

E pluribus unum? Capitalism and democracy dilemmas

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1. Introduction

Starting from the 1970s, institutions, politics and models of capitalism – the topic of this special section and of the annual seminar of *Stato e Mercato* in 2019 – have been theorised by comparative political economy in an oscillating way between stress on national varieties on one side, and on unity of socio-economic formations and processes on the other. This oscillation has been in part a matter of dialectics between institutional approaches stressing path dependencies and unique historical formations, and other perspectives focusing on general market, capitalist and technological forces. But it has also been, and increasingly so, a matter of levels of abstraction, with a higher-level debate on structural aspects of capitalism and a more mediate one about the proximate factors that explain specific local differences. As such, the oscillation has been not only, and not so much, between intellectual paradigms, but between levels of analysis. In periods of relative stability (such as the 1980s, and even so the turn of the century), debates could focus on the varieties of policies and outcomes, within a relatively stable context that did not urgently need problematising. By contrast, periods of general crisis (the oil crisis and the crisis of Fordism, the fall of communism, the great financial crisis and the Covid-19 calamity) have stimulated reflections on the ‘bigger issues’ around the nature and destiny of capitalism and the market. Hence, the distinction between ‘unity’ and ‘variety’ theories has gradually lost significance as both unity and variety coexist within theories, at different levels of abstraction. Take the book by Baccaro and Howell (2017) theorizing a unified neoliberal transition across all western economies, but concluding on the differences between national growth models, following Baccaro and Pontusson (2016). Or on the other side, the varieties of capitalism approach to institutional differences among capitalisms (Hall and Soskice 2001) coexists with a more general theory of the positive relation between democracy and ‘advanced capitalism’ as a whole (Iversen and Soskice 2019). Wolfgang Streeck’s has integrated his own comparative works on national differences in industrial relations and capitalism (eg Rogers and Streeck 1995; Crouch and Streeck 1997) with reflections on the general logic and destiny of capitalism (Streeck 2009, 2016). Crouch’s work displays some parallels (compare Crouch 1993 with Crouch 2011), whereas Boyer has rather moved in the opposite direction, from historical accounts of phases of capitalism as a whole (Boyer 1986) to more attention to national configurations (Boyer 2007).

Within this broader picture, the contribution by Burroni, Pavolini and Regini in this issue stands out for a clear reaffirmation of variety with regard to the specific, meso-level problem of performance and development. The focus being Southern Europe, the ‘big question’, which elsewhere has been seen as marketization or neoliberalism, is the specific malaise of Mediterranean countries in the last two decades. In other words, if the crisis of capitalism seems a general problem when seen from Berlin, London or New York, Southern Europeans can only wish that their crisis were ‘just’ the same as elsewhere. The roots of the specific hardship of Southern Europe – most notably, youth unemployment – are identified by Burroni, Pvolini and Regini in specific national institutions, rather than in the broader, international context such as Euro-governance. The fact that the institutions responsible for poor performance are those linked to education, skills and research – rather than, as often argued in the public debate, the labour market – puts Burroni et al’s piece in tension with the recent argument by Iversen and Soskice (2019)

about education as the virtuous link between democracy and advanced capitalism. It therefore raises important theoretical questions that go beyond regional interest.

In this brief discussion piece, I will try to link Burroni et al's analysis within the broader issue of education, democracy and capitalism, to test how far Southern Europe is an 'exception' or a broader rule. The first part will deconstruct arguments on links between democracy and advanced capitalism with an eye to Southern Europe. The second part will try to integrate Southern Europe into a broader context to raise some questions on the uneven development of European capitalisms. The conclusion will get back to the importance of distinguishing macro and meso-levels of analysis, in particular for policy recommendations.

2. The Capitalism-Democracy marriage, Italian style

In their remarkable contribution to debates on capitalism, Iversen and Soskice (2019) theorise a two-directional virtuous circle between democracy and advanced capitalism, through the intermediation of education. As advanced capitalism's performance depends on skills, and median voters reward parties for their management of the economy, democracy promotes education, which boosts capitalism; in turn, advanced capitalism creates demand for skills, and education improves the functioning of civil society and democracy. As an optimistic corollary the majorities of advanced capitalist countries will still support democracy and the market, even if those left behind can be mobilised by new populist parties. Iversen and Soskice's assessment is sharp: populism is a problem of democracy, but not a challenge *to* democracy.

Italy is the obvious stain in this theory. It belongs to the 'advanced capitalism' group (Spain, Portugal and Greece don't, due to their shorter democratic history), but at the time of *Democracy and Prosperity's* publishing it was already ruled by a 'populist' majority, and it had serious problems both on the side of democracy (instability, disaffection and corruption) and on the one of prosperity (virtually no growth for twenty years). Burroni et al. reveal that this is because Italy belongs to a specific branch of the democratic capitalist family, the Southern European one, where exactly that crucial link between democracy and prosperity – education – is underdeveloped. In this region, the quantity and quality of investment in research, innovation and education is far behind the average of other advanced capitalist countries. To paraphrase, here democracy and capitalism coexist, but their marriage reminds of the classic 1964 De Sica's movie, *Marriage Italian Style*: instead of a virtuous bond, the union is an accidental, opportunistic affair – in which the uneducated get the upper hand.

The Italian (and Southern European) exceptionalism raises the question of how and why this is possible. Isn't the Italian median voter interested in economic performance? Don't Italian enterprises demand skills? Burroni et al. have an answer to the second question: the small size of Southern European industrial enterprises explains the incapacity to produce and demand skills. But they have little space for the first. They quote then-Prime Minister Silvio Berlusconi dismissing the utility of research, which suggests a different political culture than in the rest of Europe where, at that time, Tony Blair's 'education, education and education' was the mantra. But sociologically, a different Berlusconi quote would have provided more clues. During a 2008 election campaign event, he answered a 24-old woman's question on her fears of economic precariousness by saying: 'As a father, my advice to you is to marry Berlusconi's son, or somebody else who does not have those problems' (the woman voted for him, and he went on to win the elections with a large margin). To understand these quotes, a figure used by Iversen and Soskice is useful: the Great Gatsby curve on the inverse link between inequality and inter-generational

social mobility. Among advanced capitalist countries, Italy stands out on this curve for its particularly low level of inter-generational social mobility. This is important for Iversen and Soskice's argument, because, for them, social mobility is what pushes the majority to sign up to the promises of capitalism (the 'American dream'). In Italy, that dream is broken: parents don't see education as a realistic avenue for their children's social progression, preferring the 'Berlusconi dream' of joining existing, inherited privilege.

The lack of inter-generational mobility and interest in education may be seen in a culturalist way. In a damning recent book on the state of Italian society, Luca Ricolfi (2019) highlights the unique Italian social situation combining mass opulent consumption with a majority of the adult population not at work: Italian affluence comes more from wealth and debt, while work and investment in skills are devalued in a vicious circle of parasitism, migrant exploitation and disappearing work ethics. Many of these ills can be linked to a familistic culture that devalues women's work (the low activity rate in Italy is mostly down to women), cements inter-generational dependence and produces a very skewed age structure. Yet culture is itself constructed and perpetuated by institutions. Burroni et al. point at some of them (enterprise structures and education), but the depth of the problems suggests these stand in a dysfunctional complementary with a broader institutional constellation, which makes change so much more difficult. In a historic-institutional account of Italy's economic development and decline since unification, Capussela (2018) tries to describe the vicious circle of institutionalized behaviors – from product markets to the judiciary - that enforce compliance with dysfunctional norms and place very high costs on challenging the existing situation. Italy, on the Gatsby curve, sits alongside the United Kingdom, which manages to have decent economic growth and education despite its inequality and social immobility. But because of its institutional set up, in Italy inequality is, in reality as well as in public perceptions, particularly unfair, as it is linked to nepotism, tax evasion, corruption and crime. Such unfair inequality and immobility are particularly demoralizing – for the education system, democracy and, ultimately, capitalism.

Southern Europe shows that the median voter, when trapped in institutions promoting opportunistic behavior, is not sufficiently interested in education and macro-economic performance. Are the median voters of other advanced capitalist democracies immune from these distortions? Iversen and Soskice place their democratic optimism on the ultimate self-interest of the middle classes to have an efficient inclusive education system. On this point, the positive examples they can mention come mostly from co-ordinated market economies and socialdemocratic welfare states. If advanced capitalism in general combines well with democracy, the co-ordinated types do it better: the unity of capitalism in relation to democracy disappears once we get down to the policy details. In a similar way, Gidron and Hall (2019) find a counter-intuitive correlation between share of the population in tertiary education and populist vote. The fact that the more people go to university, the more people vote for populist parties is not one academics will want to publicise. But it is explained by the increased sense of social decline perceived by those who do not access tertiary education (in particular, white males with secondary education) once they see that their skills and prestige are below the new norm of graduate jobs. The countries that have most promoted tertiary education (and the general skills associated with them) are liberal market economies such as US, UK and Poland, and this is where semi-skilled workers have voted for Trump, Brexit and Kaczynski. Conversely, countries with strong vocational education should be able to resist populist challenges more by maintaining middle-class prestige for those without university degrees. Southern Europe lags behind OECD average on tertiary education, but the fast increase in graduates in Italy might have been an unexpected ally of the populists.

The problem is that the broad social alliances between new middle classes, upper class and ethnic minorities that, for Iversen and Soskice, should promote high-quality inclusive education and advanced capitalism are not difficult only in Southern Europe and liberal market economies. The opportunistic behaviour of the middle-classes to reduce competition from below is not a prerogative of Italian families. In all European school systems, middle class parents invest more energies in getting their children into the best schools and then closing the doors to the less fortunate, than to support enlightened education reforms. The famous vocational system of coordinated market economies is in trouble itself, as in Germany where the middle class increasingly snubs it (Baethge and Wolter 2015). The British joke that ‘apprenticeships are a great thing for other people’s children’ starts to resonate there too. Take Hamburg, a place to which Iversen and Soskice devote words of admiration for its driving force for skills and development, and where the populist AfD only reaches 5-6% of the vote. Exactly in this city-state, a majority had emerged in 2009 between conservatives CDU and Greens (the two parties representative of the two social classes most interested in advanced capitalism) to replace the traditional three-pillar, and therefore far from inclusive, German school system with a more comprehensive one. The opposition SPD (old working class) supported the reform. It looked like the political actors did follow the democratic advanced capitalism script. Except, the electorate, in a referendum the year after, voted the reform down, by 55% to 45% on a 39% turnout. The Hamburger middle class (those most able to use politics) had rejected a more comprehensive and modern system that threatened their privilege. If inclusive education reforms fail in best-case scenario Hamburg, can we expect they will succeed across advanced capitalist countries, let alone in Southern Europe?

3. Methodological nationalism and composition problems in Europe and America

If we broaden the horizon to advanced capitalism as a whole, the collective action problems for the support of democratic advanced capitalism are numerous. They are exacerbated in the first-past-the-post election systems that are common in liberal market economies. The very high geographic concentration of advanced economies in global cities and university towns means that even if the majority of the population supports democracy, this does not translate into an electoral victory (Hillary Clinton won the popular vote and lost the electoral college; the large Labour and Remain parties majorities in London and university towns were trumped by their marginal minorities in the rest of the country). In other words, in these systems it is not sufficient to convince the national median vote; it is necessary to convince the median voter of Ohio (median state), which is not the same thing.

The geographic concentration of advanced capitalism constitutes a democratic problem for the European Union, too, despite proportional electoral systems prevailing there. This is because the borders of European product market regulations (a core aspect of democratic state protection of capitalism against capitalists themselves) are mainly those of the European Single Market. Here, Iversen and Soskice’s methodological nationalism turns into a fallacy of composition. They find an association between democracy and capitalism in their restricted sample of advanced capitalism countries – but decisions on product markets and trade are no longer in the control of those countries. The regulatory borders of European advanced capitalism are those of the EU, with its 27 constituencies. Just as in the USA it is not enough to have large majorities in New York state, Massachusetts and California to carry the elections, the EU cannot keep up its liberal credentials only on the shoulders of countries such as the Netherlands and Denmark – it needs the Italian and

Polish median voters too. In such constellation, the ‘left behind’ have more veto powers than Iversen and Soskice expect.

It is not only a matter of elections, as democracy cannot be reduced to the polls moment. In France, in the last twenty-five years voters have mostly behaved in the way expected by Iversen and Soskice, regularly punishing economic mismanagement by socialists and conservatives alike. But the elected presidents, whether Sarkozy, Hollande or Macron, have very quickly found out that they could not implement their programs. In Southern Europe, veto points and institutional inertia are arguably even stronger.

While there are good reasons for studying democratic advanced capitalism as a specific formation, as Iversen and Soskice do, there is no justification to study it in isolation. Core capitalist countries coexist with peripheral and semi-peripheral ones, in a relationship, if not of complementarity, at least of interdependence. Questions can be raised about the seriousness of advanced capitalist countries’ democratic commitment, if they keep democracy to themselves while exporting instability, together with segments of their value chains, to their immediate neighbours. At the time of writing, Poland and Hungary (not some random countries, but the two that after 1989 have most keenly followed the path towards western capitalism) are under formal imputation (Art. 7 procedure) for violating fundamental EU values. Disaffection with democracy is apparent across the new member states (Meardi 2012), and even worse in some candidate countries such as Turkey, while democratization attempts have mostly failed on the southern Mediterranean coast. Peripheral and semi-peripheral countries have specific problems with democracy, as their sovereignty is undermined by financial or investment dependence, as well as with the development, in what is called ‘middle-income trap’.

In their article, Burroni, Pavolini and Regini mention the similarity between Southern Europe and Central Eastern Europe in terms of R&D investment and the GDP convergence of the Visegrád countries with Greece and Portugal. It may therefore be asked if the illnesses of Southern Europe are not a sub-family of the same group. The term ‘semi-peripheral’ may be well suited for countries that share some features of core countries (eg the key, high-added value productions of Lombardy or the Czech Republic) with peripheral features of dependency on creditors and/or foreign investors. Important institutional similarities include conservative and age-skewed welfare states (with a focus on pensions); high degrees of labour market insecurity (Spain and Poland are the European leaders in temporary employment) combined with weak active labour market policies; traditional family structures and gender roles; legalistic institutions combined with a high level of perceived corruption and inefficiency; deep regional disparities. The increased emigration from Southern Europe since the Euro-crisis is an emerging similarity. The authoritarian past (if more remote for Italy) would be a further similarity, except that the opposite ideological orientation of the former regimes involve different constraints: in post-fascist Southern Europe, labour gained important constitutional guarantees, in the same way as in post-communist Central Eastern Europe capital and the market did. Therefore, there are clear limits to the degree to which Southern Europe can, for instance, imitate the Baltic states, as it was openly recommended by international financial organizations after the great financial crisis.

The complementarity between core and semi-periphery is closer within the same currency union. Burroni et al. dismiss the argument that the Southern European crisis is driven by the Eurozone structure, by pointing that the region’s structural problems were already apparent before the Euro. This is certainly true, but those problems have become exacerbated by the currency union, and more difficult to solve. Their argument that new problems such as the housing bubble in Spain

would have occurred anyway is also disputable, given the role of Eurozone's interest rates and capital flows, and difficult to demonstrate in the absence of counterfactuals.

4. Conclusion

The diagnosis of Southern European's ills provided by Burroni, Pavolini and Regini is overall convincing. In this comment, I have tried, firstly, to test if these ills also affect, if in a less symptomatic way, other countries and if they threaten the virtuous functioning of democracy, education, and advanced capitalism more generally; and secondly, to consider possible complementarities and interdependencies among different capitalist models, and the possibility that the geographic distribution of advanced, skill-intensive capitalism may produce negative 'externalities' in terms of skills and democracy in semi-peripheral countries and so-called 'left-behind' places. The left-behind places are discussed by Iversen and Soskice (2019) in detail, but with an exclusive focus on the most successful countries that may produce a partial, and distorted, picture, especially in Europe.

At the level of policy and institutional features, national differences are still most visible below the higher-abstraction level of general capitalist tendencies, whether these differences are presented as growth regimes (Avlija, Hassel and Palier in this issue), institutional quality (Burroni, Pavolini and Regini in this issue) or education policies (Iversen and Soskice 2019), as well as in labour market governance (Meardi 2018). But these different models are not islands. Hence, why the populations of Central Eastern Europe feel so frustrated and diminished, despite their unmatched economic growth and living standards improvement: their reference point is not the 1980s but western Europe. Southern European populations are starting to feel in a similar way.

The conclusion that the problems identified by Burroni et al. for Southern Europe may be even deeper and have wider ramifications makes the prognosis and especially the prophylaxis (the open question 'which road to development?') more difficult. The self-interest of median voters for a successful economy and therefore high-quality inclusive education and democracy should not be taken for granted. A key insight of institutional approaches to capitalism, which is reaffirmed by Iversen and Soskice, is that capitalists need 'beneficial constraints' for the market to perform its developmental role (Streeck 2012). In the Southern European context, this is clearly the case of small and medium enterprises, which, otherwise, are unlikely to invest sufficiently in skills and innovation. But it may be that the middle class also needs more 'beneficial constraint' to overcome opportunistic behaviour that is so visible in Southern Europe but appears also elsewhere. Ideologies, Christian social thought and working class movements are not as constraining as in the past – it should be remembered that democratization, across the world, would have hardly happened on the middle-class initiative only, without the mass support of the working classes (Rueschemeyer, Stephens and Stephens 1992). Nowadays, such 'beneficial constraint' might be played by populist movements of the 'left behind', such as Brexit acting as a wake-up call for the European Union on its forgotten social agenda. But in practice, rightwing populism tends to make things worse by targeting those who are the solution more than the cause of stagnation, that is migrants and their beneficial demographic and innovation contribution. It is hard to imagine strong progressive coalitions to emerge between losers and winners of recent economic change. The best hopes have been placed on female voters, who better combine the interests of both sides (Wren 2013). New, strong social movements over education and work as general values and experiences are still missing. Major disruptive crises, as it has already happened in the history of capitalism(s), could create more opportunities.

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