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Variegated capitalism and the geography of finance: Towards a common agenda

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Abstract
In this article I review Jamie Peck and Nik Theodore's call to engage with the 'varieties of capitalism' approach to heterodox political economy through a 'variegated capitalism' approach, rooted in economic geography. I argue in favor of this strategy, but argue specifically that this approach may be most effectively implemented through the study of financial geographies of the firm, as a primary component of a multipronged effort. The goal of this article is to spur debate to develop a variegated-capitalism approach and to focus the attention of economic geography to better contribute to broader macro-institutional debates in heterodox political economy.

Keywords
comparative political economy, economic geography, geography of finance, global finance, variegated capitalism, 'varieties of capitalism'

I Introduction

Recently, Jamie Peck and Nik Theodore (2007) argued for a deeper engagement between economic geographers and the varieties-of-capitalism literature (eg, Hall and Soskice, 2001), which has come to dominate much heterodox political-economic scholarship.[1] As Peck and Theodore rightly note, economic geographers share many of the same concerns as varieties-of-capitalism scholars, namely: skepticism over hyperglobalization theses (eg, Ohmae, 1990; O'Brien, 1992), a commitment to understanding distinctive 'local' manifestations of contemporary capitalism and economic restructuring, and an appreciation of the institutionally mediated, socially embedded nature of economic relations and structures. Yet, despite this commonality and a deep concern with the problematic of economic differentiation in space, economic geographers have remained on the outskirts of the varieties-of-capitalism debate, with only a limited amount of engagement (eg, Christopherson, 2002; Bathelt and Gertler, 2005; Clark and Wójcik, 2007; Engelen and Grote, 2009). As such, the related work of economic geographers has gone mostly unnoticed by varieties scholars. Peck and Theodore posit that this could be due to economic geography's focus lying in meso-analytic questions, such as understanding the architecture and regulation of transnational commodity chains, local economic governance, localized learning dynamics and industrial networks. It could also be due to

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economic geography's cautious stance *vis-à-vis* macro-institutional and system-centric analysis, or perhaps because economic geography has been less inclined to pursue programmatically the refinement of a core set of stylized propositions than the varieties-of-capitalism approach has done.

In calling for increased engagement, however, Peck and Theodore are swift to caution the uncritical adoption of the prevailing varieties-of-capitalism approach, calling instead for engagement through the concept of 'variegated capitalism'. Where the varieties-of-capitalism literature provides scope for understanding institutional differentiation, it is ironically limited in its analysis of 'capitalism', as it often ignores or dismisses evidence of systematic interdependence between disparate political economies and contingent convergence. Moreover, given the varieties-of-capitalism approach privileges the national scale, it is frequently predisposed to reify and exaggerate geographical difference, thus limiting the scope for understanding political-economic commonality (Peck and Theodore, 2007: 761). A variegated-capitalism approach in contrast takes its cue from economic geography's enduring concern for understanding and documenting uneven capitalist development – with its acute analyses of local and spatially diverse capitalist formations – and places this work within a broader macro-institutionalist and comparativist framework. In doing so and through a partial willingness to utilize empirically informed stylized facts, economic geographers would be well placed to dialogue with and critically engage varieties-of-capitalism scholars.

Problematically, however, Peck and Theodore's variegated-capitalism approach remains largely silent on a theory of the firm and where exactly the firm should be placed in the analysis. Although such partial obfuscation of the firm is not a problem when attempting to 'know' capitalism and capitalist processes from a more holistic perspective, such holism and pluralism is likely to limit the capacity of a variegated-capitalism approach to effectively engage with the varieties-of-capitalism approach, as the latter places the firm at the center of the theory and at the center of nationally differentiated macro-institutional spaces. Accordingly, effective theoretical engagement with varieties-of-capitalism necessarily requires an explicit firm-focused approach. To be sure, economic geography's long-standing interest in the firm and how firms change suggests that a firm-focused variegated capitalism approach is well within the bounds of disciplinary capabilities and concerns (see, for example, Dicken and Thrift, 1992; Grabher, 1993; Schoenberger, 1997; Yeung, 2000, 2001, 2005b; Dicken and Malmberg, 2001; Taylor and Asheim, 2001). This is not to imply that a firm-focused approach ignores other institutional domains. Indeed, understanding the firm – its capabilities, its decision-making and its location strategies – *necessarily* requires an analysis of a multitude of institutional spheres, from the financial system and industrial relations, to interfirm and state/firm relations (Maskell, 2001).

One area in particular, I argue, where economic geographers are already well placed to engage with varieties-of-capitalism scholars is in the burgeoning subfield of financial geography. If one lesson can be drawn from the global economic crisis of 2007 and beyond, it is that it has reminded scholars of the extent and scope of finance across different political economies (Engelen and Faulconbridge, 2009; Garretsen et al., 2009; Lee et al., 2009). Although the crisis was precipitated initially by the collapse of the subprime housing bubble in the USA, the subsequent financial and economic distress experienced in different political economies, both developed and developing, unveiled the high degree to which finance has become entrenched in political-economic and sociocultural life (Leyshon and Thrift, 2007). Conceptualizing finance simply as the intermediation between suppliers and users of capital – which is the general mode in which finance is treated and uncritically portrayed in the varieties-of-capitalism literature – discounts the many ways in which finance, financial markets, and conventional financial practices have come to dominate corporate, governmental, and individual behavior, whether by choice, by force, or by necessity, and how finance is and has become a major source of scalar and spatial political-economic restructuring (Leyshon and Thrift, 1997; Martin, 1999; Knorr-Cetina and Preda, 2005; Clark et al., 2009). Ultimately, even if the world of finance experiences new forms of resistance in the fallout of the recent financial crisis, it is unlikely, arguably, to be replaced by some alternative paradigm in the near to mid-future.

In this article I build on Peck and Theodore's critique of the varieties-of-capitalism approach as outlined through the alternative concept of 'variegated capitalism', calling for the latter to have a more firm-focused emphasis – though *necessarily* inclusive of multiple institutional domains – as studied in particular through the lens of finance. In doing so my intent is not to detract from the more holistic vision of capitalist variegation that Peck and Theodore seek to promote. Indeed, such a holistic vision is arguably necessary for and in line with economic geography's long-standing emphasis on challenging the ostensibly sacrosanct stylized facts present in much political-economic theorizing through in-depth empirical research of actual and ongoing processes of uneven capitalist development. However, I would caution that such an approach can easily be disregarded by varieties scholars, given their proclivity for theoretical parsimony. Said slightly differently, a holistic vision is necessary for revealing the many ways in which capitalism transforms and evolves across time and space, yet such a perspective is not so easily translated and understood in interdisciplinary dialogue. By focusing on the firm and limiting (at times) the object of analysis to finance and the firm (see, for example, Wrigley, 1999; O'Neill, 2001; Pollard, 2003; Muellerleile, 2009), economic geographers can perhaps more effectively challenge the stylized facts of the varieties-of-capitalism approach. Moreover, by understanding the agency of firms and the incentives they face, particularly those offered by financial markets, an *ontogenetic ontology* is applied that provides direction and reason to macro-processes, thus applying micro-theoretical foundations to the variegated capitalism's *phylogeneric ontology* – a concern with higher (aggregate) levels of analysis (see Maskell, 2001).

This article is divided as follows. In the next section, I review the core propositions of the varieties-of-capitalism school in conjunction with a presentation of Peck and Theodore's critique. In section III, I discuss the firm in regards to the firm as an entity that is 'becoming' as opposed to an entity that 'is', which is partially at odds with the assumed path dependence of national economic systems in the varieties-of-capitalism approach but characterizes much economic geographic thinking *vis-à-vis* the firm. In section IV, I review three pieces of empirical work that engage with varieties-of-capitalism from the perspective of the firm and global finance, demonstrating how the latter has become a significant source of change for firms across disparate political economies. The final section concludes.

II Getting back to *capitalism*

At the center of the varieties-of-capitalism perspective is the firm. The firm forms the key vector of a national institutional constellation, whose qualities of economic adjustment are conditioned by the relational logics between the various components of the institutional constellation: other firms and producer groups, employees (labor relations), and sources of financing. The quality of these relationships depends crucially, in turn, on the level of support provided in the political economy – ie, the degree to which political coalitions are supportive of the core institutional frameworks (Hall and Thelen, 2009). How the institutional environment in a particular political economy is configured conditions how the various actors, with firms being the most important, behave and react to changing contexts and circumstances. In other words, national political economies are represented as having distinct institutional ecologies, where actors' strategies are conditioned, though not necessarily determined, by the functional complementarities of the relationships among multiple institutions.

The binary stylization attached to either a 'coordinated market economy' (CME) or 'liberal market economy' (LME) – Germany and the USA being the quintessential cases, respectively – is dependent on how the institutional ecology is constituted along the four areas of industrial relations, vocational training and education, interfirm relations, and corporate financing and governance (Hall and Soskice, 2001). The qualities of the social protection system are also important variables; CMEs have a higher incidence of institutionalized redistribution than LMEs, for instance (Pontusson, 2005). In CMEs, where more non-market forms of coordination supposedly dominate, industrial relations are distinguished by formal or informal coordination of wage determination across key industries, with employer associations and trade unions playing decisive roles in wage determination at the national level. At the level of the firm, employee-elected bodies such as works councils and membership of employees on corporate boards ensure that employees are involved in firm-level decision-making. In contrast, wage bargaining in LMEs – where market-based relationships characterize economic organization – occurs at the level of the firm, with trade unions having limited involvement at the workplace; wages are determined by general labor-market conditions. In CMEs, firms are involved significantly in vocational training regimes, thus tying employees to firms for the long term, whereas LMEs have weak firm-supported vocational training, but stronger post-compulsory higher education (Thelen, 2004).

In CMEs, interfirm relationships are close, with standard-setting based on consensus, and technology development is institutionalized in close relations between business associations and education institutions. Domestic competition is also kept to a minimum, but is open in export markets. In LMEs, on the other hand, standard-setting is left to the market, strong anti-collusion policies prevent non-market coordination, and technology diffusion is not institutionalized. In terms of financing, banks play a strong monitoring role in CMEs, where firms benefit from stable shareholder arrangements and higher levels of loan financing; capital is considered 'patient'. This feature, in theory, allows firms to make investments on a longer timescale, which also depend on the expectation of cooperative behavior on the part of other firms. Hostile takeovers are highly difficult. Corporate finance in LMEs is based on unstable shareholder arrangements and significant equity financing, which induce firms to make short-term profit-maximizing investments. Hostile takeovers are permitted and common, which has consequences for the capital investment horizon of firms, leading to the realization of fewer sunk costs and a preference for interchangeable investments (Vitols, 2005).

In theory, these different institutional environments are associated with distinct economic outcomes, at both micro and macro levels, which influence different production strategies, forms of innovation, and the degree of inequality in society. So, for instance, CMEs are associated with manufacturing industries requiring significant investment lead times and sunk costs; because of the strong institutionalization of labor relations and social protection, inequality is kept to a minimum. LMEs, in contrast, are associated with more rapid innovation (eg, software development) that requires limited fixed capital; because social protection is weaker and skills are not 'firm-specific', inequality is generally higher. By default, the approach conveys a world of competing capitalisms (Albert, 1991).

The varieties-of-capitalism approach has, however, undergone various changes in recent years. Principally, there has been a growing focus on understanding longitudinal institutional change (Streeck and Thelen, 2005) given the limitations of the binary static of the initial contributions to the field, particularly Hall and Soskice's (2001) framework based on CME/LME stylized typologies outlined above. Furthermore, there has been a concerted shift away from the binary ideal-typical construct in later varieties-of-capitalism work towards more dynamic approaches that recognize transnationalization, growing heterogeneity across firms within national economies and functional shifts in institutions, and politics more generally (Deeg and Jackson, 2007; Jackson and Deeg, 2008). However, the contention still remains that separate and primarily *national* varieties of capitalism still exist and are reliable for understanding differentiated outcomes of institutional change, and responses to economic shocks and forces such as globalization and European integration. Moreover, national political economies are still distinguished and grouped as being somewhere at either end of the LME/CME continuum.

The shift to understanding and theorizing change has thus shifted the focus of varieties-of-capitalism scholars from a mainly equilibrium-functionalist (rational-choice) perspective to a more historical-political perspective, although the approach remains firmly within the ideal-typical framework of LME versus CME *national* political economies (see, for example, Hancké et al., 2007; Hall and Gingerich, 2009; Hall and Thelen, 2009). In effect, the relatively high 'rationalist' quotient to the approach is left intact, within the approach's underlying methodological nationalism. There continues also to be a strong contention that these systems of organization are strongly path-dependent and relatively impervious to rapid change.

I Beyond methodological nationalism

It is partly this methodological nationalism and 'container model' of economic systems, and not so much the approach's associated latent functionalism, that leaves the varieties-of-capitalism approach open to so much scrutiny from an economic geography perspective. Whereas varieties-of-capitalism scholars regularly and uncritically accept the national scale as given as the primary locus of economic activity/organization, economic geographers problematize spatial variegation across multiple registers. Indeed, Peck and Theodore in their critique emphasize that in economic geography 'the spaces and scales that are constructed by circuits of value and regimes of valuation are no longer assumed to be pregiven' (Peck and Theodore, 2007: 759). This is due to economic geography's focus on the subnational scales or global transnational networks, in comparison to varieties-of-capitalism scholars' 'big picture' focus on multiple institutional domains along national lines. Put slightly differently, economic geography's roots in understanding local and regional phenomena has meant that the national scale has been only one of many scales, whereas the varieties-of-capitalism approach's roots in political science has meant that the national level has been the prime scale of focus. Yet in a demonstrable world of continually ongoing multiscalar capitalist economic activity and transformations crisscrossing and connecting multiple distinct institutional configurations, a national-level comparative focus results in innumerable empirical blind spots, thus leading to an unstable and temporally untenable theory (Brenner, 2004; Coe et al., 2008; Jessop et al., 2008).

For Peck and Theodore (2007) a more constructive approach is one that focuses on a nuanced analysis of the temporality and spatiality of uneven capitalist development across political economies (see also, Blythe, 2003; Howell, 2003). In other words, such an approach does not view 'multiple' capitalisms, but views capitalism in the singular, but more importantly as a dynamic polymorphic process whose development is uneven and 'variegated'. In this respect, capitalist variegation is understood as a more explicitly relational conception of variety, recognizing the strong and complex interdependencies present in global capitalist structuration. By this logic, and keeping with the institutional focus of the varieties-of-capitalism approach, the study of capitalist variegation searches for an institutional theory of capitalism that probes the principles, sources, and dimensions that create capitalist variegation (see also Streeck, 2009) – eg, global financial flows pricing inherited traditions of political-economic organization distinguished by geography against market expectations (Clark, 2005; Clark et al., 2009). By moving away from an institutional theory of 'varieties of capitalism' to an approach that focuses on understanding variegation in *capitalism*, the tendency to reify institutional differentiation as the varieties-of-capitalism literature tends to do is avoided, thus limiting the degree of empirical blind spots. In doing so, this approach would produce a better understanding and recognition of systemic interdependence and contingent convergence occurring across scales and political-economic spaces.

The novelty of Peck and Theodore's variegated-capitalism approach is that it utilizes long-standing tools and practices of economic geography; in this respect it is actually not particularly new. Simply stated, the approach suggests that the work done by economic geographers in the 1980s on uneven spatial development (see, for example, Massey, 1984; Clark et al., 1986; Scott and Storper, 1986; Storper and Walker, 1989) should be conjoined with later institutionalist economic geography work on factors endogenous to local and regional economies (see, for example, Feldman, 1994; Gertler, 1995; Peck, 1996).[2] The latter, although rich in empirical detail and understanding of local governance, has had a limited amount to say about broader macro-institutional configurations or interlocal and international 'rules of the game'. By combining the two traditions, a more concerted capacity to engage with 'macro-economic geographies' is established that is thus highly capable of engaging with broader macro-institutional comparative political-economy debates.

Additionally, a variegated-capitalism approach has important contrasts with the varieties-of-capitalism approach. As discussed, a variegated-capitalism approach does not uncritically begin analysis necessarily from the national scale. More importantly, however, a variegated-capitalism approach is explicitly concerned with multiscalarity and the potential for supermodularity and conjunctural effects at multiple spatial scales. This contrasts sharply with the varieties-of-capitalism contention that significant levels of endogenous institutional coherence exists in the national-economic space. In the variegated-capitalism approach, a strong institutional coherence may exist at the national scale, but it is not necessarily presumed. Moreover, the approach is not satisfied with demonstrating national-level institutional coherence alone, but rather understanding and finding the various multiscalar relationships extant above and below the national scale that fit into a larger whole (ie, global capitalism/regionalism). For instance, many CMEs (eg, Germany) are major exporting economies that ship their wares to LMEs and emerging market economies (eg, China and India). That CMEs depend so heavily on their economic growth from demand from different institutional configurations poses an interesting theoretical question for the so-called 'coherence' of the domestic institutional environment. There is a need, therefore, to understand variety in relational terms – something economic geographers have increasingly argued for (Bathelt and Gluckler, 2003; Hess, 2004; Yeung, 2005a). This suggests that a variegated-capitalism approach also has significant resonance with the work on global production networks (eg, Henderson et al., 2002; Hess and Yeung, 2006; Coe et al., 2008), evolutionary approaches to economic geography (Boschma and Frenken, 2006; Frenken and Boschma, 2007; Martin and Sunley, 2007), and broader efforts to aggregate spatial categories (ie, territory, place, scale, network) in order to understand polymorphous sociospatial processes in contemporary capitalism (Brenner et al., 2003; Jessop et al., 2008).

2 Beyond convergence and divergence

Methodological nationalism also makes it difficult for the varieties-of-capitalism approach to not move away from more simplified convergence/divergence debates – ie, over degrees of neoliberalization of political economies (Brenner et al., 2010). In utilizing the LME/CME framework, the varieties-of-capitalism approach attempts to disprove neoclassical convergence theories, noting significant divergences among political economies. However, in doing so, the approach almost by design leads to a 'twin peaks' or 'dual convergence' thesis (see Hay, 2004). The shift recently to a more historical-political approach in the literature has helped move the approach slightly away from more simplified forms of the debate, yet the focus on comparisons between groups of families of national political economies at either end of the LME/CME spectrum or simply the preference for national-scale analysis precludes the approach from conveying credibly more multidimensional understandings of convergence/divergence (Djelic and Quack, 2007). The variegated-capitalism approach, in contrast, avoids the debate altogether. This is largely based on its core premises of multiscalarity and *capitalism* in the singular. Capitalist development is inherently uneven; as such, there is not a single common trajectory nor is there a common end-point (Harvey, 1982, 2006; Smith, 1984).

Whereas the varieties-of-capitalism approach privileges firms, business associations and policy entrepreneurs as key actors, the variegated-capitalism approach as posited by Peck and Theodore gives relatively weak analytical status to specific agents (which may ultimately detract from the potential for constructive theoretical engagement), given agents are embedded in broader restructuring processes and are embedded in constitutive network relations. This is not to say that agency does not matter. On the contrary, agency is co-constitutive of larger structural processes (Hudson, 2004).

This relates to another important difference between the two approaches: equilibrium versus disequilibrium. In the varieties-of-capitalism approach, at least initially, institutional constellations were calculated in a game-theoretic fashion in terms of punctuated equilibrium, with an emphasis on stability. Later treatments concerned more with institutional change, however, have moved away from the exclusively punctuated-equilibrium focus, allowing for more incremental and cumulative change (eg, Streeck and Thelen, 2005). The variegated-capitalism approach, in contrast, presumes disequilibrium, endemic restructuring and crisis-proneness, all of which characterize much of economic geographic research, particularly work on uneven capitalist development in the 1980s. So, for instance, although a 'national' institutional configuration may appear to be in equilibrium and relatively coherent, it is still likely part of larger processes that are not in equilibrium or have disequilibria at subnational scales and networks that ultimately affect the supposed institutional equilibrium at the national level. With the presumption that multiple disequilibria exist combined with a multiscalar perspective, the variegated approach is thus more apt to reveal and understand such important spatial constructions and their effects.

III Theorizing the firm: from being to becoming

As emphasized above, the varieties-of-capitalism approach places the firm at the center of the theory, considering it to be a key player in a broader institutional environment. These institutional environments, distinguishable by degrees of coordination or marketization, are held to be relatively static in their composition; they are path-dependent systems. The varieties-of-capitalism approach therefore presumes that a firm in a coordinated market economy will be unlikely to withdraw from institutional relationships bound by coordination, as the costs of doing so outweigh the potential benefits. The varieties-of-capitalism approach rests, then, on an assumption that more coordinated political economies are unlikely to converge toward more liberalized modes of capitalism due to increasing returns to scale, or, said slightly differently, due to sunk costs. In other words, investment (societal embeddedness) in particular modes of coordination have reached a degree whereby their abandonment in the face of changing conditions, namely global competition, is precluded.

Whereas the varieties-of-capitalism school has been more explicit about arguing the existence of path dependence limiting the radical or accumulative transformation of distinct national political economies, and the potential for convergence to more liberalized Anglo-American forms of corporate and political-economic behavior, the concept of path dependence in economic geography has had a more problematic uptake. Martin and Sunley (2006) have argued that path dependence can be a useful concept for explicating differentiation of the regional economic landscape, but they seem relatively uneasy about its salience over the long term. Indeed, the potential for path creation and the capacity to break free of old 'locked-in' traditions and trajectories are equally important. As they note (p. 428), 'path dependence, we suspect, has tended to over-emphasize the replication function of economic reproduction mechanisms and to downplay their simultaneous innovative role'. In essence, path dependencies obviously exist, yet it is highly problematic to assume that they are frozen and that radical change is impossible.

Likewise, Marxist-inspired theories in the 1980s on uneven development demonstrated the tension of fixity and flux in the economic landscape, focusing on how the spatial configuration of economic activity tended to be periodically disrupted by the introduction of new technology and by shifts in the mode, organization, and profitability of production (Harvey, 1982; Massey, 1984; Smith, 1984). On the one hand, such work suggests a particular degree of path dependence, but such path dependence is ultimately trumped by always impending crisis. As Massey's (1984) work suggests, remnants of the past co-exist and help shape the constitution and location of the new. The co-constitution of the economic landscape with both old and new is important, suggesting that overemphasizing the old – ie, assuming continuing fixity and path dependence of a particular institutional regime – may obfuscate the potentially powerful change brought by the new, which ultimately may counteract and replace previously important elements of the old.

This story of change and renovation (or perpetual crisis and impending collapse) also characterizes work in economic geography devoted specifically to the firm, particularly firms with significant capital resources. In their account of sunk costs, Clark and Wrigley (1995, 1997a, 1997b), for instance, argue that firms are complex organizations that are less than ideal in structure, decision-making and performance, are unable to adjust without cost to changes in market demand and prices, and operate in a world of imperfect competition (see Maskell, 2001, and Taylor and Asheim, 2001, for a discussion on the theory of the firm in economic geography). Given sunk costs, which correspond to a non-recoverable commitment to production in an industry and can be disaggregated into three different types – setup sunk costs (initial capital investment), accumulated sunk costs (normal costs of doing business), and exit sunk costs (such as early-retirement pension entitlements or plant decommissioning costs) – firms are ostensibly held hostage by their histories and geographies. Change is difficult and does not occur seamlessly. It may seem relatively easy to assume in this case that a firm will conform to a particular path, even if such a path is ultimately unsustainable given evolving market conditions and competitive pressures.

However, as Clark and Wrigley emphasize, firms are managed entities and not simply owned (static) objects. The main task of firm decision-makers, which is primarily the management, is to manage the inherited spatial and functional configuration of the firm's capital in order to realize the value of the firm as a functioning economic entity. Management, depending on context, may experience different degrees of contestation on the part of shareholders and other stakeholders, but it is ultimately tasked with effectively mobilizing disparate and often conflicting stakeholders (themselves included) in order to face current industry competition. The firm is therefore not a fixed object but an entity that is always in the process of becoming. This can be a process of becoming obsolete or a process of becoming a highly efficient and competitive producer, and anywhere in between. In this process of becoming, different resources (such as labor or sources of capital) may be mobilized, reallocated, restructured, or even discarded, depending on the needs of value realization (Dicken and Thrift, 1992; Cooke and Morgan, 1998; Amin and Cohendet, 1999, 2005; Maskell and Malmberg, 1999; Malmberg and Maskell, 2006). In no way can the organization of the firm, and thus its relations with complementary institutions (eg, labor, finance, and the state), be assumed to be ideal or fixed, at least over time.

This conceptualization of the firm and change resonates strongly also with the work of Schoenberger (1997, 2000). For Schoenberger, firm competitiveness is not simply a function of prices, products, and market entry considerations, but crucially the management of time and space. Firms are in the process of (or constant struggle with) validating spatiotemporal processes in order to stay alive. As these spatiotemporal processes are necessarily social, they are part of a whole gamut of social relations, whether conflictual, competitive or cooperative, which themselves are historically contingent and subject to competing visions of the rightness and productiveness of different spatiotemporal models (and arguably at changing spatial scales). This, Schoenberger emphasizes, 'guarantees change in general, but what kind of change and who will fight for it and who will resist depends on particular historical-geographical conditions' (Schoenberger, 2000: 330). History and geography matter, but change is inevitable as the future, unlike the past, is uncertain. It is in this uncertainty, I would argue, where the past may not necessarily shape the outcomes of the future, particularly as the spatial extent of that future is likely to be radically different from the past (eg, contemporary economic globalization). Hence, as Thrift (2005) states:

> capitalist firms may be able to mobilize power and enrol allies but they are as uncertain about the future as we all are because the future unfolds as a virtuality – it is continually creating temporary actualizations out of new questions – not a known quantity, or at least a distinct possibility. So capitalist firms may sit on the bridge of the world, able at their best attempts to steer it in certain directions, but they still cannot know what is around the corner. (Thrift, 2005: 4)

What a firm-focused approach provides for a variegated capitalism approach, and acknowledging that firms are key actors in a capitalist economy, is a micro-foundation for understanding broader macro-geographical transformations. While the work of economic geographers on macro-level distributions and processes has been fruitful, it is important to remember that such processes are the result of decisions and actions taken by independent economic agents. Indeed, as Maskell (2001) states:

> firms do not locate, produce, interact, and grow in order to produce the territorial distribution that can be studied by economic geographers . . . by including agency and incentives in the analysis, an

> *ontogenetic ontology* is applied that supplements and provides direction and reason to the macro-processes that have been traditionally studied by economic geographers. (Maskell, 2001: 332)

IV The geography of finance and the restructuring of tradition

Despite expectations of path dependence in varieties-of-capitalism, the empirical record across different typologies of capitalism suggests that such path dependence has only limited validity. Particular historical-geographical conditions may shape the actions of firms, but such conditioning is never complete, if it is actually to be expected given the changing spatial scales of the social relations in which historical-geographical conditions manifest, as the above-mentioned works on the firm suggest. The growing scope and extensiveness of global capital markets (Helleiner, 1994; Cohen, 1996), as one highly significant realm of change, has increasingly altered the 'rules of the game' for many significant 'national' firms, providing both an opportunity for exit from existing institutional relationships and an incentive to change its relationships with proximate national institutions (Jensen, 1993; Wójcik, 2006; Bauer et al., 2008; Dixon, 2008). Demonstrable diversity may continue to exist, but given the increasing incidence of firms shedding their traditional commitments suggests that national variety only has partial traction in explaining firm behavior now and in the future. In the following subsections categorized for heuristic purposes under defection, arbitrage, and veiled convergence, I review different works related to global finance and the patterning of firm behavior in relation to the erosion of national distinctiveness.

1 Defection

Clark and Wójcik's (2007) *The Geography of Finance* is by far the most concerted attempt to date in the economic geography literature to critically engage with the varieties-of-capitalism approach from a financial geography perspective. This work is concerned primarily with demonstrating, using econometric techniques and a comprehensive understanding of the political economy of global finance, how portfolio investors at the global level are driving convergence of corporate governance standards across advanced political economies. Although the themes are global, the focus is placed on Germany given it is the quintessential CME of the varieties-of-capitalism approach, which is frequently characterized as espousing a stakeholder model of corporate governance. Clark and Wójcik work off the premise that financial markets and global portfolio investors are effectively capable of pricing national traditions against certain expectations of 'best practice' in corporate governance. In doing so, global financial markets can be seen as coercing change, but also, and perhaps more significantly, providing a means for firms to defect from the constraints of the local institutional environment.

There are two highly compelling implications from Clark and Wójcik's work. First, they systematically demonstrate that corporate governance in large firms in Germany is moving increasingly toward global standards demanded by global capital markets – ie, a more shareholder-dominated regime – as firms seek out capital on global markets. Firms are thus shown to be defecting from their commitments to the local tradition of cooperation and local circuits of capital. Second, they demonstrate that not one corporate governance regime exists in Germany but several, along primarily regional lines. Models of corporate governance in some regions (Länder) are shown to be more consistent with the imperatives of global financial markets than are other regions, with new economy sectors abiding more closely with global patterns. Although the authors recognize that they are dealing with large globally operative firms, their major point is that these firms serve as an organizing point for many smaller firms and industrial relations in their area of concern, thus implying that change in these major firms raises important questions for a qualitative understanding of the institutional environment within which these major firms operate, but also the future trajectory of these institutional environments, which might themselves not show significant immediate change.

On first reading the most obvious inference of Clark and Wójcik's work is quite clear: the supposed path-dependent coherence of the German model of capitalism, the quintessential CME, is becoming weaker, as transnational forces and opportunities, particularly global financial markets, undercut the stability of national traditions. More importantly, the demonstration of strong regional tendencies in German corporate governance reveals the weakness of any approach to the study of political economy along exclusively national lines. How can there be, then, national 'varieties of capitalism' if particular regions (and not just firms) have moved towards the standards and practices typical of another spatial scale?

That some regions are moving closer to the imperatives of global finance demonstrates the uneven nature of capitalist development. Some regions and firms are becoming more global, whereas others remain closer to more local institutional traditions. What is more important is that the supposed path dependence of any model of 'capitalism' is liable to change; hence the risk of devising different models of capitalism when actually there is a single *capitalism*, but granted a variegated capitalism. Demonstrating, as Clark and Wójcik do, that there is not an integrated German capital market and an integrated system of corporate governance, suggests that theoretically any conceptualization of a German model of capitalism from the top down is incorrect, and instead should be conceptualized as a bottom-up process that retains a great deal of flux and differentiation (Clark and Wójcik, 2007: 128). This demonstrates the need to remain skeptical of stylized facts that assume the national scale is the proper viewpoint for making political-economic comparisons.

Although Clark and Wójcik's work may seem to support claims of convergence, what their contribution does actually is demonstrate the complex tension between political-economic convergence and divergence, demonstrating the ongoing heterogeneity of political-economic space and capitalist development across multiple scales. Yet, the demonstration of the power of global finance (or simply financial processes more generally) to shape political-economic geographies under conditions of globalization (and neoliberalization) is the more significant contribution of Clark and Wójcik's work.

2 Arbitrage

Given many firms are globally oriented (particularly in export-driven CME political economies), it is important to question to what degree these global activities support or subsidize the inherited institutional settings in the particular political economy of origin. Working in the area of financialization studies and social accountancy, Johal and Leaver (2007) employ this phenomenon with a compelling result. Johal and Leaver study the performance of CAC 40 firms in France from 1987 to 2005 against the performance of similarly sized firms of the UK FTSE 100 and the US S&P 500 stock market indices. Their intent in the study is to understand whether the stock market is a disciplinary institution, in order to test assumptions about the influence of foreign ownership on a different institutional environment, and the resilience of such as seen from the varieties-of-capitalism approach (regarding France specifically, see Schmidt, 2003). During the period of study, the CAC 40 firms were relatively unprofitable compared with their UK and US counterparts in terms of ROCE (return on capital employed) and ROS (return on sales). Johal and Leaver argue that this lower profitability is partially associated with the national social settlement in France, where labor is more protected *vis-à-vis* capital and firms are subjected to the 35-hour work week. However, fund managers on the secondary market, nearly half of which were foreign (mainly Anglo-American) institutional investors, did not discipline these companies as would be expected under a shareholder value paradigm. Indeed, the entry of foreign institutional investors in the 1990s did not force French giant firms to increase profitability, as would be expected by the influx of foreign investors (see Morin, 2000). In other words, poor performance in terms of profitability should have implied a declining share price, thus forcing firms to extract more profit from their activities. In effect, this suggests the continuing resilience of national institutional specificities and differences; or, said slightly differently, a visible 'variety' of capitalism. French giant firms continued trajectories of high sales growth, following long-established trends typical of continental European firms of preferring sales growth and increasing market share instead of increasing profitability (ie, shareholder value).

Yet Johal and Leaver continue their analysis, noting that investment bankers in the primary market facilitated the international expansion of French firms. Here, giant French firms took advantage of global capital markets to implement huge overseas expansion plans, but they did not equally abide by global capital markets expectations of profitability (as compared with UK and US firms). So, in the period of analysis (1997–2004), this international expansion led to the relative decrease of domestic operations and employment to a major expansion of foreign operations and employment. Indeed, whereas prior to internationalization domestic employment accounted for just over half of the CAC 40 workforce, after internationalization it fell below 40%. For Johal and Leaver, this suggests that French firms were consolidating sales and profit surpluses from operations in LME political economies, such as the USA and the UK, where deregulated labor markets do not exact a large toll on corporate profitability. In effect, these firms were cross-subsidizing the higher-cost domestic social settlement with gains made in more liberalized markets.

The implications for the varieties-of-capitalism approach are clear. As Johal and Leaver note, the issue of cross-subsidization between social settlements is not entirely incompatible with the varieties-of-capitalism approach, yet the assumption in the approach that national institutions and complementarities condition firm behavior is not entirely valid from a causal perspective. Indeed, as they retort:

> the French case suggests that in some cases, firms during and after internationalization may well be the primary initiating actors negotiating and exploiting different institutional conditions and social settlements in various national jurisdictions. These discretionary moves strengthen the hand of management against labour but may also generate the performance that negates the need to attack domestically negotiated compromises. (Johal and Leaver, 2007: 364)

In many ways, Johal and Leaver are implicitly employing a variegated-capitalism approach. On the one hand, they recognize and show the importance of persistent nationally specific institutional difference. On the other hand, they reveal the need to take a multiscalar perspective to understand the relational dynamics between two different institutional environments and how economic actors can exploit aspects of one to solve for a constraint in the other. Their two-step analysis of going beyond the simple assumption that French firms are not converging to a significant degree to some Anglo-American 'best practice', and showing that the issue is much more complex under conditions of globalization, shows interesting and valuable insight into the changing French political economy – insight that a traditional varieties-of-capitalism approach may have missed. However, a more significant implication is whether the strategy employed by these French firms is feasible over the long term. In other words, at what point will these firms be unable to cross-subsidize the more constraining French social settlement? Or, will the higher-cost French social settlement adjust to meet the cost standards expected by global financial markets?

3 Veiled convergence

Although firms may defect from the traditions of coordination present in the political economy, this does not mean that social solidarity is necessarily eroded. The continued salience of social solidarity in many advanced European democracies, eg, Sweden and the Netherlands, partially masks the many forms of liberalization under way. In this manner, convergence is not necessarily total, but rather veiled. Convergence is veiled in the sense that political economies and firm behavior may show increasingly common trends, but other policies and cultural traits may continue to fill the void of the previously coordinated institutional environment, thus masking significant institutional change elsewhere. This may lead some to continue considering these political economies as coordinated market economies, when firms have moved closer to global practices. Dixon and Monk (2009) demonstrate this change in a study of the transformation of employer-sponsored defined benefit (DB) pensions in the Netherlands and the UK, a coordinated and a liberal market economy, respectively, as considered by the varieties-of-capitalism approach.

For firms in both countries ensuring the viability of DB pensions has become increasingly burdensome. On the one hand, demographic ageing is increasing the overall costs and financial risks of DB pensions, coupled with increasingly stringent pension regulations requiring firms to ensure the financial solvency of pension obligations. On the other, convergence of international accounting standards under the fair value approach, which has been driven by global portfolio investors, means that the volatility of the pension obligation is directly visible on the firm's balance sheet. Such new and potentially intense volatility – pension obligations are difficult to price and can swing wildly with changes in interest rates and pension fund returns (Monk, 2008) – can have drastic effects on a firm's share price, and thus the costs the firm has to pay for capital. In both the UK and the Netherlands, firms have significantly curtailed their commitments to ensuring pension obligations. The outcomes of this decline are, however, highly differentiated by political economy.

In the UK case, the demise of private-sector DB pensions has not been replaced with an equivalent collective risk-sharing institution. Retirement-income security is increasingly under the purview of the individual, with many firms no longer assuming any risk for fear of the capital market implications taking on such long-term risk could entail. In the Netherlands, the strong culture of collective risk-sharing has meant that the resulting pension contract, which shifted to an 'average salary' scheme in most pension arrangements, is still between members of the pension fund, but the firm (or firms in the case of a multi-employer pension scheme) does not explicitly assume the risk of an inadequate pension. Firms pay contributions to the pension fund at different intervals, but this negotiated contribution is not contingent on poor market performance necessarily. In contrast, in the event of poor market returns, members must increase their contributions or accept a decreased benefit. The new schemes are thus labeled 'collective defined contribution' schemes.

Although the ultimate outcomes in both cases are significant in that they demonstrate that convergence pressures – in this case demographic ageing and international accounting standards convergence – do not necessarily result in the same outcome, the actions of firms are nearly identical. In the Netherlands, the more cohesive pension system and stronger sense of social solidarity among the population prevailed in limiting the scope of individualization in pension provision, yet Dutch firms, like their British counterparts, have decreased significantly the risk they bear to ensure the retirement income of their employees.

In a separate study, Monk (2009) shows a similar pattern of DB decline when comparing the USA with Japan, again a liberal versus coordinated market economy. Using a survey of experts in both countries, Monk determined that DB pensions are considered a significant competitive constraint for both Japanese and American firms with consequences for a firm's long-term financial viability and performance. This provides context for why there have been comparable degrees of plan terminations in both countries over roughly the last two decades. In effect, in both countries firms were responding to similar problem pressures: demographic ageing leading to increasing scrutiny from financial markets. No path-dependent outcome mediated by national institutions is evident, as corporate action from global pressures is similar in both countries.

Looking at the two studies and the four countries in question, we can see that firms are facing similar competitive pressures and in all of the cases are reacting in similar patterns. National institutional structures seem limited in that convergence does not necessarily result in homogenous outcomes. Convergence is veiled, however, as local circumstances affect outcomes. The characteristic uniqueness of social solidarity in the Netherlands, for example, has resulted in the maintenance of that solidarity, but one in which solidarity between employees and firm is weaker. If firms are able to effectively disengage from an important part of the wage contract, then it is highly conceivable that firms can disengage from other modes of coordination and institutional interaction. Nevertheless, ongoing variegation remains important, with the Netherlands demonstrating that solidarity can be maintained even in the face of increasing corporate flexibility. However, the continued resilience of Dutch collective risk-sharing should not be assumed. There have been calls to disaggregate by age cohort in Dutch pension funds, thus removing intergenerational solidarity (Ponds and van Riel, 2009). This suggests that the most recent transformation of Dutch occupational pension provision could be simply the staging ground for further liberalization in the future.

V Conclusion

While Peck and Theodore's vision of a variegated-capitalism approach rightly hones in on the problematic methodological nationalism of varieties-of-capitalism approach, the approach does not go far enough, I argue, in challenging varieties-of-capitalism both theoretically and empirically. It seems unlikely that heterodox political economists working under the umbrella of varieties-of-capitalism will embrace a variegated-capitalism approach, one that is less transfixed by borders and equilibrium, without significant empirical justification that sufficiently erodes the viability of seeing political economies through the CME/LME typological dichotomy and along national lines. That said, if a variegated-capitalism approach is serious about getting back to capitalism in the singular, where there are no pretentious hopes that a softer more solidaristic form of capitalism is possible indefinitely, then the approach must engage the varieties-of-capitalism approach at its theoretical core: the firm. This is, I must emphasize, not to say that other institutional domains should be neglected, as they are indeed co-constitutive of the capitalist experience and are necessary for understanding how and under what conditions firms and financial markets operate.

Firms are undoubtedly shaped by the institutional environments in which they originate and operate, with some residing in more cooperative environments than others, yet the empirical record continues to show divergence from such trends. History and geography matter, but history is constantly in the making and the future is laden with uncertainty. The varieties-of-capitalism approach has been useful in explicating the constitution of CMEs, particularly Germany, as they stood in early 1990s, yet more than a decade of intense economic, financial, and political globalization has reshaped the history from which firms and their complementary institutional relations will go forward. The relatively short history of industrial capitalism, as contrasted with human history, has changed radically from the factories of northern England in the nineteenth century to the vast global production networks of today. Adding the powerful dynamic of global financial markets to the mix undoubtedly challenges and will likely continue to challenge our ability to hold the story of capitalism as experienced in any one location fixed for any considerable period of time necessary for the development of political-economic theory.

A variegated-capitalism approach as espoused by Peck and Theodore, but infused with financial geographies of the firm, has the capacity to engage with those who would like to hold history and geography constant. How economic geographers engage in broader macro-institutional debates is more problematic than it seems. Ultimately, issues of research design and methodology in economic geography will matter greatly (Tickell et al., 2007). As the studies highlighted in this article suggest, a relatively robust comparative methodology that does not just focus on the dynamics of one specific location or compares just the local/global scalar relation, but rather contrasts and compares conditions across several locations and scales including the national for similarity and difference, can produce compelling results. Sharpening such methodological tools is arguably as important to extending economic geography's interdisciplinary reach, inasmuch as deciding what the focus should be of heterodox political-economic research.

Notes

1. The varieties-of-capitalism literature is arguably not exclusive to the Hall and Soskice variant (for comparable approaches, see, for example, Berger and Dore, 1996; Hollingsworth and Boyer, 1997; Kitschelt et al., 1999; Whitley, 1999; Streeck and Yamamura, 2001; Amable, 2003; Yamamura and Streeck, 2003; Boyer, 2005; Crouch, 2005; Morgan et al., 2005; Sorge, 2005). I focus on this variant for the sake of precision.
2. See Scott (2000) for an overview on research trajectories in economic geography during this period.

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