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Introduction

Even though most scholars acknowledge that welfare states interact profoundly with the organization of the economy, there is no typology that combines the analysis of welfare states and production systems. Instead, ‘neither students of the welfare state nor students of political economy viewed the welfare state as an integral part of national economies’ (Pierson 2000: 793; for a similar argument, cf. Deeg and Jackson 2006: 31; Soskice 2007: 92). Since about 10 years, efforts exist to connect welfare regimes1 and modes of economic coordination to make up for this (Ebbinghaus and Manow 2001a; also cf. Huber and Stephens 2001a; Pierson 2000). But existing attempts stop short of offering a typology that indeed unifies the study of production and welfare regimes (cf. the attempts in Cusack, Iversen and Soskice 2007; Iversen and Soskice 2006). Thus, whereas most scholars agree that welfare and production regimes ‘tend to coincide’ (Esping-Andersen 1990: 159), there has not yet been an attempt to integrate welfare and production regimes into one unified typology, which captures the diversity of production and distribution in one framework. Therefore, this book develops such a typology, combining the study of production systems with the study of welfare states. To do this, it combines the two (arguably) most common typologies of advanced capitalist countries, ‘varieties of capitalism’2 (see Hall and Soskice 2001a) and the ‘three worlds of welfare’ (see Esping-Andersen 1990, 1999).

It might seem surprising that these two typologies can be integrated in one. Whereas varieties of capitalism analyses how firms coordinate with their environment, welfare state research asks how citizens are confronted with incentives and duties in the distribution of welfare. Thus, on the micro level, the approaches analyse different dependent variables: varieties of capitalism analyses firms; Esping-Andersen’s
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welfare typology analyses what benefits and duties individuals have in their welfare regime. Both use their differing micro-level analysis to explain different macro-level indicators (performance, welfare budgets, industrial specialization). Yet, these seemingly unrelated approaches arrive at broadly similar country groupings. Namely, countries that rely on the market for the governance of their production system have a liberal welfare state; countries that coordinate their economy usually have either a ‘conservative’ or ‘social democratic’ welfare state.

These overlaps allow combining varieties of capitalism and welfare state research, which is the aim of this book. It thus shows that welfare states and production systems are not unrelated to each other, but provide a common picture of capitalist diversity. In showing this, I aim to use the largest possible number of OECD countries. However, of the 34 OECD countries for which suitable data is available, the regime type of 14 countries has not (yet) been determined (Chile, the Czech Republic, Estonia, Greece, Hungary, Iceland, Israel, Korea, Luxembourg, Mexico, Poland, Slovenia, the Slovak Republic and Turkey). Combining existing typologies, I can only use countries that have already been categorized. This leaves the following 20 countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States.

Why is a unified typology an improvement over existing attempts to classify welfare and production regimes, on which it builds? This book is the first attempt to show how conservative and social democratic welfare states can only survive within a coordinated market economy and vice versa, while liberal welfare states can only survive when coupled with liberal market economies – and vice versa. Also, this book is the first comprehensive attempt that shows how a conservative ‘policy style’ structures how continental European countries and Japan organize their production and welfare system. So it is not coincidental that coordinated market economies evolved next to conservative welfare states, giving rise to what I call a ‘conservatively coordinated’ variety of capitalism, which tries to stabilize society through the welfare state and the production system. In turn, nationwide solidarity meant that Scandinavian social democratic welfare states evolved alongside nationally coordinated production systems, giving rise to what I call ‘social democratically coordinated capitalism’. The anti-statism of Britain and its former colonies led to a policy style of liberalism that not only pervades the welfare state, but also the production system of English-speaking countries. It is this notion of a policy style, which aligns the
welfare state and the production system to a common principle, that provides an improvement on the existing literature.

Apart from Esping-Andersen’s (1990) own work and the original 2001 typology by Hall and Soskice, existing attempts of typologizing lay the foundation for a unified typology of capitalisms (cf. Ebbinghaus and Manow 2001a; Amable 2003; Boyer 2005; Iversen and Soskice 2006). But these existing attempts stop short of producing a typology in which all coordinated countries are different from liberal countries, while at the same time coordinated countries can be split into two subtypes: one centred on upholding social stability and one centred on nationwide solidarity. This gives rise to a group of English-speaking liberal countries, which can be distinguished from a group of Scandinavian social democratically coordinated and a group of conservatively coordinated countries (continental Europe plus Japan).

While the first chapters of this book show why a unified typology of welfare and production regimes is possible, the last chapters show the added explanatory value of such a unified typology. Therefore, Chapter 1 introduces the typologies that this book combines, their relationship to each other and the problems that beset them. Thus, section 1.1 introduces welfare state research and section 1.2 introduces varieties of capitalism. I show why both typologies, by and large, still give an accurate picture of capitalist diversity, in spite of problems in how they classify countries. Section 1.3 deals with popular criticism against the two approaches and how this has to be dealt with when combining them. It exposes the problem. Chapter 2 gives quantitative empirical evidence why it makes sense to combine the two typologies. It does so by using a database (see Appendix A), which quantifies welfare and production arrangements using a large number of variables. Section 2.1 performs a principal factor and a hierarchical cluster analysis on this data. Section 2.2 shows that the country groupings of other established typologies can gainfully be combined with varieties of capitalism and welfare state research. Section 2.3 shows that a number of countries fit uneasily in any typology, and even more so in attempts to combine them. This leads to some reflections on how a unified typology of capitalisms can be constructed and what its limits must be (section 2.4). Chapter 3 builds on this, presenting the outlines of a unified typology by distinguishing between liberal, social democratically coordinated and conservatively coordinated countries.

It is one thing to state that welfare and production systems coincide; it is a different task to explain why. The combination of varieties of capitalism and welfare state research opens our eyes as to why welfare and
production systems coincide. Trying to explain this, Chapter 4 shows why the proposed typology makes sense by presenting a critical outline of complementarities between certain production and welfare regimes. I argue that coordinated production systems are complementary to social democratic and conservative welfare arrangements, while liberal production systems flourish in liberal welfare arrangements. Chapter 5 looks into each country in depth to explain why a typology makes sense in spite of the problems connected to it. It shows that welfare and production systems historically moved ‘in tandem’. When countries reform their production system in a liberal direction, they tend to liberalize their welfare state as well, and vice versa. This shows how welfare and production system reforms proceed in a liberal variant of capitalism (section 5.1), in a conservatively coordinated type of capitalism, which is mainly centred on upholding social stability (section 5.2), and in a social democratically coordinated capitalist variety, in which solidarity plays a central role (section 5.3). This chapter thus argues that the development of welfare and production institutions followed similar logics within countries and clusters of countries. It argues that countries have a congruent policy style, which they apply to the regulation of their welfare and of their production system, aligning both to a common principle within countries and families of countries. More to the point, if societies embrace the market for the governance of their welfare system, they also embrace it for the governance of their production system – and vice versa. Introducing this conception, according to which an underlying regulatory style binds certain welfare and production systems together, I introduce a sociological conception of how common values explain political economies. Given the problematic standing of typologies between real cases and ideal types, section 5.4 summarizes to what degree we can see similarity in the different countries. Chapter 6 shows how a welfare typology can explain more when used together with varieties of capitalism and vice versa. Notably, I show how a unified typology can explain varieties of female labour participation and of liberalization better than existing typologies used in isolation.

The book concludes by proposing avenues for future research that open up due to a combination of varieties of capitalism and welfare state research, showing why it makes sense to combine the two most popular approaches to explain capitalist diversity into one. Thus, this book provides a new tool for future research: a unified typology to analyse similarities and differences in capitalist countries through the combined lens of which so far are the most popular, but as of yet isolated approaches to analysing capitalist diversity.
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