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# Same Trend, Different Paths: Growth and Welfare Regimes Across Time and Space

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## Keywords

comparative political economy, welfare state, Fordism, financialization, knowledge-based economy, growth

## Abstract

The article reviews the recent advances in comparative political economy. It reconnects knowledge on growth regimes and welfare regimes by analyzing how growth and welfare regimes covary over both time and space. It underlines the fact that governments pursue different growth strategies to adjust to new economic environments, focusing in particular on welfare state reforms. Synthesizing the literature, we propose a definition of growth and welfare regimes that integrates different engines of growth as a way to track general trends in the evolution of capitalism. We analyze the main trends of three eras of capitalism: Fordism, neoliberal financialization, and the digitalized knowledge-based economy. We trace the various paths of change by identifying the five growth strategies governments have pursued to adapt their growth and welfare regimes to the new capitalist era. The result is not a typology of fixed types of capitalist models but a dynamic process of adjustment.

## INTRODUCTION

This article provides a review of the recent advances in comparative political economy, conceived as the political analysis of capitalism(s), especially in the power relations and institution-shaping systems of economic production as well as their social and political backgrounds and consequences. It connects the literature on growth regimes and welfare regimes by analyzing how growth and welfare regimes are intertwined and covary over both time and space. It aims to trace the trajectories taken by various growth and welfare regimes from the era of Fordism to the era of the knowledge-based economy. It identifies the different types of growth and welfare regimes in the knowledge-based economy and the various growth strategies that shape them.

During the last three decades, most of the literature on comparative political economy was concerned with the diversity of economic models (difference across space) without focusing enough on the general evolution of capitalism (difference over time). Recently, however, increasing research has paid attention to the broad changes in capitalism, focusing on either the rise of neoliberalism or the emergence of the knowledge-based economy, but in these cases, research has remained very general, without paying attention to the diversity within global trends. Less research has been done on the different phases of capitalism in the context of different national models of capitalist production. Our review aims at allowing this double approach, i.e., combining an analysis of the general trends of evolution of capitalism (evolution of capitalist growth and welfare regimes across time: from Fordism to financialization to digitalization) and the understanding of the specific paths taken by five main different families of growth and welfare regimes due to the implementation of five different growth strategies (differences between growth and welfare regimes across space).

Building on the tradition of the French Regulation School (Boyer 1990, Boyer & Saillard 2005), the varieties of capitalism (VoC) literature (Hall & Soskice 2001), recent discussions of growth models (Baccaro & Pontusson 2016, Baccaro et al. 2022), and growth and welfare regimes (Hassel & Palier 2021), we propose a comprehensive analytical framework to analyze the transition of capitalist modes of production while acknowledging the diversity of the pathways taken.

In our first section, we review the various building blocks (regimes and trends) necessary to elaborate our understanding of evolutions of capitalist modes of production. Dynamics of change are best studied by looking at the diversity of trajectories and understanding their direction and their drivers. While the advanced industrialized economies all started out with mass manufacturing in the first half of the twentieth century, their paths were always distinct. Despite their static nature, the VoC literature (Hall & Soskice 2001) and the classic typology of welfare regimes (Esping-Andersen 1990) give us a starting point for understanding these differences. We then trace the changes over time by contrasting different trajectories.

We therefore review the various typologies of capitalist production regimes, growth regimes, and welfare regimes, and the debates among their promoters. We argue that to understand the evolution of these regimes, it is necessary to consider growth and welfare regimes together in order to account for both general trends and different paths. In this first section, we also review the literature that has identified different phases or eras of capitalism that frame the evolution of growth and welfare regimes. We claim that the best tracers of the evolution of capitalism are the dominant engines of growth.

In the second part, we look at the evolution of capitalist economies via the way the engines of growth have changed over time and within different countries. We can identify three main phases in the development of capitalist growth and welfare regimes: Fordism, financialization, and digitalization.

In the third section, we show that growth and welfare regimes continue on diverging paths and embrace different models (and niches) while all transitioning toward the digitalized knowledge-based economy. We establish that there are five main growth and welfare regimes coexisting in

the knowledge-based capitalist economy. We identify five growth and welfare regimes shaping capitalism in the early twenty-first century: three export-led growth regimes based on dynamic services, high-quality manufacturing, or foreign direct investment (FDI), and two demand-led growth regimes based on finance or public spending.

Finally, in the fourth section, we focus on the policy decisions driving the observed changes. In our understanding, policy matters for growth regimes, and governments pursue different growth strategies to stimulate economic activity. While many observers assume that economic policies (taxes, subsidies, or investment in research and development) matter for innovation and growth, we suggest looking at welfare state reforms as growth strategies. Emphasizing policy change for growth regimes helps us to identify five main different welfare reform strategies to deal with the challenges of transition: social investment, dualization of welfare, fiscal and social attractiveness, commodification of welfare, and social protectionism.

## COMPARATIVE POLITICAL ECONOMY AND THE TRANSFORMATION OF CAPITALISM

For a very long time, the comparative political economy literature was predominantly static and dominated by the mapping and understanding of differences between various types of capitalist production regimes. This comparative capitalism literature began with Schonfield's (1965) *Modern Capitalism*. He contrasted the market-based UK economy with the state-led French model and the German model, which was governed by big companies and their associations. These insights were deepened by scholars studying neocorporatism—the contribution of trade unions and employers to economic governance (Lembruch & Schmitter 1982, Scharpf 1991). In management studies and industrial sociology, comparative work reinforced the notion of different industrial organizations leading to different practices in firms (Maurice et al. 1986, Streeck 1991).

The notion of different models gained the most traction in the 1990s, when scholars combined the insights of economic governance, industrial sociology, and comparative political economy to theorize about different institutional regimes underlying various “production regimes.” Their work showed systematic differences from the standard case of market-based transactions, and eventually a more systematic understanding of capitalist varieties emerged (Crouch & Streeck 1997, Hall & Soskice 2001, Amable 2003). Analytically, the key distinction between economic models was the degree of coordination and regulation that went along not only with centralized wage bargaining and corporate finance but also with supporting social policies (unemployment benefits and vocational training). Rather disconnected from this literature, comparative welfare state studies also appeared in the 1990s with the analysis of different patterns. The seminal book by Esping-Andersen (1990) on the three worlds of welfare capitalism provided an elegant classification of three different types of welfare regimes (social-democratic, conservative-corporatist, and liberal).

### How Many Types?

The varieties of capitalism (VoC) literature provides a stylized distinction between two types of economies that correspond to the different institutional arrangements in which firms operate. Firms adjust to their institutional environment to develop specific competitive advantages. Hall & Soskice (2001) point to the main institutional structures that condition corporate strategies: the financial system and corporate governance, the internal structure of firms, industrial relations, the education and training system, and the institutions organizing intercompany relations. Coordinated market economies are based on nonmarket mechanisms, such as organizational interaction and long-term relationships in industry and employment. Workers and firms invest in specific skills, which are insured by welfare state policies, such as unemployment insurance or old-age

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**Varieties of capitalism (VoC):** a general theory in comparative political economy that states that there are several ways to organize the economy and create growth

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**Regulation School:**

a macroeconomic theory that analyzes modes of production, consumption, and distribution through the lens of capital accumulation over time

**Fordism:** a growth regime based on industrial production, mass consumerism, high wages for manufacturing workers, and domestic demand-led growth

**Growth model:** a perspective that focuses on the relative importance of different components of aggregate demand: foreign or domestic consumption

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insurance (Estévez-Abe et al. 2001). Coordinated market economies have specialized in manufacturing industries that produce for world markets and tend to have trade surpluses. They benefit from prudent monetary and fiscal policy and put strong emphasis on wage control in order not to endanger their competitive position (Iversen & Soskice 2013). The Nordic and Continental European countries are all classified as coordinated market economies, while their welfare regimes are clearly separated by Esping-Andersen (1990).

In liberal market economies, by contrast, economic relations are governed by market mechanisms. Liberal market economies are based on deregulated markets, general skills, and a minimalist welfare state. They tend to have trade deficits and specialize in radical innovation as well as financial services. Their approach toward monetary and fiscal policy is more accommodating. In liberal market economies, corporate financing is dominated by the stock market, wage levels are determined by individual productivity, and workers have an interest in acquiring general skills in order to have flexibility in an industry at the mercy of economic cycles and technological revolutions.

More detailed analyses have led to more differentiation. In addition to the finer distinctions between Nordic and Continental European coordinated market economies (Thelen 2014), the literature provides a nuanced understanding of the mixed market economies of Southern Europe and France (Molina & Rhodes 2007) and the Visegrád countries of Eastern Europe: the Czech Republic, Hungary, Poland, and Slovakia (Nölke & Vliegenthart 2009, Bohle & Greskovits 2012). The static nature of model comparisons was criticized (Hancké et al. 2007) but only partially addressed (Hall & Thelen 2009).

Integrating the insights of the Regulation School and the comparative welfare state literature with the VoC account, Amable (2003) distinguishes five types of capitalism: the market-based Anglo-Saxon model, Asian capitalism, the Continental European model, the social democratic economies, and the Mediterranean model. He shows that in various types of capitalism, institutions differ in the areas of product market competition, labor-market and labor relations, social protection, education systems, and financial systems.

### Supply Versus Demand, or Both?

There is currently a lively debate among political economists on the best way to qualify and analyze the different ways in which economies are organized. The VoC literature focuses on the production (supply) side of the economy and its institutional configuration (Hall & Soskice 2001), while other scholars argue that the consumption (demand) side and its composition are the most important (Baccaro & Pontusson 2016). Baccaro & Pontusson (2016) bring back (post-Keynesian) macroeconomic perspectives. According to this strand of literature, “the global economy has moved, over time, from a set of wage-led economies to a world where wage-led growth has become increasingly unfeasible and alternative drivers of demand, for example, export or debt have replaced real wages as main drivers” (Baccaro et al. 2022, p. 23). Baccaro & Pontusson (2016, p. 186) “distinguish three different alternatives to the traditional Fordist model of wage-led growth: consumption-led growth financed by credit, investment-led growth and export-led growth.” They exemplify the credit-based, domestic demand-led growth model with the British case and the export-led growth model with the German case; they identify a “balanced” growth model in Sweden, while Italy is said to have found no viable post-Fordist growth model.

If we look closely at the precise functioning of the various types of capitalist economies, we see a connection between the main driver of demand and the way the supply side is organized. On the whole, coordinated market economies are more oriented toward export-led growth, and liberal market economies rely on private consumption (Hope & Soskice 2016, Hassel 2017). To the extent that export-led growth relies on the capacity to control labor costs, and therefore wages, it is associated with coordinated interaction between employers and unions, especially regarding

wage-setting and training. Centralized wage-setting is a key institution in many coordinated market economies. It helps to contain wage pressure and, therefore, control the real exchange rate. A compressed wage structure gives incentives to train lower-skilled workers. In contrast, liberal market economies have higher rates of domestic demand as wages grow faster and the financial sector plays a bigger role.

We contend that the growth model literature does not contradict the existing classification of economies. However, we emphasize that the group of demand-led countries is diverse in itself and needs to be refined (both the United States and France are classified as domestic demand-led growth regimes), as is the group of export-led countries (which clusters Sweden and Germany).

## Growth Regimes and Welfare Regimes

We propose a “growth and welfare regimes” perspective as a synthesis of the current debates and aim to overcome sterile arguments by emphasizing interactions. This allows us to gather the insights of both perspectives and provide a more differentiated account of existing regimes and their evolution. For us, a growth regime is a mode of governance of the economy, including the institutional, policy, and organizational frameworks that shape the specialization of firms and the consumption and saving patterns of the population as well as the use of technology and work organization (Hassel & Palier 2021, p. 17). Growth regimes are constituted by three core elements: first, the institutions organizing the economy and shaping firms’ and governments’ strategies (in line with Amable 2003); second, the main components of aggregated demand (in line with Baccaro & Pontusson 2016)—private consumption (household and firms), private investment, public spending (consumption and investment), and/or net exports; and third, the main engines of growth, i.e., the sectors that contribute to wealth creation, job creation, and productivity gains. Engines of growth can include agriculture, manufacturing, services (high/low-value-added services), finance, housing, knowledge-based activities, and information/communication technology (ICT).

Social policies have often been conceptualized as public policies to protect workers and citizens against markets and capitalists (Korpi 1983, Esping-Andersen 1985). However, research in political economy has shown that the welfare state also shapes and contributes toward economic development and can be supported by employers (Swenson 2001, Mares 2003, Korpi 2006, Martin & Swank 2012, Iversen & Soskice 2015).

Amable (2003) demonstrated that the welfare state is an important component of growth regimes for economic management. For each type of political economy, the functioning of, and differences in, the skill-formation systems and the way the labor market and the welfare systems are organized are crucial. These sets of institutions—educational system, labor-market rules, and social protection—are key elements of what the comparative welfare state literature would call welfare regimes. Comparative research has shown that these three key elements often (but not always) systematically complement each other and thus work as a system to form a “regime” (Esping-Andersen 1990). For instance, centralized wage-setting institutions go hand in hand with more comprehensive social protection systems and often focus on mid-level (specific) skills, whereas decentralized wage-setting and a low-regulated labor market go hand in hand with educational systems that provide general skills (with little involvement from both the state and employers) and residual social policies.

While the current debate seems to have forgotten this point, the interaction between the demand and supply sides is key, as has already been argued by scholars of the French Regulation School (Boyer 1990). We thus need to bring back their insights into current approaches. Governments need to balance both sides of the economy to provide prosperity. A growth regime connects the supply and demand side of the economy, and welfare policies contribute to both

sides: Labor-market institutions shape wages, and therefore demand, but also the supply of work (through labor-market regulation); education and training shape skills and therefore specialization in particular industries; social policies may aim to protect the supply of a certain type of skill while providing resources to sustain or boost consumption. A growth regime includes specific engines of growth (see below) and takes different forms over time, distinguished by the distinct ways in which economic growth is generated and distributed (Hall 2021, 2022; Hassel & Palier 2021).

### **The Transformations of Capitalism Are Visible When Analyzing the Engines of Growth**

While most of the comparative political economy literature has focused on different types of capitalism, the nature of capitalism has changed. Deindustrialization, post-Fordism, and their social and political consequences were discussed as manufacturing industries were relocated to Asia from the 1980s onward and to Eastern Europe after the fall of the Berlin Wall (Esping-Andersen 1999, Berger 2000).

One avenue to analyze this change in capitalism was centered on liberalization and the rise of neoliberalism in market economies (for a review see Thelen 2012). Regulatory shifts facilitated financial and trade globalization, reduced labor-market protections (Baccaro & Howell 2011), and pushed for welfare state retrenchment (Pierson 1996). Liberalization took different forms in different coordinated economies, leading to more differentiation between models (Thelen 2014).

Another way to map the transformation of capitalism is to focus on the engines of growth. During the Fordist era, the manufacturing industry was the engine of growth in advanced countries. The export of advanced manufactured goods is still the main engine of growth in some rich countries. However, new engines of growth appeared in the post-Fordist era. Boyer (2000) identified a “finance-led” or wealth-based accumulation regime. Financialization has several direct effects on, and policy implications for, growth regimes. One effect is that highly financialized countries have bigger employment segments in dynamic services—not only financial services but also business services (see Wren 2013). These services, which rely heavily on ICT specialists, will compete with the manufacturing sector over graduates, and financial services might start to dominate the graduate market. Furthermore, highly financialized countries also see a shift in the wage structure, favoring the financial services industries and thus reinforcing the trend toward increasing income inequalities. With regard to (welfare) policy strategies, countries with a more financialized growth regime are more prone to private funding and the private organization of social and infrastructure services, as the financial services industries supply models and expertise for this. Finally, more financialized growth regimes also pursue more radical innovation paths in ICT (Hassel & Palier 2021).

More recently, digitalization appears to have become another engine of growth. Digitalization has enabled the restructuring of supply chains: the relocation of manufacturing to developing countries as well as the production processes in wealthy countries. In particular, ICT-based dynamic services have emerged, for instance in telecommunications and in financial and business services (Wren 2013). The internet, cloud computing, platforms, and, most recently, the application of artificial intelligence have provided a new infrastructure that resembles the Industrial Revolution infrastructure of railways and steam engines (Kenney & Zysman 2016, Rahman & Thelen 2019, Tyson & Zysman 2022).

Financialization and digitalization are positively related. Financial services industries are based on high levels of ICT but also provide venture capital for digital innovation. Advanced countries increasingly embrace both but are at very different stages of the process and adopt

them in different ways. New business models, based on new technological tools and platforms, already compete with traditional industries in sectors such as logistics, retail, communications, and banking; they will transform much of the business community and, with it, the institutional foundations of capitalism. Both new engines of growth are part of a comprehensive transition toward a new phase of capitalism, which can potentially upset major industries.

## GROWTH AND WELFARE REGIMES OVER TIME

Engines of growth change over time, and growth regimes do adjust to new drivers of change in capitalism. For the understanding of the coevolution of growth and welfare regimes, the analysis of new engines of growth and how they impact growth and welfare regimes is key. They go through different macroeconomic policies but also different social policy reforms.

Based on the current literature and our own focus on the engines of growth, we can identify three main phases in the development of growth and welfare regimes since the middle of the twentieth century. We present these phases in turn and summarize their main traits in **Table 1**. This table helps us underline that economic policy paradigms (Hall 1993) are context specific and do not apply universally.

### Fordism

As first demonstrated by the French Regulation School, the dominant capitalist production regime in the first half of the twentieth century was the Fordist growth regime (Boyer 1979, Aglietta & Boyer 1986). Fordism developed across North America during the interwar period and then in Europe during the 1950s and 1960s. It was central to the post–World War II economic boom. The Fordist growth engine was fueled by standardized, mass industrial production and the rise of the middle class, and it extensively relied on the domestic market, especially in the United States (Boyer 2011, p. 74).

**Table 1** Growth and welfare regimes over time

Growth regime	Engines of growth	Policy paradigm	Diagnosis for economic and social difficulties	Welfare state	Policy focus
Fordism	Manufacturing	Keynesianism	Slow growth and unemployment due to insufficient demand	Increasing coverage of risk, providing income maintenance and security	Full employment
Liberalization	Global expansion Financialization	Neoliberalism	Inflation and unemployment due to constrained supply because of labor market rigidities	Liberalizing of labor markets, activation, privatization of welfare functions	Price stability
Knowledge-based economy	Dynamic services Digitalization	Entrepreneurial state	Unemployment linked to a lack of adequate skills to fill today's jobs and to create the jobs of tomorrow	Social investment	System stability/ investment

Sources: Morel et al. (2012), Blyth & Matthijs (2017), Hassel & Palier (2021), Hall (2022).



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**Keynesianism:**

a macroeconomic theory focusing on the demand side of the economy and the effects on output, employment, and inflation

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Fordism, as a growth regime, is also associated with Keynesianism—the stimulation of aggregate demand through countercyclical fiscal policy. Keynesianism was the economic policy consensus for state intervention that emerged from the Great Depression in the United States (Hall 1989). The Fordist model of capitalist accumulation is further associated with the establishment of the Keynesian welfare state, whose principle is based on income replacement as a tool for the stimulation of aggregate demand (Jessop 1993). The emphasis of policy making was geared around maintaining full employment through fiscal, monetary, and social policies (Blyth & Matthijs 2017).

French regulation theory suggests that the welfare state was the complement of the Fordist institutionalized compromise between capital and labor and was instrumental for producing the social acceptance of the drastic changes in working and urban life that took place during the 1950s (Boyer 1990). To back these claims, Boyer (1990) traces the impact of the welfare state to increasing dynamic efficiency and growth. Minimum wage, for example, offers incentives for labor-saving innovation, which boosts productivity. Furthermore, higher wages lead to more demand. The recognition of trade union rights leads to better organization and thus better business responses in firms, while general access to health care and education boosts the health and competencies of the workforce and thereby increases productivity. Finally, unemployment insurance leads to a greater acceptance of risk and the greater ability of the workforce to cope with innovation.

European systems of social protection grew considerably in the postwar boom period of 1945–1975. Initially based on the reconstruction after the war, the expansion of the welfare state was a source of domestic demand through an increase in social security benefits and job creation in social services provided by governments. While social policies underpinned economic growth, economic growth (and especially the major productivity gains in the industrial sector) in turn generated the resources for an unprecedented expansion of social policies. Thus, in Western Europe, statutory, collective expenditure for social insurance alone increased on average from 9.3% of GDP in 1950 to 19.2% in 1974, and general social spending (including housing and education) increased from 10% to more than 25% of GDP (Flora 1986, p. 22).

### **The Neoliberal Age of Financialization**

The Fordist model of the modernization era started to crumble in the late 1960s, with growing social unrest and tensions in the international economy (Flanagan et al. 1983). The collapse of Bretton Woods and the first and second oil shocks in the mid-1970s shifted the policy discourse to a new paradigm of liberalizing the economy. As shown by Morel et al. (2012, p. 7), following the economic crisis of 1974 and Keynesian economic theory's incapacity to explain and respond to the simultaneous rise in both unemployment and inflation, Keynesian economic policies came under severe attack from proponents of neoliberal economic theory, ultimately leading to a paradigmatic shift from Keynesianism to neoliberalism. The new paradigm placed the emphasis on budgetary rigor, wage restraint, monetarism, and firms' competitiveness (Hall 1993, Hay 2004).

Social expenditure no longer played a central role in ensuring economic growth but was perceived as a cost rather than a stimulator of economic growth or a promoter of political and social stability (Palier 2010). Generous social policy was held responsible for poor job-search motivation and for creating a culture of dependency. The understanding of the causes of unemployment and slow growth, and thus the remedies put forward, therefore shifted from a demand-side to a supply-side approach (Morel et al. 2012, p. 7). This view was accompanied by a growing demand for a roll-back of the state, since it was perceived as too costly and inefficient, and for a reallocation of social responsibility toward other social actors, such as the market, the family, or community associations (Morel et al. 2012, pp. 7–8). Governments attempted to slow down social spending increases (Pierson 1996, Palier 2010). While social policies were not dismantled, as such, there was

a new orientation toward activation in social policy (Lødemel & Trickey 2001): Less emphasis was placed on providing income security and more on providing incentives (in a more or less coercive fashion) to return to the labor market (Morel et al. 2012, p. 8).

The period of liberalization shifted the macroeconomic policy focus from full employment to price stability as central banks lifted interest rates to fight inflation (Blyth & Matthijs 2017). Financial markets expanded rapidly, and financialization took hold, especially in liberal market economies, as an engine of growth. There are two possible mechanisms at play (Hassel & Palier 2021, p. 28). Some authors claim that the slowing down of economic growth since the early 1970s has prompted governments to use the financial sector to avoid distributional social conflict. For instance, policy makers in the United States have used financial markets to avoid making difficult choices about social priorities. They enabled access to credit in order to help consumers to maintain their living standards. This served a similar function to inflation during the 1970s, as consumer debt blurs the distinction between winners and losers during economic stagnation (Krippner 2005). Also, governments used public debt to compensate for lower growth rates in the 1970s (Streeck 2014). Furthermore, some of the financialization literature argues that the provision of credit replaces wages increase and social policy in a form of “privatized Keynesianism” (Crouch 2009), thereby feeding the financial services industries while compensating for wage stagnation in the lower middle class.

But financialization can also be perceived as a growth regime in itself, as is argued by Boyer (2000). Financialization can have an overall expansionary effect on the economy, as it contributes to the wealth of households. It impacts consumer spending and thereby domestic demand. In this perspective, financialization is an expression of the rising use of credit and the declining savings of the upper middle class. While savings rates decline and private debt increases, consumer behavior changes. Both stimulate financial services industries and domestic demand (Hassel & Palier 2021, p. 28).

The liberalization and financialization era increased the vulnerabilities of workers and increased the instability of the financial system. The financial crisis of 2008 (but also earlier financial crises in Asia and Latin America in 1997) signaled these vulnerabilities (Bermeo & Pontusson 2012).

## **The Digitalized Knowledge-Based Economy**

With the beginning of the 2000s, a new era, often called the knowledge-based economy, started. The knowledge-based economy relies more on intellectual capabilities than on physical inputs or natural resources and is characterized by a higher pace of technical and scientific advancement (Powell & Snellman 2004). While liberalization and financialization have continued, the rise of the digital economy has become a new engine of growth. This was greatly favored by state investment in digital infrastructures and technologies (Mazzucato 2015). The diffusion of ICT has now given way to a broader restructuring toward the digital economy.

Only a few scholars in comparative political economy have started to address the nature of the digital economy head on (Kenney & Zysman 2016, Thelen 2018, Rahman & Thelen 2019, Culpepper & Thelen 2020, Cioffi et al. 2022). The expectations are that digitalization will lead to the fundamental transformation of national economies. As Breznitz et al. (2011, p. 204) point out, ICT causes the “restructuring of industries, businesses, and institutions in a way similar to the previous major general-purpose technologies, namely steam and electricity.” The digital economy is based on the virtual infrastructure of the internet that is governed by tech companies, which control access points and other internet services. These companies operate infrastructure platforms and jointly build an informational ecosystem or an infrastructural core (Van Dijck et al. 2019, p. 12) on which the vast majority of users’ interactions takes place. Together, these companies and

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**Social investment:**

social policies oriented toward the future in order to create, mobilize, and renew human capabilities

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their platforms create the infrastructure of the internet, and their combination enables the full potential of the digital economy. Modern users and businesses rely on most, or all, of these services in various ways. They are largely interconnected, and interconnectivity and interfaces play a big role in the efficiency of the internet. Infrastructure platforms are multisided (and, in principle, open) markets, which users access to exchange information or services.

The digital economy combines digital tools with the new business models of firms (Rahman & Thelen 2019). Key for the transformation toward a digitalized knowledge-based economy is the ability of core sectors to apply and exploit the potential of lead technologies, such as cloud computing and artificial intelligence. The application and integration of new business models are shaped by existing growth regimes, government regulation, and the availability of research and knowledge of digital tools in specific contexts.

Highly skilled workers are a key resource for further digitalization. As demonstrated by Wren (2013, 2021), demand for highly skilled workers (with college degrees) has increased cross-nationally since the onset of the ICT revolution, especially in dynamic services sectors and in ICT-intensive manufacturing. This trend underscores the importance of supply-side policies aimed at providing these kinds of skills to facilitate growth in the process of digitalization.

Starting in the late 1990s, new ideas coined in terms of social investment, concerning the function and shape of social policy and its role in the new knowledge-based economy, began to emerge (Esping-Andersen et al. 2002, Jenson & Saint-Martin 2003, Perkins et al. 2005, Morel et al. 2012). They stress the productive potential of social policy and thus provide a new economic rationale for social policy provision (Garritzmann et al. 2022). To succeed in the digitalized knowledge-based economy, it is necessary to have a highly skilled and educated workforce. The lack of adequate skills and education is also expected to hamper future economic growth and employment creation, unless the necessary investments are made to foster human capital development (OECD 1996). Social investment policies are aimed at creating, mobilizing, and renewing human skills and capabilities (Morel et al. 2012). They can take different distributive profiles: inclusive, stratified, or targeted social investment (Garritzmann et al. 2022).

While the social investment perspective displays some continuity with the social thinking of neoliberalism, it nonetheless breaks away from the neoliberal paradigm on several key points. Most importantly, social investment proponents have renewed the Keynesian idea that it is possible to reconcile efficiency with equity or growth with social inclusion. Not only are social policy and economic growth seen as mutually reinforcing but social policy is, in fact, seen as a precondition for economic growth (Morel et al. 2012, pp. 10–11).

## **GROWTH REGIMES ACROSS SPACE**

Comparing growth and welfare regimes across countries produces major insights into the potential and limits of different regimes, since they interact with engines of growth differently. Some are more suitable to embrace the opportunities of financialization while others have, over time, specialized in the export of manufacturing goods, or ended up with only low-productivity services. We try to understand which regimes are more likely to benefit from processes of enhanced financialization and digitalization. This analysis highlights how countries cluster in different types and develop their own strategies to deal with the different eras of growth. We illustrate these different types and focus on particular characteristics that turned out to be institutionally sticky and important for the period of post-Fordism, which began in the late 1960s and early 1970s.

### **Varieties of Fordism**

Even during the height of the Fordist growth regime in the 1950s, different countries found different ways to incorporate mass production into their trajectories of welfare regimes and industrial

relations. Even at that time, there was a distinction between growth models led by domestic demand or wages and those led by exports. As stated by Baccaro & Pontusson (2016, p. 184), “the rapid and remarkably stable growth characteristic of the 1950s and the 1960s was made possible by a set of institutional arrangements—in the first instance, collective bargaining and unemployment insurance—that boosted labor’s bargaining power and served to ensure that wage growth kept pace with productivity growth, thus feeding aggregate demand.” However, one should not assume that all countries established the same institutions and, therefore, developed the same growth regime. Both growth and welfare regimes already varied considerably during this period, with different trajectories deepening rather than flattening as time went by. This is why we consider it very important to underline the already existing differences between the Fordist growth regimes in order to understand the variety of trajectories of post-Fordist growth regimes.

The United States, the United Kingdom, and France are clear examples of Fordist wage-led growth regimes (Boyer 1979, Jessop 1989, Aglietta 2000). However, different countries pursued the Fordist modernization of their economies through different models of state intervention. While France focused on reducing the economic inefficiencies caused by competition between its overly small firms, the United Kingdom was concerned about its overall economic decline, and the United States was worried about losing the technological race with the Soviet Union. France and the United Kingdom both pursued a form of state-run economic planning, while the United States focused on investment in higher education, research, and public infrastructure (Hall 2021).

However, some countries already started in the 1950s to orient their growth model toward exports. Germany’s industrial production recovered quickly after World War II, and the economy started to focus on exports in the 1950s (Jessop 1989). The first president of the German Central Bank, Wilhelm Vocke, explained this strategy in a speech in 1951 as follows: “We live off the increase of our exports, and this in turn depends on the low level of our wages and prices” (quoted in Höpner 2019, p. 15). The precondition for this strategy was the fixed exchange rate regime and the long-term wage restraint by trade unions in the manufacturing sector (Höpner 2019). Restrictive monetary policy became a central feature of the German export growth regime, even more so after the oil shock in 1975 (Scharpf 1991). The German government was also highly active in replacing the Bretton Woods regime with a European currency regime (the European Monetary System in 1979 and later the European Monetary Union in 1999), in order to stabilize exports (Hassel 2006, p. 99). Germany did not follow a “traditional” Fordist model of domestic consumption-driven growth, but instead followed an export-oriented growth regime from the beginning. Over time, trade unions and the workforce in the manufacturing sector were compensated for wage restraint through job security and welfare expansion (Palier & Thelen 2010).

Katzenstein (1985) shows that small European countries did not merely rely on domestic demand (and wage increase) to boost economic growth and jobs during the postwar years. Among them, the Nordic countries adopted a specific set of policies and institutions that allowed them to compete in the world market and support growth through exports, but in a way different from the German way. During the 1950s, Sweden built what is known as the Rehn-Meidner model. The specific Rehn-Meidner model aimed at combining price stability, growth, full employment, and equity through active labor-market policies, tight macroeconomic policies, and solidarity wage policies (Erixon 2010, p. 677). The Rehn-Meidner model embraced productivity increases by allowing the less productive enterprises to go bankrupt or to restructure, while it helped the more productive companies to invest more of their profits. This was achieved through the objective of solidaristic wage compression across sectors (in cooperation with trade unions). The less productive companies could not afford to pay wages above their productivity levels, which forced them to shut down or restructure, while the more productive firms kept a higher share of their profits, thus allowing more investment to take place. High taxes were imposed on profits that were

not reinvested, which ensured that investment took place. The extra profits also generated a larger number of new enterprises in the productive sectors (Erixon 2010). The Rehn-Meidner model did not assume that labor mobility would run smoothly between the less and more productive sectors. Therefore, governments focused on active labor-market policies, which have been presented as an element of the broader economic policy in Sweden since the late 1950s (Bonoli 2013, p. 72).

The VoC literature points to the fact that in Germany, as well as in Nordic countries, the role of coordination between economic and social actors is key, and the growth model perspective highlights that they are both export-led regimes. However, we underline the differences between the two models: the engine of growth (economic stability in high-quality manufacturing industry in Germany versus continuous change in economic sectors toward the most dynamic ones in Sweden), the use of training (aimed at protecting and deepening specific skills in Germany versus organizing conversion between sectors in Sweden), and the welfare regime (the main focus being on social insurance, subsidiarity, and the male breadwinner model in Germany versus public social services, which favor equality and the entry of women into the labor market, in the case of Sweden). Titmuss (1974) summarized these differences as two denominations of welfare regimes: “industrial-achievement” for the German type versus “institutional-redistributive” for the Swedish one, the third one being the “residual” welfare regime typical of English-speaking countries. Later, Esping-Andersen (1990) reconceptualized and renamed those welfare regimes “conservative corporatist,” “social-democratic,” and “liberal.”

### **Varieties of Financialization and the Transition to the Knowledge-Based Economy**

Even though financialization is a different process from digitalization, in the general transition to the knowledge-based economy both engines of growth became progressively intertwined. Financialization initially was the strategy of liberal market economies to find alternatives for manufacturing. Over time, financialization spread to the rest of the advanced world and started to feed into digitalization. Hence, in this section, we look at both phenomena together, how they interacted and led to the advent of the knowledge-based economy in different growth and welfare regimes. We identify five main trajectories toward the knowledge-based economy.

Different countries have tackled the issues of financialization and digitalization in different ways. The source for domestic demand has diversified. Demand stimulus to the domestic economy stems from raising household incomes through wages, social benefits, public deficits, or the capacity to access credit (Picot 2021). Some countries have transformed their growth regimes around ICT innovation in combination with financialization. As financial services are a key component of consumption, new financial products stimulate domestic demand.

Domestic-demand regimes can connect well with financialization, which has an expanding effect on the economy through higher consumption due to wealth effects (Boyer 2000). Wealth effects are primarily created by house price inflation (Reisenbichler 2021). But financialization itself, through its capacity to finance start-ups and new economic activities, can also facilitate the development of new, high-end sectors based on ICT that can lead to national consumption as well as to exports (Wren 2021); for example, Uber and Amazon rely on the national consumption of services but are global companies. Domestic demand can thus be fueled by financialization, which, in turn, is driven by the housing market, pension privatization, and low savings rates. The current account deficit also drives financialization, as it attracts foreign financial assets, which, in turn, expand financial services in countries with trade deficits (Baccaro et al. 2022).

However, countries can (also or alternatively) privilege the export of goods or services to maintain high value-added employment by producing for world markets. Exports can thus temporarily

protect the manufacturing industry from deindustrialization (Dauth et al. 2017). But countries can also specialize in high-value-added, high-skill services to boost exports (Wren 2021).

A high share of exports and a current account surplus are often correlated with comparatively lower rates of increase in domestic demand. As a result, we generally see a complementary relationship between countries' trade deficits and surpluses (Iversen & Soskice 2013). Still, financialization has also occurred in some countries with an export-based growth regime. In particular, the Nordic countries and the Netherlands have combined domestic demand policies via financialization with an export strategy (Baccaro & Pontusson 2021, Hassel & Palier 2021, Thelen 2021). However, another possibility for stimulating domestic demand is to rely on public debt that supports wage increases and/or consumption-oriented social benefits, as is typical in Southern Europe and France (Picot 2021).

In sum, within the two broad groups of export and demand-led growth, we can distinguish between different kinds of exports [manufacturing, services, foreign direct investment (FDI)] and different kinds of domestic consumption (financialization, wage increase and public spending) (Table 2).

On the one hand, export-led growth countries, such as the small European economies plus Germany and the Visegrád countries, have specialized in different niches of the export sector. Germany is the country with the largest number of hidden champions (medium-sized firms that are world leading in niche markets), and the Nordic countries have embraced dynamic services and are further advancing the digital economy, while Eastern Europe aims to attract FDI for export markets.

On the other hand, demand-led growth countries come in two main forms: those that embrace financialization and have a major stake in financial services industries (most liberal countries) and those that rely on public spending to prop up demand (Southern Europe). One can add other dimensions to the identification of demand drivers, such as natural resources (in the case of many liberal countries as well as the Netherlands and Norway).

The role of the welfare state differs in different growth regimes. Export-led growth regimes must pay attention to labor costs and are generally less inclined to facilitate wage growth. Export-led growth countries, therefore, have usually had slower wage growth than demand-led growth countries. Wage-bargaining institutions regularly help to keep wage inflation under control. In manufacturing-based countries, this leads to dualism, as core workers can claim higher wages and social protection than those in the service economy (Palier 2010, Palier & Thelen 2010, Hassel 2014). The targeted protection of core workers has, therefore, become a characteristic of export-led growth based on manufacturing goods. The export of dynamic services is focused on the training of ICT workers and investment in ICT. Social investment is, therefore, more of

**Table 2** The five post-Fordist growth regimes and the associated welfare state reform strategies

	Dynamic services, export-led growth regime	High-quality manufacturing, export-led growth regime	FDI-financed, export-led growth regime	Finance-based, domestic demand-led growth regime	Publicly financed, domestic demand-led growth regime
<b>Demand drivers of growth</b>	Export	Export	Export	Domestic consumption	Domestic consumption
<b>Financialization</b>	High	Low	Low	High	Low
<b>Knowledge-based economy</b>	Strong	Medium	Low	Strong	Low
<b>Welfare state reform strategy</b>	Social investment	Dualization of welfare	Fiscal and social attractiveness	Commodification of welfare	Social protectionism

a focal point in countries specializing in the export of dynamic services. In domestic demand-led growth regimes, the welfare state plays a more traditional compensatory role, either for the poorest (in liberal countries) or for the general population (in Southern Europe).

In our edited volume (Hassel & Palier 2021), we identify five groups of countries with distinct transitions to the knowledge-based economy:

- Countries that combine an export focus with strong domestic demand [all Nordic countries (except Denmark during the 2010s), Luxembourg, and the Netherlands]. These countries have shifted from manufacturing to dynamic services as the key driver of growth, benefiting from financialization to feed the growth of ICT-based service sectors.
- Countries that export manufacturing goods and have low growth in domestic demand (Germany, Austria, Belgium, Japan, and South Korea). These countries rely heavily on the competitive position of companies in high-quality manufacturing.
- Countries with increasing shares of exports but negative current accounts and relatively high rates of domestic demand, such as those in Central and Eastern Europe. They are highly dependent on FDI. The Visegrád countries have developed manufacturing industries tied into the value chain of German firms (Nölke & Vliegthart 2009), while the Baltic countries are investing in dynamic services (Avlijaš 2020).
- Countries with high levels of domestic consumption, financialization, and ICT (all the English-speaking liberal market economies - except Ireland during the 2010s). As restructuring is more rapid, and fluctuations more pronounced, these economies experienced deindustrialization earlier, and more deeply, than the coordinated market economies of Northern Europe and shifted more drastically toward a financialized “privatized Keynesianism” (Crouch 2009).
- Countries with a high level of domestic consumption but relatively low level of financialization and ICT (mostly the countries of Southern Europe, including France). This is due to relatively easy access to cheap credit (especially after the introduction of the Euro) and generous “consumption-oriented” social insurances.

So far, we have mapped what various growth and welfare regimes have become during the transition from Fordism to the knowledge-based economy. But we also need to analyze the set of decisions that has made these evolutions possible. For this purpose, we direct attention to governments’ actions and specifically their growth strategies, which rely primarily on welfare state reforms. We outline them in the bottom line of **Table 2** and present them in the following section.

## **THE ROLE OF GOVERNMENTS: SOCIAL, EDUCATION, AND LABOR-MARKET POLICY REFORMS AS GROWTH STRATEGIES**

Governments play a key role in the evolution of growth and welfare regimes. They shape the overall regulatory and policy environment, which incentivizes business and workers to invest in some sectors and not in others. In advanced economies, governments aim to stimulate growth in various ways oriented toward engines of growth. Their policies are shaped by existing institutional arrangements but often consist of reforming existing economic and social institutions. The welfare state offers key instruments to governments, which they employ to shape and pursue what we call their growth strategies. Policy reforms over time reveal the growth strategies governments have taken.

A growth strategy consists of a (relatively coherent) series of decisions and reforms, taken by either governments or producers’ groups (economic and social actors) in order to boost growth and stimulate job creation in a specific nation, and the rationale for these decisions. Governments

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**Growth strategy:**  
set of decisions and reforms to boost economic growth and stimulate job creation

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develop either explicit or implicit growth strategies reflected in a series of economic and social policy decisions. One example of a growth strategy is the “Lisbon Strategy” adopted at the EU level in 2000. It aimed to make Europe’s economy “the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion” (EU European Council 2000), and included many different aspects from investment in research and development to the modernization of social protection systems. Another example is the “Jobs Strategy” developed by the OECD (1994) during the 1990s: The aim was to promote liberalizing labor-market reforms in order to boost job creation. Growth strategies are based on the diagnosis of the problem and its solutions and are specific to national growth and welfare regimes. When adjusting to new contexts, these reforms can, however, contribute to progressively reshaping and transforming existing growth regimes (Hassel & Palier 2021).

Growth strategies entail tax policies, research and development, business policies, economic policies, and welfare reforms. We focus on the latter here to illustrate the link between growth regimes, engines of growth, and strategies. Welfare states have regularly been reformed in the name of job creation and growth. Since the 1990s, especially in Europe, many of the policy reforms implemented by governments mostly concerned the welfare system in a broad sense: changes in wage policies, in labor-market regulation, in employment policies, in educational and training policies, and in social policies. One reason that these labor-market, skill-formation, and social-policy domains are so prominent in the agendas of governments that want to boost growth and create jobs is that these fields remain under the jurisdiction of national governments, while other policy areas have become much more globalized (or subjected to Europeanization, as far as EU members are concerned).

In the last chapter of our collective volume (Avlijaš et al. 2021), we detail the five main types of welfare state reforms to be associated with the five main growth regimes we have identified. We present here their main traits.

## **Dualization of Welfare**

The high-quality, manufacturing-based, export-led growth regime relies on wage moderation and on the protection of labor-market insiders to maintain its international competitiveness. Governments aim to promote the provision of specialized skills through vocational training. The expansion of higher education connects to company-specific skills and is negotiated with the social partners. They focus on job security for their employees. The growth strategy also relies on liberalizing the labor market for outsiders to guarantee cheap services to the manufacturing sector and its workers (Palier & Thelen 2010). It is thus associated with reforms based on the dualization of welfare: protecting medium and specialized skills, labor-market regulation, and wage control, while liberalization and flexibilization are concentrated on the low-skilled services (Palier 2010).

## **Social Investment**

The export of dynamic services growth regime focuses on innovation and investment in higher skills to maintain high quality and develop new products and services. Governments aim to boost the quality and innovation capacity of the business community in order to remain competitive in the knowledge-based economy. They invest in education and the (re)training of the workforce as well as in human capital more generally. A certain degree of labor force flexibility is required to adapt the economy to innovation and change as well as to external competitive pressures. This growth strategy is associated with inclusive social investment and the expansion of higher education to promote economic specialization in innovation, the digital economy, and higher education as drivers of growth (Garrizmann et al. 2022). It requires financialization for promoting



innovation capacity. Universal, citizenship-based social benefits guarantee a flexible but well-protected workforce. Higher skills and productivity feed into higher wages and stimulate domestic demand. Hence, this strategy allows for a balanced economy (Baccaro & Pontusson 2016).

### **Fiscal and Social Attractiveness**

The FDI-financed, export-led growth regime aims to attract foreign investors with low corporate taxes and with specific social and educational policies that prepare the workforce for foreign investment. It relies not only on cost containment but also on protection for skilled workers and some compensation for the main “losers” of the strategy to guarantee social peace. We call this welfare-reform strategy fiscal and social attractiveness, i.e., attracting FDI through low taxes and low labor costs, minimizing the cost of public welfare, either promoting medium skills (to attract manufacturing FDI) or developing higher education (to attract high-tech FDI) (Avlijaš et al. 2021).

### **Commodification of Welfare**

The financialization (finance-based, domestic demand-led) growth regime is related to the privatization and marketization of housing (Reisenbichler 2021) and pensions (Hassel et al. 2019) to fuel the financial services industries. The privatization and marketization of education are also part of the overall financialization of the economy. Education is framed as a private investment, and fee-charging schools and universities are part of an elite education. This leads to very good schools at the top end of education but lower standards in public education. The strategy is associated with the commodification of welfare: access to credit to bolster demand and consumption, as well as privatization of education, health insurance, and pensions to promote financial services as the engine of growth.

### **Social Protectionism**

The publicly supported, domestic demand-led growth regime aims to stabilize employment and growth by keeping domestic demand steady through high minimum wages and social benefits. Education is primarily public, but the quality is relatively low, as skills are not part of the engine of growth. This growth strategy is associated with social protectionism, i.e., maintaining wage levels (minimum wages) and social spending despite deindustrialization to protect domestic aggregate demand, especially via generous pension schemes. This strategy may be turned upside down to create “competitive impoverishment” under external pressure, as has been the case in the Eurozone for Mediterranean countries (Avlijaš et al. 2021). This led these countries to promote tourism as the main source of foreign demand (Bürgisser & Di Carlo 2023).

Policy decisions are embedded in given economic structures and tend to buttress existing patterns of economic or sectoral specialization. However, they can also contribute to the transformation of growth regimes. For instance, financialization that sustains domestic demand can also contribute to the development of ICT-based sectors (Hassel & Palier 2021), which in turn require an investment in higher skills (Wren 2021). Countries can also switch growth regimes by pursuing specific growth strategies. For instance, the Netherlands has moved from being an exporter of manufactured goods to having a highly financialized growth regime by pursuing financial strategies in its housing and pension policies (Thelen 2021).

## **CONCLUSION AND NEXT FRONTIERS**

The comparative study of capitalism has, over the last four decades, led to a rich literature that underlines the fact that the OECD countries represent not one economic model but several different

types, or regimes, that evolve over time. This review article has summarized the key insights of this literature and aimed to provide a synthesis of the most important components. Instead of arguing for or against supply- or demand-side approaches, one of our key claims is that growth regimes consist of both, and the best analysis takes the interaction between both sides into account. They are connected through policies and institutions, the most important of those being the welfare state (labor market, education and social policies). Therefore, we suggest taking growth and welfare regimes as the departure point of analysis. Integrating both a temporal and a spatial dimension to the evolution of growth regimes, we identify engines for growth changing over time (from manufacturing to financialization and digitalization) and diverging paths among the various growth and welfare regimes. We identify typical strategies by which governments try to strengthen and adjust the growth regimes of their countries. We can thereby explain why some countries have moved faster toward the knowledge-based economy while others are falling behind.

Over the last couple of years, we have witnessed how the global expansion of financial markets and goods has reached its limit, and supply chains have become brittle. Some say that digitalization leads to “secular stagnation” due to its incapacity to improve productivity (Summers 2014), while others point to the fact that the weakness of wage increase (and of its supporters) leads to economic stagnation and its associated political tensions (Baccaro et al. 2022). The focus of policy making since the 2008 financial crisis has been on maintaining the stability of the global economic system; both the financial crisis and the COVID-19 pandemic featured increasing rescue packages for industries and workers. The need to stabilize is a consequence of increasing liberalization, which facilitates an overheating of the economy, financial bubbles, and the overexploitation of natural resources and the environment (Blyth & Matthijs 2017).

There are increasing signs that the advanced industrialized world is undergoing yet again a deep transition. Since the financial crisis of 2008, there have been a series of other crises combining climate change, pandemic shocks, and geopolitical tensions. Governments have bailed out big banks, stabilized financial markets, dealt with environmental risks, and protected the incomes of large parts of the population during the lockdowns and the energy crisis. There is little reason to expect that the steady state of increasing globalization and the extensive fossil fuel-based economy will continue as before; it is more likely that climate change, the loss of biodiversity, war in Europe, a fragmented world economy, and new digital business models will further upset existing models of capitalism. The foundations of economic wealth and growth in the West are fundamentally challenged.

Given the mounting challenges to the growth regimes of rich countries, governments will have to step up their efforts to embrace new growth strategies that aim toward balanced growth regimes rather than further specialization. The highly developed literature on comparative capitalism(s) and its recent contributions on growth regimes provide an understanding of how economies are shaped by domestic institutions and adapt over time. It helps to situate economies in comparative settings and to analyze policy responses and their effectiveness in coping with changes. The existing institutional arrangements will partly shape the way growth and welfare regimes will evolve in the future. They will not, however, prevent them from changing, as the past decades have already shown a lot of transformation.

Future research will have to include not only the interdependence of economies through supply chains but also energy mixes and climate vulnerabilities of individual countries to measure policy makers’ room for maneuver. Researchers will have to investigate adaptation to environmental risks and the potential for green growth or even degrowth. Still, the systematic comparison of countries and their individual paths in a global system remains one of the most insightful ways of analyzing capitalist transformations.

## SUMMARY POINTS

1. A growth regime is a mode of governance of the economy, including the institutional, policy, and organizational frameworks that shape the specialization of firms and the consumption and saving patterns of the population as well as the use of technology and work organization.
2. Growth regimes vary across time and space.
3. Growth regimes are based on engines of growth, such as agriculture, manufacturing, services (high/low-value-added services), finance, housing, and knowledge-based activities or ICT, that feed into the demand and supply sides of the economy.
4. Growth regimes are tightly linked to welfare regimes.
5. We identify three eras of growth regimes in the post–World War II era: Fordism, the neoliberal age of financialization, and the digitalized knowledge-based economy.
6. Growth regimes in advanced economies tend to focus on different engines of growth and either on domestic demand–led or export–led growth. We identify five main growth regimes in the advanced capitalist countries: the dynamic services, export–led growth regime; the high-quality manufacturing, export–led growth regime; the FDI–financed, export–led growth regime; the finance–based, domestic demand–led growth regime; and the publicly financed, domestic demand–led growth regime.
7. Governments pursue growth strategies oriented to the engine of growth in order to boost economic growth and stimulate job creation.
8. While they entail tax policies, research and development, and business and industrial policies, growth strategies rely heavily on welfare state reforms that can be characterized as “social investment,” “dualization of welfare,” “fiscal and social attractiveness,” “commodification of welfare,” or “social protectionism.”

## FUTURE ISSUES

1. Future research will have to include the interdependence of economies through supply chains and the role of global firms.
2. How financialization shapes the transition to the knowledge-based economy has not been fully understood and should be further researched.
3. Comparative political economy research should focus more on education, training, and social investment, since they are key preconditions for the digitalized knowledge-based economy.
4. Climate vulnerabilities and different energy mixes of countries should become central to new research agendas.
5. Growth strategies toward adaptation to environmental risks and the potential for green growth or even degrowth should be addressed by comparative political economy research.

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## Errata

An online log of corrections to *Annual Review of Political Science* articles may be found at <http://www.annualreviews.org/errata/polisci>