by contradictory trends at local and regional levels. Second, the relative definition of what constitutes a workable sub-national order is debatable. Whilst unrestrained markets prefer more fungible assets, long term sectoral competitiveness may be contingent on less fungible assets that may be difficult to accurately value. However, during periods of crisis – and, more specifically, those associated with energy transitions – the relative position of fungible capital is stronger.

Third, we need a better notion of the foundations of change. Social change is a product of institutional arrangements decaying as key players become no longer convinced as to their worth, and as 'tinkering' or experimentation at a range of levels becomes no longer reconcilable. At the same time, such processes reflect external forces, which can include changes in technology and resource cost inputs, the latter of which are likely to favour the interests of owners of more fungible assets over less fungible ones. Owners of more fungible assets have less of an interest in complex institutional mediations and trade-offs; in turn, this may weaken national level institutions, and force a greater reliance on more localized accommodations. The latter may prove unsustainable, or, over time, assume a greater macro-systemic prominence.

A caveat is in order here. This distinction between owners of fungible assets versus infungible ones is not as clear-cut as the well-established distinction between finance and productive capital suggests. For example, private equity investors hoping for shorter term returns may, owing to changes in external circumstances (most notably, the availability of debt), be reluctantly forced into a longer term role, if disposal of financially reengineered assets becomes more difficult. In other words, certain representatives of financial capital may be reluctantly forced into the position of owning assets that are no longer readily fungible; if they cannot exit, they are forced to run a firm in a manner that is no longer excessively short-termist. Again, private equity investors may forge alliances with existing management, in supporting MBOs, in order to gain a better understanding of, and more effectively utilize the existing cognitive capabilities of the firm again, rather than private equity funded MBIs, who inject fresh management teams that may be primarily concerned with liquidating assets (Wood and Wright 2010; Aoki 2010). Hence, not all segments of finance capital have an interest solely in highly fungible assets. In other words, by accident or design, certain types of financial capital are more longer termist in behaviour. Conversely, if subject to specific reward-incentives, managers in firms that ostensibly deploy productive capital, may still behave irresponsibly, and exhibit behaviour more akin to those managing highly fungible assets, actively remodeling the firm so that its capabilities are more readily liquidatable (Boyer 2009).