

The Political Economy of Globalization

Week 4 — Varieties of Capitalism and Dependency

Institutions, Power, and Uneven Development

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From Market and State to Institutional Diversity

Last week: We explored how markets and states co-evolve under globalization.

- Markets and states are co-constitutive, not antagonistic.
- Globalization reconfigures, rather than erases, national authority.
- Theories of regulation (Polanyi, Hayek, Keynes) framed this dynamic.

This week: we move from macro-theories to the **institutional architectures** of capitalism.

How do different countries organize capitalism? What are the consequences for development?

Session Overview

Two traditions:

- 1 **Hall & Soskice (2001/2013)** — “Varieties of Capitalism” (VoC): institutional complementarities and comparative advantage.
- 2 **Cardoso & Faletto (1979)** — “Dependency and Development”: power, structure, and the political economy of the periphery.

Analytical question: *How do institutional configurations shape national trajectories in a global economy?*

Analytical Foundations

Definition: Capitalism is a system where firms coordinate their activities through institutionalized arrangements.

Core idea

Economic performance depends on how institutions help firms resolve coordination problems.

- 1 Industrial relations
- 2 Vocational training and education
- 3 Corporate governance
- 4 Inter-firm relations
- 5 Employee relations

The Two Ideal Types

Liberal Economies (LMEs)	Market	Coordinated Economies (CMEs)	Market
Coordination via markets and prices		Coordination via networks and institutions	
Short-term capital		Patient capital	
Flexible labor markets		Long-term employment	
General skills		Specific skills	
Examples: US, UK, Canada		Examples: Germany, Japan, Sweden	

Each system provides a distinct comparative advantage.

Institutional Complementarities

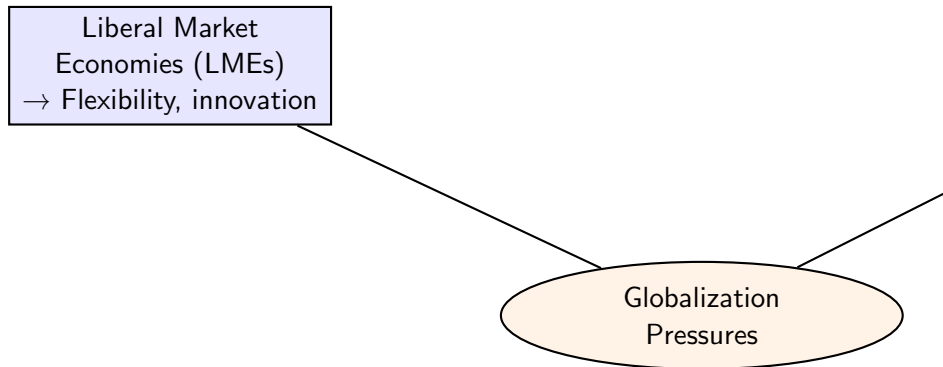
Definition: Institutions are complementary when the presence of one increases the returns of another.

- In CMEs: patient capital complements vocational training and collaborative labor relations.
- In LMEs: flexible labor markets complement equity-based finance and innovation.

Implication

There is not one “best way” to organize capitalism — institutional coherence matters more than liberalization.

Global Pressures and Institutional Responses



Globalization pressures produce adaptation, not convergence.

Discussion

Does globalization erode institutional diversity?

- Convergence hypothesis: markets override institutions.
- Resilience hypothesis: institutions adapt and persist.
- Hybrid forms emerge: state capitalism, dependent capitalism.

Critiques of the VoC Approach

- Binary typology — neglects Southern and hybrid capitalisms.
- Firm-centric — underestimates power, class, and politics.
- Static — limited attention to change and crisis.
- Eurocentric — assumes institutional stability typical of OECD countries.

Extensions

- Mediterranean capitalism (Molina & Rhodes, 2007)
- Dependent market economies (Nölke & Vliegenthart, 2009)
- State capitalism (Musacchio & Lazzarini, 2014)

Beyond Advanced Capitalisms

Question: How do these frameworks apply beyond OECD contexts?

- VoC focuses on firm coordination, not structural dependence.
- Developing economies face external constraints — capital, trade, technology.
- The “institutional complementarities” may reproduce dependency rather than autonomy.

To explore this, we turn to Latin American dependency theory.

Analytical Foundations

Dependency theory: Development and underdevelopment are structurally linked within a global capitalist system.

Core assumption

Peripheral economies' trajectories depend on dynamics of accumulation in the core.

- Origin: ECLA structuralism (Prebisch).
- Key question: Why do peripheries fail to industrialize autonomously?

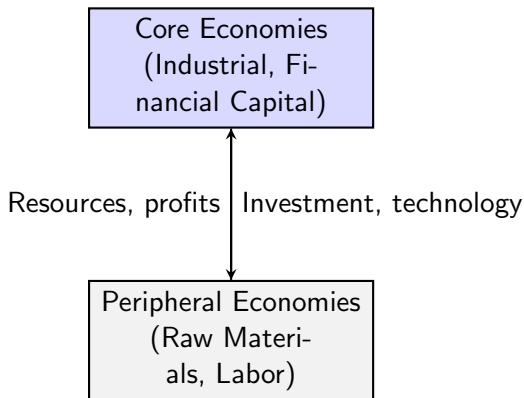
Cardoso Faletto's Innovation

- Move beyond economic determinism of early dependency theory (Frank).
- Introduce **historical-structural analysis**: combine structure and agency.
- Emphasize the role of **political coalitions** and **class alliances**.
- Focus on internal contradictions within dependent development.

Key insight

Dependency is not a fate — it is a political condition shaped by domestic and external alliances.

Core–Periphery Dynamics



Development and underdevelopment are two sides of the same process.

The Political Economy of Dependency

- Domestic bourgeoisie allied with foreign capital.
- State mediates between external interests and internal classes.
- Political coalitions determine whether dependency produces reform or stagnation.

Three typical paths:

- 1 Oligarchic dependency (export enclaves).
- 2 National-popular regimes (import-substitution).
- 3 Associated-dependent development (post-ISI modernization).

Types of Dependent Development

Oligarchic	National-Popular	Associated-Dependent
Export enclaves	ISI, industrialization	Transnational mod-ernization
Weak state, landed elites	Strong state, domestic capital	Technocratic elites, MNCs
Pre-1930s	1930s–1960s	1960s–1970s

Development trajectories depend on class alliances and external linkages.

Comparing the Two Frameworks

Varieties of Capitalism (Hall & Soskice)

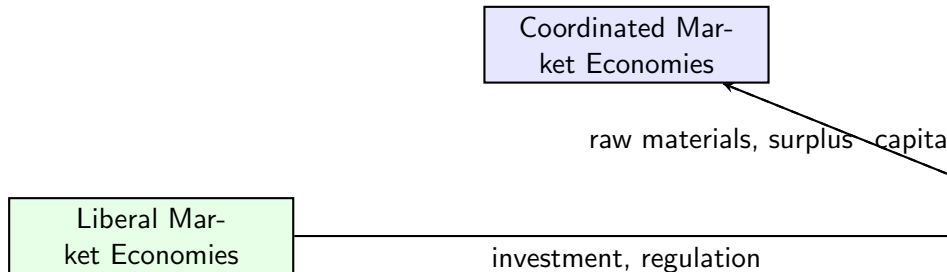
Advanced economies
Institutional complementarities
Firms as central actors
Coordination and efficiency
Comparative advantage

Dependency and Development (Cardoso & Faletto)

Developing economies
Structural asymmetries
States and classes as actors
Power and dependency
Uneven development

Bridge: Both see institutions as mediating globalization — but from opposite poles of the system.

Global Capitalism as a Structured Diversity



Global capitalism integrates institutional diversity through asymmetrical linkages.

Discussion

Is institutional diversity compatible with global capitalism?

- Can peripheries escape dependency through institutional innovation?
- Does globalization promote convergence or reinforce hierarchy?
- How do states in the Global South navigate between autonomy and integration?

Conclusion

- Hall & Soskice highlight how institutions shape competitiveness in advanced capitalism.
- Cardoso & Faletto show how power and dependency shape development in the periphery.
- Both reject universalist models — capitalism is multiple and relational.
- Globalization thus reproduces diversity through hierarchy.

Next week: From institutional diversity to global production networks.

Discussion Questions

- 1 Does globalization lead to convergence or reinforce institutional diversity?
- 2 How do “dependent market economies” bridge VoC and dependency theory?
- 3 What role do states play in mediating external pressures?
- 4 Can development occur within dependency — or only beyond it?

Thank You!

Questions or Comments?