Rethinking German Political Economy: Lessons for Comparative Theorizing after the Social Democratic Century
Call for Papers

One-Day Workshop at the Goethe Institute in San Francisco, 30 August, 2017
(the day before the Annual Meeting of the American Political Science Association)

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Please note: Interested authors should submit a paper abstract of 300-500 words to Sidney Rothstein by January 15, 2017. Each abstract should clearly state how the paper contributes to the intellectual agenda spelled out in this document. Moreover, it should clarify the paper’s empirical basis. We will send out acceptance notices in early February and expect invited authors to commit to participating by April 15, 2017.

We will provide each workshop participant with room and board for one day. There might also be further travel support available. When you submit your abstract, please indicate your level of need for financial assistance.

The Value Proposition and Three Core Concerns

The social democratic century is over (Dahrendorf 1999). Throughout most of the past century, European welfare states consistently extended their commitment to protecting citizens against the externalities of capitalist development by intervening in the economic sphere (Polanyi 1985 [1944]; Baldwin 1990; Pierson 2001). Yet, more recently, market shifts and policy adjustments have left rich democracies less effective in ensuring citizens’ welfare (Kitschelt 1994; Clayton and Pontusson 1998; Vidal 2013). This workshop explores the comparative political economy behind these changes in advanced countries by probing the changing politics of Germany’s social market economy. We invite scholars to contribute papers in line with this goal and to join us in working toward a special journal issue of high impact.

For decades, Germany’s evolving form of welfare capitalism illustrated the possibilities of social democracy. From the postwar Wirtschaftswunder to the successes of German firms in weathering turbulence in the 1970s and 1980s, German institutions were emblematic of a “third way,” balancing economic growth and social equity in a manner more effective and more stable than capitalist partners to the West and communist neighbors to the East (Paterson and Smith 1981; Zysman 1984; Gourevitch 1986; Hall and Soskice 2001).

However, over the last decades, the pillars of stability have crumbled under increasingly adversarial labor relations, rising socioeconomic inequality, aggressive right-wing parties, and declining economic growth (Hassel 2014; Lessenich 2015; Marsden 2015). Direct attacks and gradual policy drift have joined market developments in undermining past achievements, from education to pensions and from unemployment to health insurance. Not only do these changes in Germany reflect broader trends across Western Europe, Germany’s recent policy positions
within the European Union (EU) have played an important role in strengthening such tendencies across the continent (e.g., Cioffi and Dubin 2016).

We want to build on a long tradition in the social sciences to leverage assessments of the changing “German Model” and its European embeddedness for innovation in theorizing broader changes. In the past, German developments proved to be an important prism for conceptualizing evolving capitalism and democracy (e.g., Gerschenkron 1952; Moore 1966; Hall and Soskice 2001; Unger 2015). At the current juncture, the country has the potential to again inform consequential revisions of existing theories. Appropriately contextualized analyses of causal processes and outcomes of change in Germany can yield a better understanding of ongoing transformations across capitalist democracies.

We contend that current shifts cannot be captured through either a narrow lens or as a simple one-dimensional story. Throughout the 20th century, welfare state expansion was not due solely to working-class power, nor did it benefit everyone (Korpi 2006; Lynch 2006). Contemporary causal dynamics are similarly complex, and outcomes are at times contradictory. Reduced working-class coherence has been highly consequential, yet European countries have not simply abandoned their normative commitment to answering the “social question” with social citizenship (Vail 2009; Schulze-Cleven and Weishaupt 2015). Rather, the structures of production under services-oriented growth models have posed new risks and vulnerabilities that have undermined the strength of existing institutional settlements. Moreover, transnational economic and political integration has significantly reshaped the institutional arena for social protection, including the meaning of citizenship itself.

Delving into the German case promises to provide the necessary empirical focus to trace the diverse socio-economic drivers of change, track the complex political processes at work and outline the multi-dimensional institutional shifts that societies are undergoing today. By allowing scholars to recognize how the social question itself is being transformed (Castel 2003; Schulze-Cleven 2016), the envisioned research collaboration should allow for more durable abstractions than in much recent research. The workshop focuses on three themes in particular, seeking to make progress toward formulating

(1) A dynamic theory of capitalism that grounds the conceptualization of evolving political conflict in changing patterns of economic growth and financial accumulation;

(2) A conception of democratic governance that integrates transnational institutions as part of multi-level repertoires for representing popular will and regulating economic forces;

(3) An analytic approach to tracking evolving answers to a shifting social question – primarily for leverage in Europe but with applicability beyond.

The following sections briefly elaborate the need for progress on each theme, and identify research to build on as we push forward on these goals.
Capitalism in Motion: Theorizing Evolving Political Conflict

Across Western Europe, economic production has been freed from collective regulation via active state guidance or corporatist negotiation – a development that scholars have conceptualized as liberalization (Streeck and Thelen 2005; Streeck 2009). Germany’s trajectory has received much attention and is frequently invoked as illustrating one of three possible paths in lifting the regulations placed on economic activity during the high point of social democracy (Thelen 2014).

We contend that German experiences with liberalization come with lessons beyond the limits of any one particular trajectory. Specifically, we argue that the country can serve as a useful lens for developing a theory of contemporary capitalism that provides a more accurate understanding of current distributional conflicts by engaging with the shifting drivers of economic growth and financial accumulation.

Inherited approaches to understanding the German model have been deeply challenged as class conflict has come to the fore and cleavages among employers have widened. Leveraging greater capital mobility and tapping into possibilities opened by technological changes, employers have wielded increased power over workers at the same time that state regulations have receded from the economic sphere (Detje et al. 2008; Benassi et al. 2016; Brandt et al. 2008). As a result, workers’ codetermination practices appear headed for partial disintegration (Bosch et al. 2007; Artus 2010; Streeck 2016b).

More broadly, evidence has accumulated that the economy’s continued shift away from manufacturing toward services has brought with it the deconsolidation of Germany’s institutions for non-market coordination (Streeck 2009; Martin and Swank 2012; Kinderman 2014; Greer and Hauptmeier 2016). For instance, in the country’s famed vocational education system, once considered the backbone of the German model, many employers have turned away from cooperating with labor and other firms as they focus on reducing labor costs.

Clearly, the country’s collective actors have abandoned their long-standing strategies. Yet, most analyses of liberalization have had a hard time capturing these shifts. All too often, studies have retained a narrowly structuralist and even deterministic flavor (Crouch 2005; Schulze-Cleven and Ibsen 2016), such as much recent theorizing on employer preferences across the varieties of capitalism and research on insider-outsider cleavages in labor markets (Rueda 2008; Eichhorst and Marx 2011; Hassel 2014). While scholars have often paid lip service to the need for a more dynamic perspective on capitalist variety (e.g. Deeg and Jackson 2007), their work does not leave sufficient room for addressing strategic interactions or reinterpretations of contexts. Yet these elements, and agency in general, are crucial if political economists want to account for the often highly entrepreneurial and politically creative processes that are happening on the ground (Crouch 2005; Mahoney and Thelen 2009; Herrigel 2010; Berk et al. 2013; Kahler and Lake 2013).

We contend that a truly dynamic perspective requires a better appreciation of how employers and workers have responded to new opportunities. Collective actors’ preferences and strategies do not directly flow from institutional endowments. Neither are the linkages between
institutions as tight as popular conceptions of their economic complementarity make them out to be. Instead, actors have engaged in “syncretic responses” (Galvan and Sil 2007), reassessing their options as they challenge their own subjective understandings and work toward “recombinant” forms of governance (Stark and Bruszt 1998). Institutions’ evolution has moreover frequently contributed to collective actors’ recomposition, thus casting doubt on existing assumptions about the structure and processes of political contestation (Jackson 2010; Wren 2013; Herrigel 2015).

As companies’ strategies for value creation have evolved, even the most traditional German firms have become tightly integrated in international financial markets, which has correlated with increased shares of corporate profits going to shareholders rather than labor stakeholders (Beyer and Hassel 2011; Breznitz and Zysman 2013). Moreover, it is the employers in growing sectors, such as high-value services, that are least likely to support coordination (Behrens and Helfen 2016). This suggests further disintegration of the existing practices of production as employment continues to grow in emerging white-collar sectors (Oesch 2015).

Truth be told, diverse contemporary practices are not all new. For many German firms, the shift away from “patient capital” has been years in the making (Jackson 2005; Deeg 2010). By focusing on changing practices and working with a more open conception of institutions, we create room to appreciate the diversity that has long existed as well as to engage with the fluidity with which institutions and institutional linkages have evolved. For instance, we can study how companies—keen to attract foreign investors otherwise repelled by the effects of codetermination (Goyer 2006)—have sought to morph institutional mechanisms for employee involvement into top-down vehicles of management discretion (Höpner 2005; Carlin and Soskice 2009).

Similarly, this perspective allows us to better understand the labor side, where collective action has engendered new agency repertoires as workers have sought to rebuild and leverage power (Ibsen and Tapia forthcoming; Schulze-Cleven and Liu 2017). For instance, unions have increased their focus on organizing in the workplace as shifts in work organization and employment relations left many high-wage service workers with forms of precarity similar to those of an ever-growing proportion of low-wage workers (Bergemann and Mertens 2004; Erlinghagen 2005; Bosch and Weinkopf 2008; Boes and Kämpf 2010). Seeking to appeal to both the white-collar workers that have historically eluded them, as well as the low-wage service-sector workers that they had long overlooked, unions are actively working to bridge insider-outsider cleavages (Heidenreich and Töpsch 1998; Rehder 2008; Ebbinghaus 2002; Martens 2006; Hardy et al. 2012; Schmalz and Dörre 2013; Goes et al. 2015; Haipeter 2016; Rothstein 2016b).

At this point, the complexity of actors’ responses—as well as of the institutions within which agents operate—have made it difficult for scholars to either decipher clear patterns among changing strategies or to link them to particular effects. Better theory is thus desperately needed to guide our understanding of how the evolution of market structures has shaped patterns of political conflict at the firm-level, in group politics, or at the ballot box (Menz 2010; Emmenegger 2014; Rothstein 2016a). In particular, such theory promises to help define the shifting power bases behind the processes of social concertation that continue to determine the
scale and scope of evolving coordination processes, as well as shape their distributional effects (Ornston and Schulze-Cleven 2015).

**Democracy under Threat: Popular Rule in Multi-level Systems**

Critiques of democratic governance’s desolate contemporary condition abound, with scholars emphasizing the threat to open societies posed by technocracy from above and populism from below (e.g., Crouch 2004; Mair 2013; Nachtwey 2016). The rise of neoliberalism has been particularly corrosive (Brown 2015), due in part to the widening and deepening of transnational initiatives like the movement toward Economic and Monetary Union in Europe.

We maintain that scholars need to think in terms beyond the particular challenges of European integration. No doubt, recent research has contributed much to uncovering the dynamics of fragmentation in contemporary Europe. For instance, scholars have done an increasingly good job in delineating the class politics of contemporary adjustment patterns (Cioffi and Dubin 2016; Matthijs 2016; Streeck 2016a). Yet, by assuming that conflicts can simply be re-anchored nationally, as in the case of traditional social democracy during the 1930s in Sweden or during the 1950s in most European nation-states, many contemporary studies still underspecify the political and policy challenges of economic transformation. In the face of markets’ continuing global reach, from media to finance, returning to the national stage seems rather unlikely. At this point, transnational institutions have become increasingly entrenched in European politics, as well as more effective against the excesses of capitalism (Caporaso and Tarrow 2009). Reinventions of social democracy and embedded liberalism are unlikely to simply remove these levers of influence.

As such, we maintain that we need to better conceptualize the functioning of multi-level governance more broadly – both in terms of existing arrangements (i.e. particular cases) as well as with respect to possible configurations (i.e. the realm of cases). This goal includes such aspects as tracking the flows of legitimacy and accountability, probing the mechanisms of coordination among different levels (e.g., Callaghan 2010; Heinz 2016), as well as theorizing the evolving balance between positive and negative policy feedback (Schulze-Cleven 2017a). Given Germany’s role as both a leader and a subject of the European Union, the country provides an illustrative case study of how policymakers have been struggling to manage the evolving interactions and tensions between the different levels of governance (Tewes 1998; Eyre and Lodge 2000; Callaghan and Höpner 2005; Castles 2004).

During the past decades, the European Union (EU) gained momentum as states agreed to common governance mechanisms, including the Stability and Growth Pact, which obligated national legislatures to meet demands generated beyond their borders. But this has posed the difficult question of how to square national sovereignty with transnational commitments to specific policies (Moravcsik 2002; Scharpf 2004; Schäfer and Streeck 2013; Epstein and Rhodes 2016). EU agencies in particular have amassed enormous power, with policy entrepreneurs in the European Commission tailoring policymaking in order to meet their own goals (Schön-Quinlivan and Scipioni 2016). Yet, while these agencies have arguably become more effective in regulating market forces because they are no longer limited from intervening in domestic affairs, upholding commitments to democratic governance requires mechanisms to hold these transnational
policymakers accountable to their publics (Schmitter 1983; Auel and Neuhold 2016; Lombardi and Moschella 2016).

Germany’s leadership in the EU has only made these challenges more difficult. Particularly during the Eurocrisis and when dealing with the recent influx of refugees, German initiatives embodied the threat to other countries’ national sovereignty while showing the limits of responsiveness to popular will at home (Reutter 2004; Crawford 2007; Paterson 2011; Schweiger 2015; Krotz and Maher 2016). German leaders’ actions – including their promotion of austerity in other countries against the will of those countries’ populations – have been strongly conditioned by politicians’ enduring accountability to domestic electoral politics (Bulmer and Paterson 2013; Crespy and Schmidt 2014; Faas 2015; Stecker 2015; Saurugger 2016; Schoeller 2016).

Viable responses to the social question have to actively address how institutions for democratic governance are developing alongside the current transformation of capitalism, which has intensified the demand for economic regulations beyond national borders. New practices, such as “posting” workers within the EU, have deeply intertwined economic performance and social welfare arrangements across Europe (Wagner and Lillie 2014; Wagner 2015; Hassel et al. 2016). Pre-existing practices, such as domestic collective bargaining, have also taken on new significance in the context of the EU, with domestic wage restraint in Germany, for instance, contributing indirectly to larger budget deficits in Southern European countries (Lehndorff 2015; van Treeck 2015). Understanding the broader trajectory of economic transformation in Europe requires better theories of interactions between the national and transnational not only because they have changed the politics of addressing the social question, but also because their effects have conditioned how the social question poses itself.

**The New Social Question: Toward a Future of Open Societies**

Social democratic answers to the social question have always relied on broader agreements concerning common purposes, which historically were generated in large part by labor organizations (Berman 2006). In the contemporary environment of growing social fracture (Rodgers 2012), it is increasingly difficult for labor to facilitate broad agreements (Schulze-Cleven 2017a). Both the policies and the politics of traditional social democracy have radically transformed.

There is no mistaking that the institutional settlement of long-term employment coupled with welfare states supporting breadwinners has outlived itself (Esping-Andersen 1999; Castel 2003). Increasingly diverse populations now seek support for realizing quite different ideas of the good life, leaving public authorities without a clear orientation for how they can best embed capitalist development in social policy. At the same time, unions, employer associations, and political parties – which had built these original institutional settlements (Michels 1962; Markovits 1986; Marks 1989; Mares 2003) – have receded from center stage as their constituencies frayed.

We maintain that any viable attempt to make sense of the politics surrounding responses to the social questions needs to start from better tracking of contemporary centrifugal forces,
acknowledging the agency that organizations can bring to bear on mediating the forces of dispersion, and conceptualizing new strategies for regulation. Let us briefly speak to each below.

Centrifugal Forces

In tracking the centrifugal forces, it is important not to simply focus on economic changes – including the rise of the platform economy and crowdwork arrangements that have so far not been explicitly mentioned in this call for papers. Shifts in gendered patterns of employment, changing individual preferences with respect to the scope of personal choices, and migration trends are similarly important and interact in complex ways (Häusermann et al. 2015; Marx 2015). All of these developments challenge existing arrangements and the processes through which claims for social protection used to be managed.

These far-reaching social changes across Europe have already prompted new approaches to provide social protection against market dislocation. For instance, immigration to Germany over the past decades has posed a number of puzzles for policymakers, including the question if immigrants should be treated as workers or citizens (Boswell and Hough 2008; Bale et al. 2009; Schmidtke 2016; Wüst 2016)? Moreover, reactions to immigration from new right-wing forces in Germany must also be seen as demands for the buffering of market forces, given that immigration to Germany is often undertaken for economic reasons (Zalatel 2006; Göktürk et al. 2007; Triadafilopoulos 2013; Menz 2016). However, new demands for limits to immigration have put right-wing politicians in a situation no less puzzling than that facing centrist actors: Regulating immigration sustainably requires strengthening transnational governance mechanisms, but doing so requires appealing to the very institutions that the right sees as a threat to national sovereignty (Green 2007; Arzheimer 2015; Crage 2016).

Germany provides a microcosm of the broader demographic changes unfolding across Europe and thus offers a platform for scholars to develop a fine-grained understanding of the interests and identities associated with economic transformation in Europe. This approach will be able to address questions that include: What new identities have taken shape against the backdrop of welfare states in crisis (Hobolt and Tilley 2016)? How have non-citizens defined their stake (Cyrus and Kip 2015)? Moreover, in what ways have other new forms of market dislocations, such as the rise of part-time work and fixed-term contracts, shaped political conflict in the current context (Holst et al. 2008)?

Political Organization

Just as in other societies, Germany’s form of democratic capitalism is increasingly disorganized (Offe 1985); yet common purposes cannot be defined without organizations. German unions, like their counterparts across Europe, have seen massive declines in both organizational density and coverage in collective bargaining (Streeck 2009; Baccaro and Howell 2011). Furthermore, the once solid alliance between unions and the Social Democratic Party has come under significant strain as the left increasingly pursues an austerity program and moves rightward (Jacoby and Behrens 2016; Kraft 2016). The delicate political balance between left and right has been further upset by the rise of right-wing populist parties, stoking fears that Germany’s center parties on both sides of the spectrum will move rightward (Lochocki 2016).
No longer able to rely on a stable alliance among the political parties, labor also can no longer depend on employer associations to organize their members for effective negotiations, because the associations have also seen declines in membership, along with members increasingly reluctant to join binding agreements (Streeck 2009; Martin and Swank 2012). As the actors traditionally central to social partnership fade in significance, scholars will need to identify who is taking their place.

We thus need far more research on organizational innovation, including questions such as: How have companies’ new approaches to human resources management influenced working-class solidarity, not just domestically but also with respect to links between workers across borders (Anner 2006; Locke et al. 2009)? What is the role of organizations’ leadership in directing collective action toward inclusive rather than special-interest political strategies (Moe 2011; Ahlquist and Levi 2013)? While old working-class identities are threatened, can new commonalities be found to generate cohesion among the working population to make class count in the 21st century (Katznelson and Zolberg 1986; Wright 1997)?

New Strategies for Regulation

Over the past decades, the shape of social policy has already significantly changed from the social democratic heyday. Both at the national and EU levels, social policy has shifted its emphasis from insurance to training (Busemeyer and Trampusch 2011), in an attempt to prevent inequality rather than redress it (Weishaupt 2011). Furthermore, states across Europe have increasingly marketized public services, such as in education and health insurance (Gingrich 2011; Ansell 2010; Schulze-Cleven 2017b). More than merely representing an extension of state-owned industries’ privatization, public authorities’ move to the market in social policy provision intertwines the welfare state with concerns about economic performance, thereby blurring the line between limits on markets and the promotion of markets (Schmidt 2009). Rather than underwriting de-commodification, contemporary welfare states seem to have increasingly supported hyper-commodification (Lessenich 2015).

Scholars have made clear that many of these recent institutional experiments have failed to realize policymakers’ goals (Jacoby and Behrens 2001; Morel et al. 2012). All too often, policymakers have forgotten that social protection always has to be “politics against markets” (Esping-Andersen 1988). While it is true that many policies under Germany’s social market economy indeed support market processes as much as constrain them (Baccaro and Pontusson 2016), contemporary approaches of activating workers for labor market participation are severely limited.

As the workshop tackles each of these areas – forces of disruption, organizations’ intermediation of conflict, and the scope of innovation – we hope to theorize their dynamic interplay in policy formation during the current juncture. We can build particularly on what we have learned about social policies’ feedback effects over the past decades. Often, policy feedback has rearranged class-based interests by introducing unforeseen effects across the political landscape. For instance, in Germany, the consequences of Agenda 2010 are still unfolding (Pierson 1993; Häusermann 2010; Schwander and Manow 2016).
Important questions to tackle in this endeavor include: Have existing vehicles for political mobilization adapted to changing demographics, or have new organizations been founded in order to meet the interests overlooked by existing arrangements (Greer et al. 2013)? What types of new policy instruments have been developed by political entrepreneurs to address new forms of market dislocation, and what is the scope for innovation (Kädtler 2016)? How do characteristics of the current juncture, such as the disintegration of existing organizations and the emergence of new actors (Reisenbichler and Morgan 2012), affect the dynamics of policy experimentation?

Bibliography


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