INSIGHTS

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Interview

Varieties of Capitalism: An Interview with 2025 AIB John Fayerweather Eminent Scholar Peter Hall

Peter Hall[1], Anthony Goerzen[2]

[1] Harvard University, USA, [2] Queen's University, Canada

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AIB Insights

Dr. Peter Hall, Harvard political scientist known for research on Varieties of Capitalism (VoC), comparative political economy, institutions, and European political systems is the 2025 AIB John Fayerweather Eminent Scholar Award winner. In this interview with AIB Fellow Anthony Goerzen, Dr. Hall discusses the foundations of the VoC concept and its evolution, reflecting on current trends with a view on future research, and providing advice for scholars in the field.

Interviewee: Peter Hall [PH], Harvard University, USA
Interviewer: Anthony Goerzen [AG], Queen's University, Canada

INTRODUCTION

Dr. Peter Hall was awarded the 2025 John Fayerweather Eminent Scholar by the Fellows of the Academy of International Business.[1] Dr. Hall is Krupp Foundation Professor of European Studies in the Department of Government at Harvard and a Faculty Associate of the Minda de Gunzburg Center for European Studies. His previous positions include Associate Dean of the Faculty of Arts and Sciences, Director of the Minda de Gunzburg Center and Co-Director of the CIFAR Program on Successful Societies. Dr. Hall is editor of The Politics of Representation in the Global Age (with W. Jacoby, J. Levy and S. Meunier), Social Resilience in the Neoliberal Era and Successful Societies: How Institutions and Culture Affect Health (with Michèle Lamont), Changing France: The Politics that Markets Make (with P. Culpepper and B. Palier), Varieties of Capitalism: The Institutional Foundations of Comparative Advantage (with David Soskice), The Political Power of Economic Ideas: Keynesianism across Nations, Developments in French Politics I and II (with A. Guyomarch and H. Machin), European Labor in the 1980s, the author of Governing the Economy: The Politics of State Intervention in Britain and France and Political Change and Electoral Coalitions in Western Democracies (with G. Evans and S.I. Kim) as well as more than a hundred articles on European politics, policy-making, and comparative political economy. He has served on the editorial boards of many journals and the advisory boards of several European institutes. He is currently working on the political response to economic challenges in postwar Europe, the economic and cultural roots of populism, and the impact of social institutions on inequalities in health and well-being.

INTERVIEW

THE EVOLUTION OF VOC

[AG]: Since you and David Soskice introduced the Varieties of Capitalism framework, how do you think the field has evolved? Are there any key aspects of the theory you would modify today?

[PH]: The field has certainly evolved since our 2001 book. Within a very large and varied literature, I would single out three developments as being especially important. First, scholars have sought to expand the classification of political economies beyond the advanced Western political economies on which we concentrated. Among others, this includes important work by Andreas Nölke and Arjan Vliegenthart on 'dependent market economies' in East Central Europe, by Ben Schneider on 'hierarchical market economies' in Latin America, and by Michael Witt and others on various types of political economies in Asia. Second, Torben Iversen and David Soskice and others have looked more closely at the politics of different varieties of capitalism and their political origins. And, of course, Lucio Bacarro and Jonas Pontusson have mounted a prominent challenge to the varieties of capitalism perspective with their arguments about 'growth models' driven by demand-side factors.

1 The Award Selection Committee consists of Anthony Goerzen (Chair), Dan Li, Rebecca Piekkari, Kevin Zhou, and Michael Witt.

Although I do not always agree with every aspect of these efforts to identify new varieties of capitalism, I think these efforts to extend the reach of the theory have been useful modifications of it; and, of course, if we had had space to expand further on the approach in the original book, I would have said more about some of its implications, notably with regard to how political economies change, the impact of political institutions on varieties of capitalism, and the role of culture or ideas in how political economies are constituted. But I continue to think that the basic underpinnings of the approach, including our emphasis on firm strategies, on the ways in which the organization of the political economy affects those strategies, and on institutional complementarities, remain valid.

BEYOND LIBERAL MARKET ECONOMIES (LMES) AND COORDINATED MARKET ECONOMIES (CMES)

[AG]: Do you think the traditional distinction between LMEs and CMEs is still useful, or has globalization blurred these boundaries?

[PH]: Bear in mind that liberal market economies and coordinated market economies, as we presented them, were ideal types and, as such, I believe they remain very useful. The processes commonly associated with globalization and liberalization have certainly affected some dimensions of these political economies. Global finance, for instance, is more important in CMEs today than it was when we analyzed them, and all countries have seen some liberalization of their labor markets. However, I think that the basic distinction between firms that rely on strategic coordination to accomplish many of their endeavors and those that rely more heavily on market competition for those purposes remains useful and that this continues to correspond, in large measure at least, to the institutional support available for these types of coordination in national political economies.

STATE ROLE IN VOC

[AG]: Some scholars argue that the VoC framework underplays the role of the state. Do you think state intervention should play a larger role in how we conceptualize capitalist diversity?

[PH]: Remember that, when we initially advanced this varieties-of-capitalism perspective, the dominant approach to classifying political economies was based on the role of the state in the economy. At that time, the pioneering work of Andrew Shonfield, Chalmers Johnson and others in that vein was highly influential, and, to some extent, our goal was to argue that, when we compare political economies, we should be thinking more about the behavior of firms and less about the role of the state. In that respect, our point was never, for instance, that states lack influence in liberal market economies but rather that we should not fixate unduly on this, and I continue to think that. Of course, state intervention matters in all types of political economies and, when we extend the comparisons to countries such as China, we need to be especially attentive to the roles that states perform.

CRISIS AND RESILIENCE

[AG]: How well has the VoC framework held up in explaining economic resilience or decline in advanced capitalist democracies, especially after the 2008 financial crisis, COVID-19 pandemic, and the current tariff war?

[PH]: When we want to explain resilience and decline, I think that we inevitably have to look beyond the varieties-of-capitalism framework at a range of further factors. That would certainly be true for the current tariff war which has had a somewhat idiosyncratic genesis. But I think we can see the influence of the institutional arrangements at the heart of this perspective on the responses of many countries to some of these challenges. Germany's response to the 2008 financial crisis with a program of short-time working and its 'cash for clunkers' automotive scheme was rooted, for instance, in that country's capacities for negotiated economic adjustment

NEW FORMS OF CAPITALISM

[AG]: Do you see new models of capitalism emerging, particularly in Asia or the Global South, that challenge the LME/CME framework?

[PH]: Yes, of course, we are seeing the emergence of economic models that do not correspond to the original typology of LME, CME or the 'mixed market economies' that we saw in Southern Europe and, as I have noted, there is some really interesting work on their complexion. But there is more to the varieties-of-capitalism approach than this typology. I think that our emphasis on how firms coordinate their endeavors and the importance of national institutional frameworks for that remains very useful for understanding political economies that do not fit the original typology. In many cases, however, I think we do need to bring the state back in to a more central position, in some cases as the source of key coordinating functions, and I think we see various dualisms in many emerging economies, whether between formal and informal sectors or between state-owned enterprises and private enterprises, that deserve more attention than our original framework provided.

TECHNOLOGY AND CAPITALISM

[AG]: How do you think technological changes—such as AI, automation, and platform economies—are reshaping traditional capitalist models?

[PH]: We are certainly living through a new technological revolution based on digital technology and it may well be entering a new stage based on artificial intelligence. Both are the types of general purpose technologies that animate technological revolutions. And this is certainly reshaping capitalism. I am currently finishing a book tentatively entitled How Political Economies Change: The Rise and Fall of Growth Regimes which takes up such issues. To my surprise, there are few works in the field that focus on how political economies change. In the current era, among other things, we are seeing large changes in firm strategies, as companies invest more in intangible capital, make extensive use (at least until now) of global value chains, and depend increasingly on the internet for their markets. Inevitably, this is reshaping traditional models of capitalism. Rather than erasing all traces of the previous models, however, as they cope with the new technology, I see countries taking distinctive adjustment paths that retain some of the contours of longstanding varieties of capitalism.

POLITICAL POLARIZATION AND INSTITUTIONS

[AG]: In recent years, there has been increasing political polarization in advanced democracies. How does this affect the stability of different capitalist models?

[PH]: The dominant fact of contemporary electoral politics is surely rising support for politicians on the populist right. I have written several articles about this movement and see it to some extent as a reaction against increases in inequality and economic precarity over the past three decades as well as a response to contemporary anxieties about the effects of technological change. In Western Europe, I think it affects the stability of capitalism by making it more difficult for countries to secure stable governing coalitions and reducing the capacities of those coalitions to take the decisive steps necessary to promote the new knowledge economy, not to mention securing sustainable growth. Demands from the populist right for social protection are limiting the capacities of countries to foster social investment and contain climate change. In the United States, the effects are even more extreme, as a President intent on disrupting the status quo embarks on a tariff war with the potential, not only to weaken the American economy, but to upend the global trading system on which contemporary prosperity has been based.

VOC AND INEQUALITY

[AG]: Does the VoC framework provide useful insights for understanding income inequality, and how might it be adapted to analyze wealth distribution?

[PH]: I think the varieties-of-capitalism analysis of how financial markets and labor markets work tells us a great deal about why top-end income inequality has increased more in liberal than in coordinated market economies. By showing how social policies underpin the economic arrangements of different type of capitalism, it also tells us a good deal about why we find different kinds of welfare states and postfisc distributions of income there. What it failed to anticipate, however, was the rapid growth of secondary labor markets in coordinated market economies, such as Germany and France, which has brought significant increases in inequality in the bottom half of the income distribution. Since the distribution of wealth often follows from the distribution of income, I think there is potential here to apply this type of analysis to issues of wealth, and Jens Beckert has recently done interesting work along these lines on 'varieties of wealth'.

COMPARATIVE POLITICAL ECONOMY'S FUTURE

[AG]: Which emerging research methods (e.g., big data, computational social science) do you think will shape the next wave of comparative political economy?

[PH]: There is no doubt that new methods for gathering and analyzing 'big data' will be central to research in comparative political economy in the coming years. Among other things, advances in text analysis have made it possible for scholars to analyze the roles of culture and ideas in the political economy in more systematic terms; and these developments have fed a resurgence of interest in 'historical political economy' seen as the analysis of historical cases, and often of historical persistence. I welcome that but occasionally worry that the contemporary fixation on causal identification may discourage scholars from asking large questions and embarking on cross-national comparisons that do not lend themselves to experimental methods. My hope is that the innovative use of 'mixed methods' will allow the field to advance and to ask many of the questions that press themselves on us today.

FUTURE RESEARCH IN VOC

[AG]: For young researchers looking to build on the VoC framework, what areas do you see as the most promising or underexplored for business and political economy researchers? What do you see as the principal challenges facing firms and economic policymakers today?

[PH]: When David Soskice and I began the varieties-of-capitalism project with Suzanne Berger, one of our objectives was to integrate the study of firms more deeply into studies in comparative political economy. and I think that remains an unfinished project with considerable potential. As I see it, firms and governments are the two key agents of adjustment in the political economy whose actions should be studied in tandem. But there is still a tendency to think that corporate strategy is a subject for business schools while comparative political economy is done in social science departments. I think that more research should be devoted to the roles of firms in the political economy. As I have noted, I also believe that there is room for much more research into the processes whereby political economies change over time and especially research that highlights the relationship between changes in electoral politics and changes in the political economy. Finally, I suspect that the time has come for what I would call a 'political economy of agency.' By this, I mean a political economy focused on the matrix of opportunities available to people at many different places in the social structure and on their capacities for taking advantage of those opportunities as well as the determinants of those capacities. We live in a world of considerable flux. Amidst this technological revolution, many people will have to find new occupations and new routes into them. The watchword will be 'change' and we need to know more about how people acquire effective agency in this context. To some extent, that entails studying the attributes of individuals but the results will also turn on the resources available to them and the institutions that distribute those resources, which have long been a focal subject in the field of comparative political economy.

ABOUT THE AUTHORS

Peter A. Hall is the Krupp Foundation Professor of European Studies in Harvard University's Department of Government and a resident faculty member at the Minda de Gunzburg Center for European Studies. A leading comparative political economist, his research explores how institutions and ideas shape economic policy, inequality, and political change. Hall co-edited the influential volume Varieties of Capitalism and has authored over 100 scholarly articles. He is a Fellow of the British Academy and the American Academy of Arts and Sciences.

Anthony Goerzen is the Sobey Professor of International Business at Queen's University's Smith School of Business. With fifteen years of prior management experience in both small firms and multinational enterprises, his research focuses on multinational corporate strategy, global value chains, and sustainability. He has published extensively in top journals and received numerous awards, including the 2023 Journal of International Business Studies Decade Award. Dr. Goerzen is also a Fellow of the Academy of International Business.

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