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Doctoral Thesis

Is Competitiveness a Question of Being Alike?: How the United Kingdom, Germany and Denmark Came to Compete through their Knowledge Regimes from 1993 to 2007

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PhD Series 21.2014

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Is Competitiveness a Question of Being Alike?

How the United Kingdom, Germany and Denmark Came to Compete through their Knowledge Regimes from 1993 to 2007

Martin Møller Boje Rasmussen

Doctoral School of Organisation
and Management Studies

PhD Series 21.2014

Is Competitiveness a Question of Being Alike?

How the United Kingdom, Germany and Denmark
Came to Compete through their
Knowledge Regimes from 1993 to 2007

By

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1. PREFACE

"On a cosmic scale, our life is insignificant,
Yet this brief period when we appear in the world
Is the time in which all meaningful questions arise"
Paul Ricoeur, 1985

In a sense this project began almost a decade ago. In 2005 I as a young graduate philosophy student together with two fellow students initiated a small project called *Thoughts Across* - which for some not entirely clear reason managed to obtain funding from a major Danish Bank. With an immoderate eagerness characteristic of young students in general – and young philosophy students in particular – our self-proclaimed, bold and perhaps immodest ambition was to engender and facilitate a wider interdisciplinary scholarly dialogue between philosophers (of course!), economists, political scientists, sociologists, biologists, theologians and many others to identify "the most important trends of the 21st century". Nothing more, nothing less. Furthermore, we decidedly wanted our participants to abstain from the conventional academic practice of hedging all claims with a battery of caveats, reservations and precautions. In short, what we wanted was a philosophical mode of reasoning attuned to the challenges of our own time – not the past. A dialogue firmly rooted in intra-disciplinary knowledge, but daring enough to move beyond and engage with, as Paul Ricoeur would have it, all the meaningful questions that arise in the brief period when we appear in the world.

On the top of a long list of potential participants we put the name Ove Kaj Pedersen, who we thoroughly believed could satisfy our rather high intellectual expectations, but frankly did not expect to be willing to participate. However,

when I called him, he – with a generosity I should later learn to be one of his hallmarks – immediately and without hesitation accepted. No precautions, no caveats, no payment – just pure reason.

Thoughts Across was a tremendous success – if not exactly in terms of audience or impact – than at least according to our own unrelenting standards. Of course the project did not quite manage to break down disciplinary boundaries for good. But for just one afternoon in the spring they were briefly transcended. Not least thanks to Ove Kaj Pedersen, who in one singular session artfully discussed and connected Axel Honneth's theory of Social Recognition, Samuel P. Huntington's Clash of Civilizations, N.F.S. Grundtvig's writings, Hegel's philosophy of Right and the emerging Competition of Nations - which he by re-phrasing Carl von Clausewitz proposed constituted "a continuation of war with other means." Just the kind of wide-ranging, contemporarily relevant if solidly anchored reasoning the three young philosophers had been yearning for. After thoughts had been crossed, the dust settled and the remaining share of the banks funding not already spend on some remarkably expensive, but utterly ineffective billboard posters had been put to good use as stimulus of aggregate Danish demand, each went their separate ways into the 21st century. And that might just have been the end of it.

However, while *Thoughts Across* did not accomplish very much in itself, on that afternoon I decided I wanted to work with, study under and learn from professor Ove Kaj Pedersen. Even if it meant I had to vacate my intellectual comfort zone, cross zealously guarded disciplinary dividing lines and pursue research within a scientific discipline fairly foreign to the one in which I was originally educated. Hence upon finishing my graduate studies I once again contacted Ove. And once again he immediately accepted to become my supervisor and help me draft an application for a PhD-project in what he called new institutional theory. A theory I qua being trained in philosophy had not heard of before and had to go look up.

In fact, during my PhD-studies I have had the rare and exquisite privilege of being trained by not one but two of the – to my mind - most intelligent, innovative and original men in Denmark. Indeed the very idea for *Thoughts Across* stemmed from my prior employment as student researcher at the Danish think tank and journalistic weekly Monday Morning. Established by editor and CEO Erik Rasmussen quarter of a century ago, the organization to this day remains a journalistic powerhouse, unrivalled as one of Denmark's most dynamic and dedicated political and intellectual incubators. For 25 years Monday Morning have been Danish leaders read and through a distinct form of political-economic – almost guerilla-like - journalism insisted to dig deeper than daily headlines, to connect the dots and to identify common denominators behind the ever-fluttering and frightfully forgetful stream of collective consciousness we call News. The unequivocal, impressive and inspiring result of Erik Rasmussen's remarkable drive, dedication and truly far-sighted leadership.

I first met Erik during the media frenzy of the Danish Cartoon Crisis in 2005 - which he characteristically insisted should not be understood as a risk of a Huntingtonian civilizational cataclysmic clash, but as an opportunity for renewed cross-cultural dialogue and learning. At the time I was but a very young, spiky-haired undergraduate philosophy student and very inspired by some very old (dead) thinkers, who for quite a while had not been making many headlines. Hardly prime material for a hardcore political and economic think tank. However, one afternoon I approached Erik Rasmussen. While waving enthusiastically with a quickly hand-drawn, odd-sized septagram, I suggested – literally - that the Cartoon Crisis could be understood as a clash of - not 7 civilizations - but 7 discursive interpretations of clashes, by which different actor classes and coalitions discursively contest and re-construct the crisis as a particular type of societally antagonistic dichotomous conflict, of which they themselves played an important co-constitutive part, and from which they in turn harvested social power.

...

Monday Mornings seasoned editor-in-chief was not immediately convinced with this not entirely colloquial outcome of my first rudimentary fiddling with discourse-theory. In retrospect one can only wonder why.

Even so, he challenged the young philosopher to go home and re-write the idea so at best everyone else – or just someone else – could understand it. Each of the 7 clashes, 10 lines, not more, not less, my table, tomorrow, at nine. I wrote the entire night, and was quite thrilled and anxious when I half past eight next morning laid three pages on Erik Rasmussen's desk. But he published it.

When I several years later again approached him with the only modestly more sane suggestion, that he ought to fund my PhD scholarship – of which the present dissertation is the tangible outcome - he again seized an opportunity where most others would have shied away from a risk. Once again the results of my labor remains a quickly drawn matrix figure of the different ways nations perhaps – perhaps not – can become and remain competitive in our contemporary epoch of globalization. (But to be sure, this time around the figure was not hatched overnight.)

Turning risks into opportunities, is not just a slogan at Monday Morning. It is Erik Rasmussen's ingrained inspiring, enticing and highly contagious mode of seeing the world. My time at Monday Morning was and is a profound and professional character defining experience. I am beyond words Erik Rasmussen deeply grateful for seeing an opportunity where most others would see a spiky-haired philosophy student. Thank you.

Similarly words come short, when I am to express my deep gratitude to professor Ove Kaj Pedersen. He has been nothing short of the perfect supervisor, a tremendous intellectual and personal inspiration, a good colleague and friend. Throughout the preceding four and a half years he has time and time again

challenged and pushed me to the painful – but immensely rewarding outskirts - of my intellectual comfort zone, through which I have learned more, than I thought possible. With a distinctly philosophical tenor he has incessantly insisted upon always reconsidering - not only others - but first and foremost ones own idiosyncrasies, preconceived notions, theories and ideas. Apparently, there is always another structure, layer or elephant beneath. As such he has thoroughly confirmed my long held suspicions that in the 21st century, philosophy – or at least all the meaningful questions – are being addressed beyond the ivory towers of Anglo-Saxon Analytical philosophy departments.

Simultaneously he has remained a rock-solid sentinel standing guard to protect - and if needed constrain – his PhD-student from letting an overambitious self destroy those things, that cannot be easily put together again. Through the entire excruciating exercise Ove has as supervisor not only more than fulfilled his academic responsibilities, but taken care of the whole person behind. What I am afterwards most grateful for is not the times when Ove asked me to put in a little more effort in the pursuit of a particular promising. It is all those times, when he told me to go home and take care of my family. Ove Kaj Pedersen is truly one of the few remaining Danish intellectuals – and Sartre's sense. And he is a good man. It has been the biggest privilege of my professional life to be supervised by him. I only hope that with this dissertation, for once, you have not been served soup again. Thank you.

Even after three and a half year of studies, I am still not sure whether the idea that nations compete is the *most* important trend in the 21st century, the *most* meaningful question of our time or whether competitiveness in the end is a question of being alike – or different.

I am, however, fairly convinced that the competition of nations is not the least important trend. And it has been tremendously exciting to study this highly

pertinent question. The Department of Business and Politics, Copenhagen Business School has provided a congenial, stimulating and supportive environment in which to undertake this kind of research. (I confess – It is me who have held your coffee cups hostage and ruthlessly cannibalized the fruit scheme.) Moreover, not least due to Ove Kaj Pedersen strong encouragement I was – through the generous support of Augustinus Fonden, Tranes Fond and Knud Højgaards Fond - in the spring Term of 2013 endowed with the fantastic intellectual opportunity to becoming a visiting scholar at the Minda de Gunzburg Center of European Studies, Harvard University. Here I met with some of the perhaps most intelligent and inspiring people on the planet, and it is an experience that my family and me will never forget.

Throughout I have received invaluable feedback, highly perceptive comments and constructive criticism from some of the most generous and gifted scholars. Besides my supervisor they include Edward Ashbee, Suzanne Berger, Susana Borras, Robert Boyer, Eva Boxenbaum, John L. Campbell, Frank Dobbin, Peter Hall, Magnus Paulsen Hansen, Lasse Folke Henriksen, Torben Iversen, Janine Leschke, Kasper Lindskow, Anker Brink Lund, Lita Lundquist, Cathie Jo Martin, Jens Ladefoged Mortensen, Peter Andreas Norn, Lene Holm Pedersen, Ben Rosamond, Vivien Schmidt, Christiane Schultze, Kathleen Thelen and Grahame Thompson, who all in various ways have helped me sharpen and refine the arguments to be presented below. Thank you.

* * *

Finally, I wish to express my deepest gratitude to my family and friends for enduring encouragement, love and support – even in times when I have been completely absent-minded or just a plain social menace.

My parents, Hanne Boje Rasmussen and Jens Møller Rasmussen, for always having encouraged, trusted and supported me to pursue whatever course of life I have chosen, regardless of how crazy or depleted of prospects it might have seen from the outset. Moreover for having endowed me with so much self-confidence – perhaps even *too* much – that I have always believed myself completely capable of choosing the risky, more difficult and painstaking but highly rewarding pathways forward. For sure, writing this dissertation would probably have been far *less* painful to write had I *not* had the confidence. But it would also – presumably – been of a lower quality, and most certainly far less bold and ambitious. I owe you so incredibly much. Thank you.

My two daughters Maj Djørup Rasmussen, who with her arrival in 2009 provided with me with a strong motive for seizing the opportunity to gain a PhD degree and Augusta Djørup Rasmussen, who in 2013 arrived in the midst of things and thus provided an equally strong incentive to finish the dissertation. Finally, the best mother the girls could ever wish for, Stine Djørup have in between and throughout continuously surpassed herself in her devoted effort to keep the pieces of our family's little jigsaw puzzle together. You are - above all in the world, to the end of time - my three answers to the most meaningful question there is. Thank you.

It goes without saying, that this dissertation is dedicated to you. Even if some of you would rather want a teddy bear. (Which your father of course will go buy for you straightaway.)

2. SUMMARIES

2.1 English Summary

The present PhD-dissertation " *"Is Competitiveness a Question of Being Alike? How United Kingdom, Germany and Denmark came to compete through their Knowledge Regimes from 1993 to 2007*" studies the ideas which policy research organizations such as ministries of economics, economic councils and different types of think tanks – or what Campbell and Pedersen recently have defined as a nations knowledge regime – holds about the international competition of nations and what a nations competitiveness consists in, as well as whether and how these ideas co-varies with different national knowledge regimes particular form and organization. The primary argument and research result is, that even if the ideas, which policy research organizations in United Kingdom, Germany and Denmark in the period from 1993 to 2007 holds, in many ways are similar, they nonetheless exhibit nationally distinct features and differences. In short, the PhD-dissertation demonstrates, that not only does the organization of knowledge regimes vary. So do the ideas they produce.

In the first chapter of the dissertation its overall problem and research question, structure, methodological and theoretical constraints as well as research results and conclusions are introduced. In the second chapter (Background) it is presented and discussed how the idea of a competition of nations gradually have gained ground among academics, governments and international organizations, which all in recent decades have begun to speak and act *as if* nations compete – regardless of whether they actually can be said to do so or not. It is however emphasized, that the idea of international competition neither is new nor uncritically embraced by everyone. Next it is shown, that even within the broad literature on competitiveness, there is many ways to define the concept – and three typologies

are reviewed, which in different ways distinguish between forms of competitiveness. Against the backdrop of this review a range of apparent immediate similarities and commonalities are extracted.

In the third chapter of the dissertation (Theoretical Background) the theoretical development within the social-scientific discipline of comparative political economy is presented and discussed. It is argued, that also this discipline – if however implicitly and in a more sophisticated theoretical vocabulary – have been concerned with the question of whether competitiveness of nation essentially is a question of being alike or different. That is, whether there basically exist one or more different ways, for a nation to become and remain competitive in an age with increasing globalization and international competition.

Moreover it is argued, that the theoretical development within the discipline can be understood as having transpired through four different stages, where each new stage have had a critical relationship with the preceding stage. A first stage – termed neo-liberal convergence theory – has claimed, that all political economies as a consequence of globalization have converged or are in the process of converging upon the same, neo-liberal politico-economic model. In contrast, a second stage – in the dissertation termed *systemic institutionalism* – have claimed, that different forms of national politico-economic models can remain stable and competitive, in spite of growing external pressures. In the third stage – termed *dynamic institutionalism* – it is again in response conversely claimed, that political economies are less stable than assumed by systemic institutionalism, and that they in fact undergo gradual, incremental change, by which they converge at a slower pace. Finally, a relatively recent and fourth new stage – in the dissertation coined *teleonomic institutionalism* – challenged the third, with the argument, that it might be the case that political economies undergo gradual and institutional incremental change. But it does not necessarily mean that they also converge. Rather this stage

of theory development suggest, that all political economies change as a consequence of increasing globalization and competition, but that this change takes place along diverging trajectories and towards different outcomes (telos).

The fourth chapter (Theory) presents and discuss that sub-branch of comparative political economy –termed *cultural* political economy – which claims that scholars on a par with socio-economic institutions themselves also ought to examine and study the *ideas*, which political and economic actors hold about the political economy in which they are situated and act, since increased theoretical attention to this aspect potentially might contribute to explanations of how and why socio-economic institutions remain stable or change. It is further emphasized, that the sub-branch itself suffers from a set of shortcomings, which ought to be addressed, before it fully can contribute to the theoretical development within comparative political economy. Especially it is emphasized, that scholars within cultural political economy, first, must do a better job of defining and specify, what they understand by an idea; secondly, grant more theoretical attention to the bearers of ideas – such as e.g. ministries of economics, economic councils and think tanks; and thirdly develop and apply stronger, more transparent and reproducible methodologies by which they can study ideas.

Subsequently a group of the literatures theoretical typologies of ideas are reviewed and compared, and it is observed that the literature a.o. Distinguish between more general and more particular ideas, of which the former posses a potential capacity to constrain the set of particular ideas, which political actors finds appropriate, relevant or expedient. But it is maintained that cultural political economy still miss a sufficient method, by which it might approach and study more general ideas. Next, it is argued, that Campbell and Pedersen with their recent study of different national knowledge-regimes, significantly have expanded the available scholarly knowledge on the carriers and bearers of ideas. But it is maintained, that even if

Campbell and Pedersen has demonstrated national variation in the ways in which national knowledge regimes are organized, and important task remains vis-a-vis demonstrating, that also the ideas produced by policy research organizations situated in different knowledge regimes varies.

Against the backdrop of the preceding theoretical discussion, the dissertation therefore continues in its fifth chapter (Analytical Framework) by presenting and defining the central analytical categories – discourse, narrative and commensuration – which it claims address a range of cultural political economy's shortcomings, and on the basis of which the dissertation endeavours to conduct a discourse analysis of whether and how ideas vary in different national knowledge regimes. It is simultaneously discussed what methodological and theoretical constraints a discourse-theoretical approach to the study of ideas implies, just as it is pointed out what epistemological status discourse-theoretical claims and propositions necessarily must have.

In the sixth chapter (Methodology) the dissertation proposes a method, by which these analytical categories are sought investigated empirically. A three-level research design is established distinguishing between different types of national knowledge regimes, different types of policy research organizations, as well as different types of policy publications. On the first level the knowledge regimes of United Kingdom, Germany and Denmark are sampled. From each of these – at the second level – four different types of policy research organizations are sampled: Ministries of Economics, Economic Councils and two different types of think tanks (referred to as scholarly and advocacy tanks). From each of these policy research organizations three different types of policy publications are sampled: Annual Economic Reports, Commission Reports and White Papers, and Competitiveness indexes. In sum the dataset consists of more than 10.000 pages of policy publications, published by 12 different organizations in three different

nations in the period from 1993 to 2007. Finally the coding scheme as well as the coding procedure by which the dataset have been subjected to analysis is specified.

In the seventh, eighth and ninth chapter of the dissertation the particular discourse analysis of the ideas in the three different knowledge regimes, and in the tenth chapter of the dissertation (Summary of Analysis) the results of three individual analyses are compared and summarized. A range of national similarities is observed such as e.g. in the way policy research organizations periodize the international competition of nations; the metrics by which they establish and estimate competitiveness as an object; the roles and responsibilities for increasing competitiveness they ascribe to the state as well as other societal actors vis-a-vis the market; the outcomes by which competitiveness is perceived to be revealed as well as the aspects of a political economy which is deemed to constitute a source of competitiveness. But a range of differences is also pointed out. First, there are national differences as to whether policy research organizations emphasize productivity, employment, labour supply or working hours as primary source of increased growth potential and competitiveness. Secondly, different national views are expressed with regards to whether policy measures to enhance social protection, inclusion, cohesion and equality and/or environmental sustainability improve or impede national competitiveness.

Upon this foundation the eleventh chapter of the dissertation (Discussion and Implications) propose its contributions to the existing literature on knowledge regimes, commensuration and cultural political economy respectively, and further discuss the potential implications of the dissertations research results. Furthermore, the chapter address tentatively how future researchers within comparative political economy potentially might address the question of how ideas assert an influence upon processes of institutional stability and change. And

finally the analysed ideas are compared with the theories and assumptions predominant within systemic, dynamic and teleonomic institutionalism so as to probe their relative fit or correspondence. On this background it is claimed, first, that it has been difficult to reconcile the results of the dissertation with the theoretical claim, that all political economic ideas in recent decades best can be described as neo-liberal, as it is claimed that the dissertation have found and demonstrated the presence of indeed significant non-neo-liberal elements in the ideas held by policy research organizations situated in both United Kingdom, Germany and Denmark. Secondly, the dissertation argue that both systemic, dynamic and teleonomic intstitutionalists with advantage could squint more to ideas, when they develop the theoretical models by which they wish to study political economies, and especially grant the choice of particular theoretical *explanans* and *explanandum* more attention.

In the twelfth and final chapter (Conclusion) the research results and central conclusions are briefly summarized.

2.2 Danish Summary

Nærværende PhD-afhandling *"Is Competitiveness a Question of Being Alike?: How United Kingdom, Germany and Denmark came to compete through their Knowledge Regimes from 1993 to 2007*" undersøger hvilke ideer videns-producerende organisationer som Økonomiministerier, Økonomiske Råd og forskellige former for tænketanke – hvad John Campbell og Ove K. Pedersen samlende har betegnet som viden-regimer ("Knowledge Regimes") – har om nationers indbyrdes internationale konkurrence og hvori en nations konkurrenceevne består, samt hvorvidt og på hvilken måde disse ideer ko-varierer med forskellige nationale viden-regimers særlige udformning og egenart. PhD-afhandlingens primære argument og forskningsresultat er, at selvom de ideer som videns-producerende organisationer i henholdsvis Storbritannien, Tyskland og Danmark i perioden fra 1993 til 2007 giver udtryk for, på mange måder ligner hinanden, udviser de alligevel nationalt specifikke træk og forskelligheder. Kort sagt, PhD-afhandlingen påviser, at ikke kun organisationen af nationale videns regimer varierer. Det gør de ideer de producerer også.

I afhandlingens første kapitel introduceres afhandlingens overordnede problemstilling, struktur, metodiske og teoretiske begrænsninger samt forskningsresultater og konklusion. I det andet kapitel (Baggrund) præsenteres og diskuteres hvordan ideen om nationers konkurrence gradvist har vundet større indpas blandt foskere, regeringer og internationale organisationer, der alle i de senere årtier er begyndt at tale og agere *som om* nationer konkurrerer – uanset om de faktisk kan siges at konkurrere eller ej. Det pointeres dog, at ideen om nationers konkurrence hverken er ny eller ukritisk accepteret af alle. Herefter påvises det at selv inden for forskningen i konkurrenceevne, er der mange måder at forstå begrebet på – og der gennemgås tre typologier, der på forskellig vis sondrer imellem former for konkurrenceevne. På baggrund af disse typologier uddrages en

række tilsyneladende umiddelbare fællestræk og ligheder blandt de forskellige forståelser af konkurrenceevne.

I afhandlingens tredje kapitel (Teoretisk Baggrund) præsenteres og diskuteres den teoretiske udvikling indenfor disciplinen komparativ politisk økonomi. Der argumenteres for at denne disciplin på lige fod - omend implicit og på en mere sofistikeret måde - har beskæftiget sig med spørgsmålet om hvorvidt konkurrenceevne for nationer grundlæggende er et spørgsmål om at blive ens eller at blive forskellig – dvs. om der grundlæggende eksisterer en eller flere forskellige måder for at land at blive og forblive konkurrencedygtig i en tid med tiltagende globalisering og international konkurrence.

Det hævdes endvidere, at teori-udviklingen indenfor disciplinen kan forstås som havende gennemgået fire forskellige faser, hvor hver ny fase har forholdt sig kritisk til den forudgående. En første fase – betegnet neo-liberal konvergens teori - har hævdet at alle verdens politiske økonomier som konsekvens af globaliseringen, har eller vil konvergere på den samme, neo-liberale politisk-økonomiske model. Som modsvar hertil, har en anden fase – i afhandlingen betegnet *systemisk institutionalisme* – hævdet, at forskellige former for nationale politisk-økonomiske modeller kan forblive stabile og konkurrencedygtige, til trods for voksende eksterne globale pres. I tredje fase – betegnet *dynamisk institutionalisme* – påstås det i modsætning hertil, at politiske økonomier er mindre stabile end hævdet af fortalere for systemisk institutionalisme, og at politiske økonomier faktisk undergår en gradvis, inkrementel forandring hvorved de i et lavere tempo konvergerer. Endelig har en forholdsvis ny, fjerde fase – i afhandlingen betegnet *teleonomisk* institutionalisme – udfordret tredje fase, med det argument, at nok forandrer politiske økonomier sig gradvist og inkrementelt. Men det betyder ikke nødvendigvis at de også konvergerer. Snarere hævder denne fase af teori-udvikling at alle politiske økonomier undergår forandring som

konsekvens af tiltagende globalisering og konkurrence, men at denne forandring foregår i forskellige retninger og imod forskellige mål (telos).

I afhandlingens fjerde kapitel (Teori) præsenteres og diskuteres den del-disciplin af komparativ politisk økonomi – i afhandlingen kaldet *kulturel* politisk økonomi - der hævder at forskere på lige fod med de socioøkonomiske institutioner selv også bør undersøge og studere de *ideer* som politiske og økonomiske aktører har om den politiske økonomi i hvilket de er situeret og agerer, idet øget teoretisk opmærksomhed omkring dette aspekt potentielt kan bidrage til at forklare hvordan og hvorfor socioøkonomiske institutioner forblive stabile eller forandrer sig. Det påpeges dog endvidere, at denne del-disciplin selv lider af en række teoretiske utilstrækkeligheder og mangler, der først bør adresseres, førend del-disciplinen til fulde kan bidrage til den teoretiske udvikling indenfor komparativ politisk økonomi. Særligt understreges det at forskere inden for kulturel politisk økonomi, for det første, skal blive bedre i stand til klart at definere og specificere, hvad de forstår ved en ide; for det andet skal skænke bærerne af ideer – såsom økonomiministerier, økonomiske råd og tænketanke – større teoretisk opmærksomhed; samt for det tredje udvikle og applicere stærkere, mere transparente og reproducerebare metodologier ved hvilke de kan studere ideer.

Efterfølgende gennemgås og sammenlignes en række af litteraturens teoretiske typologier for forskellige former for ideer, og det observeres at der inden for litteraturen bl.a. sondres imellem mere generelle og mere partikulære ideer, hvoraf de første besidder potential kapacitet til at begrænse det sæt af partikulære ideer, som politiske aktører finder passende, relevante eller formålstjenestelige. Men det fastholdes, at kulturel politisk økonomi stadig ikke har udviklet en tilstrækkelig metode, ved hvilken den kan studere mere generelle ideer. Dernæst, argumenteres der for, at Campbell og Pedersen med deres seneste studie af forskellige nationale viden-regimer, markant har forøget den tilgængelige viden om bærere af ideer.

Men det fastholdes, at til trods for at Campbell og Pedersen har påvist en national variation i den måde viden-regimer er organiseret på, udestår der stadig in vigtig opgave i forhold til at demonstrere, at også de ideer som forskellige former for viden-producerende organisationer situeret i disse viden-regimer producerer varierer.

På baggrund af den teoretiske diskussion, fortsætter afhandlingen derfor i sit femte kapitel (Analytisk Rammeværk) med at præsentere og definere de centrale analytiske kategorier – diskurs, narrativ og kommensuration - som det hævdes adresserer en række af de utilstrækkeligheder som kulturel politisk økonomi rummer, og på baggrund af hvilke afhandlingen tilstræber at gennemføre en diskursanalyse af hvorvidt og hvordan ideer varierer i forskellige nationale viden-regimer. Det diskuteres samtidig hvilke metodiske og teoretiske begrænsninger en diskursteoretisk tilgang til studiet af ideer indebærer, ligesom det påpeges hvilken epistemologisk status diskurs-teoretiske udsagn og propositioner nødvendigvis må have.

I afhandlingens sjette kapitel (Metodologi) fremsættes en metode, ved hvilket disse analytiske kategorier søges undersøgt empirisk. Der etableres et tre-lags forskningsdesign der sondrer imellem forskellige typer af nationale viden-regimer, forskellige typer af viden-producerende organisationer samt forskellige typer af policy publikationer. På første niveau inddrages videns-regimerne i Storbritannien, Tyskland og Danmark. Fra hver af disse – på andet niveau – inddrages fire forskellige typer af videns-producerende organisationer: økonomiministerier, økonomiske råd, samt to forskellige typer af tænketanke. Fra hver af disse organisationer inddrages 3 typer af publikationer: Økonomiske Årsrapporter, Kommissionsrapporter og hvid papirer samt konkurrenceevne indekser. Samlet dækker datasættet mere end 10.000 siders policy publikationer, publiceret af 12 forskellige organisationer i 3 forskellige lande i perioden fra 1993 til 2007.

Endelig specificeres det kodeskema samt den kodnings-procedure ved hvilket data-sættet er blevet underkastet analyse.

I afhandlingens syvende, ottende og niende kapitel gennemføres den egentlige diskursanalyse af ideerne i de tre forskellige videns regimer, og i afhandlingens tiende kapitel (Sammenfatning af Analyse) sammenlignes og sammenfattes resultaterne af de tre enkeltstående analyser. Der observeres en række ligheder landene imellem f.eks. i den måde hvorpå de periodiserer den internationale konkurrence imellem nationer; de metrikker ved hvilke de etablerer og estimerer konkurrenceevne som objekt; de roller og ansvar for at fremme konkurrenceevne de tilskriver stat såvel som andre aktører i forhold til markedet; i de målestokke ved hvilke konkurrenceevne måles; og i forhold til hvilke aspekter af en politisk økonomi som hævdes at udgøre kilder til konkurrenceevne. Men der påpeges også en række forskelle. For det første, er der nationale forskelle på hvorvidt videns-producerende organisationer fremhæver produktivitet, beskæftigelse, arbejdsudbud eller antal arbejdstimer som primær kilde til at øge vækstpotentialet og konkurrenceevnen i en politisk økonomi. For det andet, er der forskellige national syn på hvorvidt politiske tiltag til at øge social beskyttelse, inklusion, sammenhængskraft og lighed og/eller miljømæssige bæredygtighed bidrager eller reducerer et lands konkurrenceevne.

På den baggrund fremsætter afhandlingens ellevte kapitel (Diskussion og Implikationer) de bidrag afhandlingen har gjort til den eksisterende litteratur om henholdsvis viden-regimer, kommensuration og kulturel politisk økonomi, og diskuterer de implikationer afhandlingens resultater potentielt kan have for disse foretagender. Endvidere adresserer kapitlet tentativt hvordan fremtidige forskere i kulturel politisk økonomi potentielt kan adressere spørgsmålet om hvordan ideer udøver indflydelse på institutionelle stabiliserings- og forandringsprocesser. Og endeligt sammenholdes og sammenlignes de analyserede ideer med de teorier og

antagelser der er fremherskende indenfor henholdsvis systemisk, dynamisk og teleonomisk institutionalisme. På baggrund af den sammenligning hævdes det, for det første, at det synes svært at forene afhandlingens resultater med den teoretiske påstand, at alle politisk økonomiske ideer de seneste årtier bedst kan beskrives som neo-liberale, idet det hævdes at afhandlingen har påvist endog betydelige non-neo-liberale elementer i de ideer de videns-producerende organisationer i både Storbritannien, Tyskland og Danmark har fremført. For det andet, hævder afhandlingen at både systemiske, dynamiske og teleonomiske institutionalister med fordel kunne skele mere til ideer, når de udarbejder de teoretiske modeller ved hvilke de ønsker at studere politiske økonomier, og særligt give valget af teoretisk *explanans* og *explanandum* større teoretisk bevågenhed.

I afhandlingens tolvte og sidste kapitel (Konklusion) sammenfattes afhandlingens forskningsresultater og centrale konklusioner.

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4. INTRODUCTION

"On résiste à l'invasion des armées,
On ne résiste pas à l'invasion des idées."
- Viktor Hugo, Histoire d'un crime, 1877

"What is the most resilient parasite?
Bacteria? A virus? An intestinal worm?
An idea. Resilient. Highly contagious.
Once an idea has taken hold of the brain it's almost impossible to eradicate.
An idea that is fully formed – fully understood – that sticks."
- Cobb, Inception, 2010

Nations compete.[1] This seemingly simple idea has recently reemerged as one of the most resilient and highly contagious notions of our age. Indeed, the idea that nations compete has taken hold of the brains of many public pundits and policymakers. Newspaper editors and directors of think tanks, business managers and union leaders, politicians and other practical men, who believe themselves to be quite exempt from any intellectual influence, have apparently distilled the very same idea from the very same academic scribbler. At least since the publication of Michael Porter's *The Competitive Advantage of Nations* in 1990, the idea has proven almost impossible to eradicate within contemporary political-economic discourse.[2]

That the idea of international competition between nations is so deeply entrenched in contemporary political-economic discourse is all the more surprising because it

[1] Pedersen 2011
[2] See p. 57 below

is exactly that: an idea. It is one belief or perception of what the world is like but perhaps not the most accurate one. Nobel laureate Paul Krugman immediately and vociferously derided the idea as a "dangerous obsession" and the product of faulty economic reasoning. To him, the idea was wrong because any allegedly outcompeted nation would not disappear from the surface of the earth in the way a firm put out of business would disappear from the market, and it was dangerous because it might ensnare politicians with the mercantilist notion that international trade is a zero-sum game where someone wins and others lose.[3]

Even so the idea sticks. As of today, policymakers in advanced political economies all speak and act *as if* nations compete with one another[4] regardless of whether they in fact do so and regardless of the potential societal, political and moral consequences of speaking and acting *as if* they do. Indeed, those who have the ostensibly dangerous obsession with competitiveness have increasingly been criticized for neglecting the potential unintended consequences of an overly one-eyed pursuit of it at the expense of a nation's wider societal and democratic responsibilities. For instance, in line with many great sociologists of Modernity who have observed that the *gesellschaft* gradually hollows out the very societal underpinnings of the *gemeinschaft* upon which it rests.[5] Wolfgang Streeck has recently argued that any contemporary democratic, capitalist state is torn between satisfying two essentially irreconcilable principles of resource allocation—the principle of marginal productivity by which resources are distributed according to merit in the market, and the principle of social entitlement by which resources are distributed according to political rights—and that any such state, given the

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[3] See p. 60 below.
[4] Pedersen 2010.
[5] Weber 1921, Tönnies 1887, Habermas 1981 Polanyi 1944, Scott 1985

perceived inexorable imperatives of globalization, prioritizes the former at the expense of the latter.[6]

Indifferent to or just oblivious of such criticism, nations keep calm and carry on competing. But how do nations compete? Or more accurately, how do the actors situated within a nation think it competes? And do they perceive competitiveness to be necessarily at odds with wider societal requirements such as providing a decent level of social protection? Indeed, it is remarkable how persistent and resilient this worldview is. Once one begins to scratch the surface of this highly contested idea, one becomes surprised by just how differently different actors understand the concept.

In fact, while virtually everyone today accepts that nations compete, just as few agree as to what the competitiveness of a nation entails.[7] Where some argue that it

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[6] Streeck 2011. In fact, Wolfgang Streeck's argument is a little more sophisticated than that. According to him, the fundamentally irreconcilable conflict between marginal utility and social entitlements is only ever artificially and temporarily resolved. The inherent incommensurability of the demands of the market and the demands of society is continuously glossed over by different societal actors who take turns to assume responsibility for fueling growth by taking on increasing amounts of debt. Thus first the Keynesian state of the Golden Age of capitalism fueled growth by deficit spending but inflated away the resulting debt through expansive monetary policies. However, when this opportunity was reined in by the insistence on stable inflation and independent central banks adopting an assertive ascending monetarism, the state resorted to a fiscal policy to stimulate growth through accumulating budget deficits. However, deprived of access to a printing press, worries of states' ability to repay mounting piles of sovereign debt emerged and sent interest rates skyrocketing. Thus, also public spending had to be curbed lest the state by caught in a downward death spiral of accumulating debt and interest. Someone else – the private sector – had to take the wheel. As first firms took the lead and incurred massive amounts of debt, apparently under impression that immense profits could be earned from investments in the promising New Economy. But with the bursting of the Dotcom-bubble in the late 1990s, the appetite for debt of firms was suddenly satiated. Instead households came to the fore and picked up the debt baton. Through innovative, new financial vehicles such as subprime mortgage lending, the former state privilege of spending beyond your means became democratized and available to every citizen who could produce a paycheck. Hence, four decades on the wonderfully ironic outcome of Thatcherism, which held that the Keynesian deficit-spending state should be managed more like a household, was that households had to be run more like Keynesian deficit-spending states. (So much for the frugal virtues of Margaret Thatcher.)

consists of a nation's ability to export, others argue that it consists of the ability to increase economic growth. Where some argue that competitiveness consists of the ability of a nation to attract foreign direct investments, others believe that competitiveness depends on the ability to adapt the economy to changing international demands and new technology. Where some believe that comparative wage, price and tax levels essentially determine competitiveness, others contend that the ability to produce high-quality, knowledge-intensive goods and services is crucial for a nation's competitiveness. For some innovation is highly important; for others, it is superfluous. And so on ad infinitum. The various concepts of competitiveness at times seem so disparate that one is left wondering whether all competitors participate in the same league or game. In light of the high stakes—the very livelihood of a nation's population—it is curious that there as of yet one commonly accepted—publicly and scientifically agreed on—definition of competitiveness does not exist.

And then again perhaps it is not that curious after all. If competitiveness, as held by Streeck, is the implicit evaluative yardstick of political-economic and societal merit by which resources, power and privileges are apportioned in contemporary democratic, capitalist political economies, then one should perhaps not be entirely flabbergasted that the idea is shrouded in a fair share of political contestation, controversy and conflict.

* * *

Within the social-scientific discipline of comparative political economy, the question of competitiveness has likewise been pivotal, even if it has been posed

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[7] See p. 65 below.

using a slightly different and more sophisticated theoretical vocabulary. For decades, a central theoretical controversy within comparative political economy has been whether only one or several ways exist for a nation to become and remain competitive in an age of increasing globalization. In short, is competitiveness essentially about being different or being alike? In particular, scholars have addressed whether all advanced political economies are converging upon the same (ostensibly neoliberal) socioeconomic model and, if they are, the pace at which the convergence is taking place. Accordingly the scholarly pendulum has oscillated back and forth between different theoretical positions emphasizing, variously, convergence and divergence through a host of intermediate theoretical discussions and battles.[8]

First, a group of scholars in the early 1990s argued deterministically that globalization would force the governments of all advanced political economies to willfully or reluctantly adopt a similar set of policies—cut personal and corporate taxes; privatize former public enterprise and infrastructure; deregulate capital, product and labor markets; disempower labor unions; and retrench the state—and thus facilitate convergence on a distinctly neoliberal model.[9] Second, a body of scholarship, which for the purposes of the present study will be termed *systemic institutionalism*, directly contested such claims and suggested that different national institutional systems would prove equally viable and stable despite the external pressures of globalization since these provided firms with different comparative institutional advantages. And thus, scholars adopting a systemic institutionalist approach maintained that national political economies would continue to diverge.[10]

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[8] See p. 79 below.
[9] See p. 81 below.
[10] See p. 85 below

Third and more recently, other scholars have begun to contest and challenge systemic institutionalism for providing an overly static and syncopated account of institutional stability and change within contemporary political economies. Their approach, termed *dynamic institutionalism*, posits that despite apparent institutional stability, political economies nevertheless undergo piecemeal, gradual change through a host of small incremental shifts, moderations and alterations, miniscule changes which in isolation seem inconsequential but in aggregate have the capacity to change institutions profoundly. Hence dynamic institutionalism suggests that the advanced political economies of the world nonetheless are converging as a response to globalization, albeit at a slower pace than initially envisioned.[11]

Finally, and most recently, an emerging body of scholarship has contested dynamic institutionalism. Not for its demonstration of incremental institutional change but for its more or less explicit assumption of equifinal institutional change. While contributors to this school of thought accept that political economies in recent decades *have* been in flux, they nonetheless reject that this facilitates convergence. Instead, they argue that political economies evolve, develop and change along different trajectories towards different end-states or telos. Hence the latter wave of research is termed *teleonomic institutionalism*.[12]

Just as the concept of competitiveness is highly contested in public political-economic discourse, so the heated scientific debate continues regarding whether systemic, dynamic or teleonomic institutionalism constitutes the most appropriate theoretical framework for studying contemporary political economies.

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[11] See p. 87 below
[12] See p. 91 below.

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Tangentially to this core exchange, a theoretical discussion has addressed whether comparative political economists—besides studying the institutions of advanced political economies themselves—ought to seriously consider granting analytical attention to the ideas actors situated within such political economies hold *regarding* these political economies.[13] In short, whether ideas matter has likewise remained a widely discussed and contested topic. The question is whether the manifold ways in which social actors make sense of the political economy in which they are embedded should be included in the explanatory toolbox of comparative political economy or merely considered an epiphenomenal byproduct essentially reducible to, in some sense, a real, concrete socioeconomic materiality. That this at all is a matter of dispute is perhaps surprising in as much as the main progenitors of systemic, dynamic and teleonomic institutionalism implicitly assume a role for ideas in their theoretical elaborations of what an institution is.[14]

However, perhaps these approaches are not entirely to blame for not having fully appreciated the theoretical value ideas. Indeed the branch of comparative political economy which believes ideas matter—referred to as *cultural political economy*—suffers from several theoretical and methodological shortcomings, which easily explains why core comparative political economists do not grant it much attention. John Campbell has argued that scholars of ideas must do a far better job, first of providing conceptually clear and rigorous definitions of what an idea is, second of specifying more carefully who the actors are which produce and ostensibly bring ideas to bear on institutions, and third of developing and employing sufficiently transparent, reproducible and reliable methodologies for such research, if they are

[13] See p. 95 below.
[14] See p. 97 below.

to be taken seriously within the mainstays of comparative political economy's larger edifice. [15]

Recently, some breakthroughs have occurred, though. In particular, Campbell and Pedersen in forthcoming research have addressed the second shortcoming with one of the hitherto most comprehensive and encompassing studies of what they term "national knowledge regimes," that is, the field of "policy research organizations like think tanks, government research units, political party foundations and others that produce and disseminate policy ideas"[16] and how such fields are internally organized in nationally distinct ways.[17]

However, put crudely, their study curiously stops just short of demonstrating that knowledge regimes matter.[18] More precisely, while Campbell and Pedersen succeed in demonstrating that the *organization* of knowledge regimes exhibits great, nationally conditioned variation, they do not demonstrate (beyond preliminary tentative indications[19]) that the substantive *content of ideas* co-varies with the organizational variation within the national knowledge regime they observed. As such, they leave a potentially dangerous flank open to attack. In short, if the organization of knowledge regimes varies but the ideas remain the same, it is not obvious that comparative political economists should bother much with the study of knowledge regimes.

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[15] See p. 99 below.
[16] Campbell and Pedersen 2014, p. 6.
[17] See p. 108 below.
[18] See p. 112 below.
[19] In fact, Campbell and Pedersen *do* examine the substantive content of the ideas held by policy research organizations situated in different knowledge regimes. But they constrain their analysis to one type of policy research organization, which even if it is carefully selected in a methodologically balanced way, constrains the generalizability of their study. See p. 112 below.

The present study picks up the baton left by Campbell and Pedersen and attempts to shore up this important breach in the defense of the knowledge regimes approach. It will do this by demonstrating that different types of policy research organizations situated in the knowledge regimes of the United Kingdom, Germany and Denmark in the period from 1993 to 2007 came to make sense of the international competition of nations, and what it means for a nation to be competitive, through ideas which in many ways *were* similar but *also* exhibited variety in accordance with national knowledge regimes. Thus, the study will further corroborate the view that not only do national knowledge regimes vary, so do the ideas they produce.

In so doing, the study simultaneously addresses the remaining two shortcomings of cultural political economy. First, it outlines an analytical framework by which it proposes to conduct a *discourse analysis* of the ideas held in three different knowledge regimes.[20] In so doing, it hopes to complement the ongoing efforts of scholars of ideas to develop and devise more nuanced, meticulous and productive analytical frameworks and categories by which to approach and study ideas and their ostensible impact upon advanced political economies.

In particular, the study proposes to study ideas understood as discourse and narratives. The concept of discourse will be defined as a context of rationality that enables social actors to make sense of social practice *as if* that practice is rational or irrational.[21] But the study contends that such discourse is not immediately given to social scientific analysis. Rather it must be approached indirectly and for this purpose, the study—on the basis of Paul Ricoeur's philosophy—elaborates the concept of *a narrative.*[22] This, in turn, is argued to be the product of social actors'

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[20] See p. 115 below.
[21] See p. 115 below.
[22] See p. 117 below.

commensuration of their social reality—a (cognitive) process described by Espeland and Sauder as the transformation of a potentially infinite multitude of heterogeneous qualities into finite, discrete quantities that share a common form.[23] As such, social actors make sense of an overwhelmingly complex social reality by imposing upon it distinct timescales, metrics, identities and functions. By using these, they become able to differentiate dichotomously between temporal events (some events happen *before* other things, others *after*), subjects and objects (some entities of social reality constitute an object measurable by a metric; other entities are cognizant subjects in possession of identity) and functional inputs and outputs (some objects constitute the input in a function, others an outcome.) Thus instead of observing it directly, a social scientist may reasonably assume a discourse to be present if a dispersed multitude of social actors invoke narratives which commensurate social reality through a sufficiently similar and comparable set of timescales, metrics, identities and functions.

On this basis, the study will demonstrate that in the knowledge regimes of the United Kingdom[24], Germany[25] and Denmark[26]—even if they exhibited significant national and in itself quite interesting variation—sufficiently similar *narratives of competitiveness* came to be expressed by the policy research organizations situated there[27] and that one therefore can reasonable assume a common discourse—*the discourse that nations compete*—to have been present.

Second, the study develops a three-layered research design and methodology by which the discourse analysis is carried out. The design distinguishes between the

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[23] See p. 122 below
[24] See p. 175 below.
[25] See p. 213 below.
[26] See p. 251below.
[27] That is, most policy research organizations "periodized" the "history" of international competition according to a similar timescale, just as they categorized their political economy according to similar metrics, functions etc.

three layers of knowledge regimes, policy research organizations and policy publications.[28] As such the study is deeply indebted to the prior work on knowledge regimes by Campbell and Pedersen and hopes to complement the already ongoing extensive effort of scholars of ideas to obtain still clearer and empirically nuanced specifications of whom the actors are who ostensibly bring ideas to bear on institutions. The ensuing discourse analysis of the substantive content held by actors within knowledge regimes is based on data drawn from three different types of policy publications published by four different types of policy research organizations situated in three different types of knowledge regimes. In total more than 10,000 pages of policy documents[29] published by 12 different policy research organizations[30] in the period from 1993 to 2007 have been sampled, coded and analyzed with the qualitative data analysis software package Atlas.ti 6.[31]

* * *

However, before introducing the study's findings and main conclusions, it is only appropriate to highlight the study's theoretical and methodological limitations and shortcomings. Any scientific proposition is only as convincing as its underlying methodological foundation, and no research design is flawless or complete. The one applied in the present study most certainly is not. And while some shortcomings could have been reasonably addressed in a world of unlimited time and resources, other limitations stem from the deliberate, intentional choices

[28] See p. 129 below.
[29] See p. 163 below.
[30] See p. 146 below.
[31] See p. 170 below.

inherent to the analytical framework and research design. It is important from the outset to be fully clear about the present study's theoretical, methodological and analytical limitations so as to avoid generalizations beyond what the study's methodology warrants.

In terms of *theory*, the study only deals with the political-economic aspects of globalization and the international competition of nations. However, globalization is a highly heterogeneous and multifarious phenomenon entailing, for example, many cultural aspects as well. These latter aspects are largely bypassed in what follows. The policy documents have been analyzed with a view to discerning potential national differences and similarities in how policy research organizations make sense of what it means for a nation to compete with other nations, and the analysis has thus centered on *economic* policy documents. But it could easily be the case that things might have looked different if one had examined foreign policy, education policy or environmental policy.

In terms of *methodology*, the present study can (at least) be challenged on three accounts: its sampling of policy research organizations[32], its sampling of policy documents from these organizations[33] and the procedure by which these documents have been coded and analyzed.[34] First, the study have sampled policy research organizations according to a criterion of *typological maximum variation* and thus included an advocacy organization, a scholarly organization, an economic council and a ministry of economics from each of the three national knowledge regimes. Of course, the policy research organizations could have been sampled according to a criterion of *proper maximum variation* and thus the study could have controlled for policy research organizations' relative size, funding

[32] See p. 152 below.
[33] See p. 168 below.
[34] See p. 172 below.

sources, staffing, publication strategies, avowed ideological orientation (or lack thereof) etc. Also it would be possible to invoke a more fine-grained typologization of policy research organizations than the four-fold typology applied below. (Indeed, one might convincingly argue that there exist several sub-types of, for example, advocacy or scholarly organizations.) However, both options would yield a far greater dataset than what the study had time and resources to manage adequately. Hence it settled for a more circumscribed and manageable dataset of policy research organizations.

Moreover, a question could be raised as to whether the policy research organizations chosen in fact constitute *representative* exemplars of the ideal types they supposedly represent. For instance, it could readily be questioned whether the National Institute of Social and Economic Research in the United Kingdom neatly fits the type of an economic council[35] or whether the Friedrich Ebert Stiftung in Germany constitutes a scholarly organization.[36] The present study has been acutely aware that any real type always will tend to defy its theoretical ideal type representation and moreover that most of the policy research organizations examined here perhaps are better characterized as hybrid types. The study has, upon consulting relevant secondary literature, sought to sample policy research organizations which reasonably approximate the four ideal types.

Likewise, the study perhaps might be accused of harboring a somewhat *ideological,* leftist bias since it includes the Institute for Public Policy Research in the U.K. (conventionally associated with New Labor), the Friederich Ebert Stiftung in Germany (legally associated with SPD) and the Arbejderbevægelsens Erhvervsråd in Denmark (funded by the Danish labor movement.) However, such criticism depends upon prior specification of what "leftism" means. If one as a

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[35] See p. 153 below.
[36] See p. 158 below.

discourse analyst by methodological choice *ab initio* controls for such issues (that is, the substantive content of ideas) one would impose a particular meaning upon the discourse by the very (methodological) categories one employed. In other words, the present study has sampled policy research organizations according to their (ideal-typical) mode of organization and operation, *not* the substantive content of their (non-) ideological ideas and idiosyncrasies.[37]

Second, the study has sampled three types of policy documents from the selected policy research organizations: annual economic reports, competitiveness indexes and commission white papers. For the two former types, only documents published in 1993, 2000 and 2007 have been collected. This naturally implies limitations. One could have chosen another periodization as well as more time slots within this period. One could have examined other types of documents as well, and one could have spent more time examining whether the chosen organizations in fact had published more of the three types of publications within the period under study.[38] Also the study applied a snowballing sampling method by which additional publications—referred to in the publications selected by the above criteria—were included. But such a procedure obviously reduces the study's inter-coder reliability to a degree.

Furthermore, in the case of some policy research organizations[39] it has been difficult to ascertain whether the organization has maintained its ideas and points of view over the period examined. Indeed, the findings of the study might be further corroborated—or challenged—by triangulating them with data drawn from

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[37] Indeed the latter alternative would have rendered the analysis tautological. See p. 152 below

[38] For instance, more time and resources could have been devoted to investigate whether the Sachsverständigensrat in Germany had produced additional relevant white papers or the Institute for Public Policy Research in the United Kingdom had produced annual economic reports. See p. 419 below.

[39] For instance, Friedrich Ebert Stiftung and Bertelssmann Stiftung in Germany and the Institute for Public Policy Research in United Kingdom.

other sources such as semi-structured interviews so as to determine whether the policy research organizations studied in fact would maintain their point of view if asked directly.[40]

Thirdly, the study have coded and analyzed the data material with a coding scheme derived from the analytical framework and employed the sophisticated qualitative data analysis software package Atlas.ti 6. However, the principal investigator has conducted the entire coding and analysis himself, as the study did not have sufficient resources to recruit additional assistants to conduct the coding. Also the coding procedure involved a (semi-structured) technique by which text passages and phrases, which intuitively appeared significant but did not immediately fit preconceived coding categories, were nonetheless coded with a residual code. To be sure, the absence of additional coders and the application of this more open coding technique also diminish the study's inter-coder reliability.

However, the fact that inter-coder reliability has not been entirely battered is perhaps indirectly evidenced by the study's lack of success in determining how all the examined policy research organizations relate to the question of the relation between competitiveness, environmental sustainability and social protection.[41]

Finally, a set of challenges is associated with the application of the discourse theoretical approach. First, a question could be raised as to whether the application of the analytical concepts of production, policymaking and knowledge regimes imposes a certain meaning upon the discourse.[42] Second and more importantly, the very epistemological status of discourse theoretical claims erects a methodological firewall around the range of conclusions that one can infer from the study. That is, the propositions which result from a discourse analysis do emphatically *not*

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[40] However not all methodological challenges were managed by conducting interviews. See p. 168 below.
[41] See p. 414 below.
[42] See p. 131 below.

express once-and-for-all given social-scientific knowledge (understood as justified true beliefs) and can never constitute more than second-order interpretations of the first-order interpretations *of* social reality held by social actors embedded *in* that social reality. As argued below, the propositions stemming from a discourse analysis can perhaps best be likened to what Italian philosopher Gianni Vattimo has termed "weak thinking" and does not tell the social scientist anything about the world "as it really is." However, being weak does not necessarily imply being inconsequential. [43]

* * *

With due regard to this plethora of indeed highly important theoretical and methodological caveats and constraints, the study hopes to make vivid, on the one hand, that national narratives of competitiveness that have *converged* in many regards.

--- See Figure 2.1 p. 413---

Policy research organizations in all three knowledge regimes periodized the international competition of nations similarly by distinguishing between a period before and a period after the collapse of the Bretton Woods system, as well as a period before and after the New Economy.[44] They also made sense of their domestic political economy through a similar set of quantitative econometric statistics (output-gaps, growth accounting and competitiveness indexes).[45] And

[43] See p. 127 below.
[44] See p. 299 below.
[45] See p. 303 below.

roughly half of them ascribed subjectivity to the state vis-à-vis the political economy as they argued that governments possess a legitimate role as *corrector* of market failures, *converter* of market participants' mindsets, *coordinator* of their activities and/or *combiner* of supply-side and demand-side policies.[46] They similarly begin to argue that the competitiveness of nations should be measured more in terms of its ability to generate growth and less in terms of its ability to export[47], and they argue that, *beyond* open deregulated markets, privatization, low taxes and flexible labor markets, institutions for the provision of skills and education, science and innovation, entrepreneurship, infrastructure, migration, ICT, public sector efficiency and management *also* constitute important sources of a nation's competitiveness.[48]

On the other hand, the study will also demonstrate that besides such similarities, national narratives of competitiveness nonetheless *diverge.*[49] First, policy research organizations situated in a particular national knowledge regime tend to emphasize one item of the growth account—for example, productivity, labor supply, employment, or workings hours—more than others.[50] Second, the study finds that, whether policy research organizations perceive policy measures to enhance social protection, inclusion and equality and/or environmental protection as sources or barriers to competitiveness to some degree depends upon the knowledge regime within which they are situated.[51]

--- See Figure 2.2 p. 414 ---

[46] See p. 307 below.
[47] See p. 312 below.
[48] See p. 314 below.
[49] See p. 317 below.
[50] See p. 319 below.
[51] See p. 323 below.

And the study observes that apparently policy research organizations situated in different national knowledge regimes hold diverging views of the timescale by which relative national competitive performance should be assessed, measured and evaluated. Put figuratively, while all policy research organizations hold the idea that nations are engaged in a competitive race where they must forge ahead, catch up or fall perilously behind, they disagree with regard to *when*—and by what timescale—one ought to assess whether a nation has taken the lead, been overtaken or lost pace. Apparently, some policy research organizations believe that a slow starter might end up a long-term winner.

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As such, the study hopes to contribute to three strands of literature. First, it advances the scholarly knowledge of the knowledge that knowledge regimes produce with a discourse analysis that identifies nationally distinct narratives of competitiveness and hence demonstrates that the organization of knowledge regimes *as well as* the ideas they produce co-vary in some degree. As such, it tentatively salvages the knowledge regimes approach from a potential devastating criticism.[52]

Second, the study shows how the theoretical concept of commensuration, as proposed by Espeland and Sauder, might be incorporated in the analytical frameworks of cultural political economic scholarship. But it will also contribute to this scholarly exploration by emphasizing that social actors—besides their commensuration—also engage in the cognitive process of what is termed in-commensuration, as well as de- and re-commensuration. Moreover, it will make

[52] See p. 329 below.

vivid that not only spatial entities are subjected to commensuration; so is social time. That is, actors also make sense of social reality through *temporal* commensuration. Hence the study will potentially aid scholars in their ongoing theoretical exploration and add to the already growing understanding of the process of commensuration.[53]

Third, the study presents an analysis with a clear definition of how it understands an idea that is attentive to the specific actors who produce and wield ideas, and which employs a transparent methodology. In so doing the study thus hopes to contribute to the ongoing endeavor of rendering cultural political economy so pertinent and palatable that core comparative political economists might come to take it a little more seriously.[54]

* * *

While some scholars of ideas have begun arguing that it is not a question of *whether* but *how* ideas matter, it probably takes a great deal more to persuade the staunchly convinced materialist scholar of comparative political economy that ideas in fact matter. Indeed, it remains, first, to be *explained*—not just described—as to why national narratives of competitiveness co-vary with the internal organization of national knowledge regimes. Second, scholars of ideas more generally need to demonstrate that ideas *in fact* influence processes of institutional stability and change. The particular *causal mechanisms* by which ideas ostensibly influence institutions need to be specified in far greater empirical detail. Finally, scholars of ideas could, to their advantage, engage more in relating their findings

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[53] See p. 332 below.
[54] See p. 338 below.

to the core theoretical controversy between systemic, dynamic and teleonomic institutionalism and address the highly pertinent question of what ideas held by actors embedded *within* political economies tell comparative political economists *about* political economies—and whether political economies remain stable or change, converge or diverge.[55]

Unfortunately, these three tasks are significantly beyond the scope of what the present study has had financial—and perhaps intellectual—resources to address in any adequate fashion. In fact, it is worth it from the outset to emphasize what the present study does *not* do. First, having described the different national narratives of competitiveness, the study will—due to resource constraints—leave it for future researchers to explain more comprehensively *why* national narratives of competitiveness co-vary with the internal organization of knowledge regimes, although the study does briefly speculate on tentative explanations.[56]

Second, the study will—due to methodological constraints—abstain from drawing any inferences with regard to the causal mechanisms by which ideas allegedly influence institutions. Having first adopted a discourse theoretical analytical framework, which essentially holds that causal relationships constitute historically contingent constructs or ideas held be social actors and should be studied as such, it would amount to crossing an inviolable methodological Rubicon to conjecture about the ostensible causal effect of ideas on the basis of such an analysis.[57] Even so, the study will suggest how a more positivistically inclined scholar of ideas might proceed to address the question of causality in the future by building further upon Espeland and Sauders' research on commensuration.

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[55] See p. 339 below.
[56] See p. 331 below.
[57] See p. 339 below.

Finally—and due to the same methodological considerations—the study will not draw any strong conclusions as to whether the narratives of competitiveness as found in the three knowledge regimes in a strict sense have *caused* developments and patterns of institutional stability or change as predicted by either systemic, dynamic and teleonomic institutionalism. Again, a discourse theoretical approach is methodologically inadequate for drawing such inferences.

* * *

Nevertheless, the study will attempt cautiously to gauge the relative *correspondence* between, on the one hand, the narratives of competitiveness as expressed by policy research organizations situated within the three knowledge regimes of the United Kingdom, Germany and Denmark, and, on the other hand, the central theoretical contentions and conjectures by systemic, dynamic and teleonomic institutionalism respectively. Of course, the demonstration that theoretical categories employed by comparative political economists in their ongoing efforts to establish evermore precise and parsimonious social scientific knowledge *of* political economies corresponds—or does not correspond—with the ideas that policy research organizations situated *within* these political economies hold *of* these does not provide *proper* knowledge of how these political economies *really* are. In fact, it might say nothing at all.

Even so, such a comparison is interesting in its own right. And therefore the study will finally reflect—albeit indirectly—upon the relative fit between its findings and the central theoretical contentions of the strong neoliberal convergence thesis as well as systemic, dynamic and teleonomic institutionalism. First, in relation to the strong convergence thesis, it is argued that the study's findings simply does not resonate with the theoretical contention that neoliberalism has swept across the

advanced political economies, leveling out all national institutional differences and particularities. To the contrary, the study concurs and echoes Hall and Lamont's recent contention that neoliberalism should not be seen "as a blanket laid over the world."[58]

Second, with regard to the central controversy between systemic, dynamic and teleonomic institutionalism, the narratives of competitiveness share features and thus correspond well with the theoretical contentions of each of the three forms of institutionalism, even if they are found to most closely reflect teleonomic institutionalism.[59] And in light of its findings, the study encourages

- *systemic* institutionalism to be more attentive to the set of institutional "sub-components" included as putative explanans in theoretical models of contemporary political economies;
- *dynamic* institutionalism to be more careful when specifying what institutional unit ostensibly changes and over what temporal sequence it does so and to remain attentive to whether countervailing mechanisms might offset ongoing processes of institutional change; and
- *teleonomic* institutionalism to carefully consider what potential explanandum or different socioeconomic telos to include in their explanations of poly-final processes of institutional change, as well as the relationships between these telos.

Hence, the study will ultimately argue that even if it cannot be—or has not been—shown that ideas matter to institutions in an empirical sense, they matter to comparative political economy theoretically. Thus—if anything—the study calls for greater self-reflexive sense of comparative political economists' own historical situatedness—since the very way they elaborate their models, typologies of

[58] See p. 347 below.
[59] See p. 352 below.

change and theoretical terrains potentially matter for the conduct of economic policy within contemporary political economies.

Therefore, the study concludes on a somewhat paradoxical note not that ideas matter, which they might, but that comparative political economy does. It matters since the very categories, descriptions and theories devised by systemic, dynamic and teleonomic institutionalists—alongside those of many other sciences—are harnessed by policy research organizations and other political-economic actors in an ongoing, infinite and inherently political contest to discursively determine what it "really" means for a nation to be competitive in an age of globalization and intensifying international competition and whether that essentially is a question of being alike or different.[60]

[60] See p. 363 below.

5. BACKGROUND: Competitiveness – What Is in a Name?

Today the main bulk of political discourse in advanced, capitalist economies is devoted to the question of how to obtain and sustain the international competitiveness of a nation in light of ever-increasing, accelerating, turbulent globalization.[61] At least since the late 1970s the scenery of an ever-more globalized world, where the competition of "tomorrow" is always more fierce, relentless and intense than "yesterday," has constituted the predominant thematic backcloth of almost all governmental economic policies, programs and stratagems.

Perhaps the idea was first formed in Academia. In the unexpected unipolar post-Cold War world order following the fall of the Berlin Wall—with liberal-democratic capitalism allegedly triumphant and the end of history just around the corner[62] —useful distinctions of "us'' and "them," friends and enemies, collaborators and competitors upon which to condition politics[63] suddenly came in short supply.

Perhaps this alluring blue ocean led Lester Thurow to scribble the popularly accessible and instant bestseller *Head to Head* (1993), Michael Porter *The Competitive advantage of Nations* (1990), and Michel Albert *Capitalism Against Capitalism* (1995). They all asserted that in this new era the U.S., Germany and Japan (and thus everybody else) were engaged in fierce zero-sum competition for world markets. And they all—with different points of emphasis and varying degrees of intellectual stringency, cogency and coherence—gave voice to an

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[61] Pedersen 2010, 2011.
[62] Fukuyama 1992.
[63] Schmitt, *The Concept of the Political*, 1927.

emerging *Weltgeist* of a dawning epoch, the age where nations—much like firms—must compete to catch up, forge ahead or fall behind.[64]

Perhaps the seeds were sown in the halls of power. In 1978, the U.S. Congress established the Office of Technology Assessment (OTA) to obtain a more precise assessment of the relative competitiveness of U.S. industry. In light of the perceived Japanese challenge, President Reagan in 1983 took initiative to create the President's Commission on Industrial Competitiveness. Later, in 1986, the Council of Competitiveness was specifically commissioned to provide a "forum for elevating national competitiveness to the forefront of national consciousness."[65]

And thus in 1993 the ground was paved for incoming president Bill Clinton to give the starting signal to the competitive race of nations when he asserted that the U.S., as part of an increasingly global economy, must compete with nations across the globe. A few months later, Jacques Delors famously "picked up the glove" and joined the race on behalf of the European Union.[66] In the white paper "Growth, Competitiveness, Employment: The Challenges and Ways Forward into the 21st Century," the view of Europe as engaged in competition was reified and a clear commitment was made:

> "Firms must achieve global competitiveness on open and competitive markets, both inside and outside of Europe. It is the responsibility of the national and Community authorities to provide industry with a favorable environment, to open clear and reliable prospects for it and to promote its international competitiveness."[67]

Or perhaps the idea germinated somewhere else altogether. Most likely we will never know. But today it is reasonably clear that the idea showed itself sufficiently

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[64] Abramowitz 1986.
[65] Jessop 2012.
[66] Pedersen 2011, p. 41.
[67] European Commission, 1993, p. 57.

contagious to transgress the, in most other cases, impermeable membrane keeping social science and high-level politics—knowledge and power—separate.[68] The challenge of becoming and remaining competitive in an ever-more globalized, competitive world has risen to prominence on the policy agendas of all advanced political economies.

A series of developments have contributed to this. In recent decades various national as well as international organizations have created the conditions for politicians, public officials and pundits alike to speak and act *as if* nations compete. [69]

- First, international organizations such as the European Commission, WTO, OECD, IMF, UNCTAD and the World Economic Forum all have adopted and promoted the vocabulary of an increasing competition of nations and emphasized the importance of raising domestic competitiveness of individual nations.[70] Moreover, organizations such as the World Economic Forum, IMD and the World Bank publish annual global competitiveness reports which, as a distinct type of policy tool[71], serve to benchmark and compare nations on a (growing) set of economic, political, social and environmental indicators in order to rank and determine the international competitiveness of individual countries vis-à-vis others. [72]
- Second, a growing number of European governments have, with implicit inspiration from Ronald Reagan's commissions and councils on competitiveness, established independent competitiveness knowledge councils, commissions and policy forums composed of various kinds of policy experts to

[68] Wildawsky 1979, Kitcher 2001, Campbell 1988, Djørup et al. 2013.
[69] Pedersen 2010, 2011.
[70] Mischke 2008, p. 91, Hay and Rosamund 2002.
[71] Le Galés & Lascoumes 2007.
[72] Curtis and Ciuriak 2010, Berger and Brislow 2009, Bruno 2009, Hospers 2004, Aiginger 1998, Lall 2001.

provide them with analysis, ideas and policy recommendations on how to sustain and improve the international competitiveness of the nation.[73] And still more national governments issue unique competitiveness indexes designed to monitor and communicate progress (or the lack thereof) in terms of measures to improve domestic international competitiveness (for example, the U.K. and Denmark).

- Finally other types of domestic knowledge and idea-producing organizations (NGOs, lobbyists, think tanks etc.) have in recent years ramped up their idea-producing capacity and begun to produce such policy knowledge, councils, competitiveness indexes and more. [74]

Indeed, today few people would deny that international competitiveness has come to hold a pivotal position in the political and economic discourse among elites of advanced political economies.

5.1 Two Caveats

It is, however, necessary to assert two preliminary caveats regarding the claim of an alleged rise of international competitiveness as a predominant policy idea. First, the idea is far from new and is not historically isolated to our contemporary period. Rather the notion probably has been with us as long as the discipline of economics itself (if not even longer), though in different semantic guises. Second, the observation that most economic pundits, politicians and brokers of knowledge today in some form or another invoke the concepts of international competitiveness and competition of nations in order to legitimize and explain their political priorities does *not* mean that the terminology has been uncritically embraced and endorsed by everyone.

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[73] Dyson 2005, Pedersen 2010, Jessop 2012, Greve 2013.
[74] Campbell and Pedersen 2014

5.1.1 Not a New Idea...

From a historical point of view, the idea that nations compete is not exactly new. It would be directly misleading to suggest that the idea first emerged, say, with the fall of the Berlin Wall, the collapse of Bretton Woods or the onset of globalization. From roughly the beginning of the 16th century to the 18th century, writers such as Thomas Mun (1571-1641) in England, Jean-Baptiste Colbert (1619-1683) and Jean Bodin (1530-1596) in France and perhaps most famously Alexander Hamilton (1755-1804) in the U.S. formulated, favored and promoted a doctrine of economic thinking later to be known under the rubric of *mercantilism*.[75] One of the central tenets of this body of economic thought was the view that the primary purpose of a state was to generate and accumulate wealth either through trade or, if need be, less benign means (conquest) so as to secure financial means and support for its remaining state-building activities. Another tenet was a deep-rooted perception of international trade as a zero-sum game, where exporters of more advanced manufactured products (e.g., cloth) stood to gain more than exporters of raw material (e.g., wool.) For instance Reinert succinctly summarized the prevailing mercantilist doctrine of early 16th century as a form of

> "pre-Ricardian common sense (which) seems to have reasoned that if lawyers make more money than lettuce-pickers, a nation of lawyers will be richer than a nation of lettuce-pickers."[76]

Thus, to become a "country of wealthy lawyers," most countries in the mercantilist era (and in particular Elizabethan England) intervened in international trade to improve their own position.[77]

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[75] Mischke 2008, Pribram 1998, Stapelfeldt 2001, Reinert 1995, Krugman 1996, Magnusson 1994, Jessop, 2012, Siggel 2006.
[76] Reinert 1995, p. 31.

In 1776 these ideas was radically challenged by the political philosopher and (soon to be) economist Adam Smith when he, in the most seminal of all seminal economic books *The Wealth of Nations*, proposed his theory of absolute advantages and—while he was anyway fiddling with it—founded the discipline of economics. According to Smith, the mercantilists erred in the claim that gains of one nation necessarily come at the expense of others. Instead he famously suggested that all partners to trade would benefit if they divided labor between them and each specialized in the production of goods for which they held the greatest natural resources and endowments (i.e., where the individual nation held an absolute advantage).[78] In the case where international division of labor was organized such that each nation specialized in the production of goods for which it held an absolute advantage, every nation would benefit as the aggregate total production would be higher. Unlike mercantilists, Smith asserted that trade ultimately constitutes a positive-sum game to the advantage of all.

In extension hereof, David Ricardo in 1817 formulated his no-less-famous theory of comparative advantages. Ricardo's theory of comparative advantages countered two criticisms raised against Smith. First, Smith's theory of absolute advantages seemed to imply that two nations equally endowed with natural resources would derive no advantage from mutual trade. Second and similarly, two countries in which one possessed all the endowments and the other none would not gain from trading with each other. However, Ricardo with his famous two-countries, two-goods model[79] demonstrated that even in such cases mutual trade and specialization would be advantageous to all. He argued that what matters in trade

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[77]Through measures such as prohibitions on currency export, protectionist trade policies, subsidies and favorable taxes for domestic producers, establishment of national monopolies, tariffs, duties and other types of import restrictions.
[78] Brown 1994.
[79] Later to be extended by Dornbusch, Fischer and Samuelson to include multiple goods and multiple countries (1977).

is not the absolute production costs but the relative domestic *opportunity costs* (i.e., the value that could be created from producing the other good).[80] The theory of comparative advantages shows that, even with completely equal or highly unequal trading partners, mutual trade is mutually beneficial as each individual country will *a priori* possess a comparative advantage in the production of something.

In short, the question of whether nations compete to obtain advantages in trade at the expense of others has through time occupied the minds of many great economists.

5.1.2Not an Uncontested Idea

Just as it is misleading to claim the idea of competition among nations to be something new, it would be equally wrong to assert that the same idea has been adopted without debate or criticism. Indeed, few ideas—if any—have been embraced uncritically by everyone. Most notably economist and Nobel laureate Paul Krugman argued that applying the notion of competitiveness to a nation (that is, applying the originally microeconomic concept to macroeconomic matters) was an instance of faulty economic reasoning, nonsense and a fundamental misunderstanding of modern trade theory. First, echoing Ricardo, he argued that every nation always has a comparative advantage in *something;* second, nations unlike firms cannot go out of business if they lose in competition. They become poorer but they do not cease to exist.[81] Third, international trade is not, as often depicted in policy discourse, a zero-sum game but a plus-sum game in which the increasing specialization and productive capacity of each participant benefits all

[80] Mischke 2008, pp. 96-97.
[81] Kitson, Martin and Tyler 2004.

participating nations. Thus Krugman warned that "the competition of nations has become a dangerous obsession"[82] and that

> "Anyone who writes about trade as a global struggle or war; anyone who compares countries to corporations; anyone who says that trade policy is about creating jobs … uses the concept of competitiveness as a drunk uses a lamppost: as a source of support, not of illumination."[83]

In an equally unconciliatory tone, Robert Reich, economist and Secretary of Labor during the first four years of the Clinton administration, in his review of Michael Porter's *The Competitive Advantage of Nations*, condemned the concept of competitiveness as "one of those rare terms of public discourse to have gone directly from obscurity to meaninglessness without any intervening period of coherence."[84]

However, at least since the late 1980s the notion has had a remarkable renaissance and impact on the economic policy discourse of all advanced political economies, not least of all thanks to the tremendous impact of Porter's book.[85] In it, he famously asserted that competitiveness is also a meaningful macroeconomic concept, and using his now widely acclaimed diamond model, he suggested that beyond the competitive advantages a firm derives from its internal organization, a range of *external* conditions and characteristics of that firm's national political-economic context also affected its competitiveness.[86]

Thus despite the initial criticisms, today the political and economic elites of all stripes, colors and nationalities—despite initial warnings—appear to be dangling around Krugman's lamppost. Indeed Krugman with faint resignation recognized

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[82] Krugman 1994.
[83] Krugman 1996.
[84] Reich 1990, cf. Reinert 1995, p. 25.
[85] Porter 1990.
[86] In particular, he claimed that domestic factor conditions, demand conditions, related and supporting industries, and firm strategy, structure and rivalry mattered to the competitiveness of a singular firm.

that "by the 1990s the concept of competitiveness was no longer controversial among influential people."[87]

5.2 Definitions and Typologies of Competitiveness

However, even if almost any policymaker, politician or public pundit today would nod approvingly if one tells them that their nation is engaged in fierce competition for investments, growth, jobs and more, it is not likely that the same people would even remotely agree when one asked them what "a competitive nation" actually looks like. Waters quickly divide and vociferous debate ensues when it comes to determining what international competitiveness "really" is. Indeed, despite widespread acceptance, international competitiveness is a very ambiguous idea.

In the highly varied literature examining this phenomenon, one finds a plethora of diverging definitions.[88] And several scholars readily admit that the concept of competitiveness is fundamentally underdetermined.[89] In a recent study, Mischke notes that "there is no indicator that can show at a first glance whether a country is internationally competitive or not."[90] And in a similar vein Boltho argues

> "There are no agreed definitions of competitiveness and the term seems to mean different things to different people—some may stress a country's low costs or the level of its exchange rate, others a country's technological or even its growth rate. "[91]

Indeed, among scholars there persists a deep and enduring disagreement as to the definition of competitiveness. Some define it with a short equation. For instance

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[87] Krugman 1996.
[88] See Jessop, Pedersen et al. 1993, Jessop 2012, Boltho 1996, Corden 1994, Bristow 2005, Green, Tracey and Cowling 2007, Martin 2005, Thompson 2004, Cellini and Soci 2002, Lall 2001, Berger 2008, Fagerberg 1988, 1996, Hatsopoulus 1988, Buckley, Pass and Prescott 1988, Balassa 1965, Siggel 2006, Wren 2001.
[89] Fagerberg 1988, Buckley et al. 1988, Boltho 1996, Strange 1998, Siggel 2006, Berger 2008, Reichel 2000.
[90] Mischke 2008, p. 120.
[91] Boltho 1996, p. 2.

Orlowski has defined competitiveness "as the ability to sell."[92] And Michael Porter has repeatedly asserted that "true competitiveness … is measured by productivity."[93] Others expand further upon the definition. For instance Curtis and Ciuriak suggest that

> "Global competitiveness implies a high rate of sustained growth relative to peer groups of countries … the level and rate of labor productivity growth is also a key bottom line measure of competitiveness."[94]

Fagerberg rejects "differences in the growth of relative unit labor costs (RULC) as the major factor affecting differences in competitiveness" and instead contends

> "The main factors influencing differences in international competitiveness and growth across nations are technological competitiveness and the ability to compete on delivery."[95]

Aiginger has proposed the perhaps most lengthy, accumulative (and somewhat ad hoc) definition when he suggests that

> "Competitiveness should be defined as the 'ability to create welfare.' … The welfare of a nation is assumed to correlate primarily with its per capita income. The second most important component will probably be the employment/unemployment prospects. Broader assessments include distributional, social and ecological goals and some non-economic objectives (security, stability, life expectation). Finally, competitive economies must meet several 'sustainability' checks. The definition of outcome competitiveness as the welfare of a nation or as the living standard of its population still may lack precision, but at least this definition of competitiveness excludes or sidelines several alternative definitions, specifically those focusing on low costs and on trade balances." [96]

And recently it seems that Michael Porter and his colleagues have changed their minds. As of 2012 what is termed, *foundational competitiveness* is now defined as

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[92] Orlowski 1982, see Trabold 1995.
[93] Porter 2004.
[94] Curtis and Ciuriak 2010, p. 23.
[95] Fagerberg, 1988, p. 371.
[96] Aiginger 2006, p. 162.

> "the expected level of output per working-age individual given the overall quality of a country as a place to do business. This definition goes beyond the expected level of productivity per employed worker, because prosperity is ultimately rooted in the ability to both achieve high productivity as well as mobilize a high share of the available workforce." [97]

However, disagreement is not confined to the semantic squabbles of academics. Similar ambiguities emerge in the policy publications by political organizations such as the European Commission, WTO, OECD, IMF and WEF, to provide just a few examples. In 1994, the European Commission defined competitiveness as "the ability to combine growth with balanced trade," but OECD defined it as

> "the ability of companies, industries, regions, nations or supra-national regions to generate, while being and remaining exposed to international competition, relatively high factor income and factor employment levels."

A decade later WEF (2001) defined competitiveness of nations as "the set if institutions and economic policies supportive of high rates of economic growth in the medium term," and the European Commission (2001) re-defined the concept as "the ability of an economy to provide its population with high and rising standards of living and high rates of employment on a sustainable basis."[98] Both among scholars and international organizations there persists vociferous debate on the exact meaning of the term.

5.2.1 Trabold's Typology of Competitiveness

To manage such complexity different scholars have introduced different typologies of competitiveness to classify and distinguish between different aspects and types of competitiveness. However, these are as numerous as the stock of definitions. Again a few examples are illustrative:

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[97] Delgado, Ketels and Porter 2012.
[98] Quoted in Aiginger 2006, pp. 166-167.

First, based on an extensive literature review of more than 800 scientific articles on competitiveness, Harald Trabold has introduced a fourfold typology of competitiveness by which he distinguish four generic types of national competitiveness: a nation's *ability to sell*, *ability to earn*, *ability to attract* and *ability to adjust*.[99]

- With inspiration from Balassa[100], Trabold first describes *ability to sell* as a measure of a nation's export performance, i.e., its long-term ability to pay for its imports by its own exports and thus by implication its ability to retain a balanced or even positive trade balance and current account. In this sense competitiveness, in short, refers to "how competent an economy is at marketing its products on the world market."[101] As such, indicators such as the current account, trade balance, World Market Share, "Constant Market Shares" and/or real effective exchange rates reveal the competitiveness of a nation.
- Second, Trabold posits the view of international competitiveness as *the ability to earn*, that is, the extent to which the national economy is able to secure high and growing real incomes for is citizens regardless of its export performance. Here Trabold explicitly draws inspiration from the view of the U.S. President's Commission on Industrial Competitiveness (1985):

> "Competitiveness for a nation is the degree to which it can, under free and fair market conditions, produce goods and services that meet the test of international markets while simultaneously maintaining and expanding the real income of its citizens."[102]

Besides indicators of GDP, indicators such as labor productivity and the more qualitative technological competitiveness reveal this type of competitiveness.

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[99] Trabold 1995.
[100] Balassa 1962.
[101] Trabold, 1995, p. 185, see also pp. 170-175.
[102] Competitiveness Policy Council, *A Competitiveness Strategy for America: Second Report to the President and Congress* (Washington, D.C.: U.S. Government Printing Office, 1993).

- Third is a nation's *ability to adjust* to developments and changes in its political and economic environment. According to this view, a political economy is internationally competitive when it is able to align its production structure as flexibly, efficiently and expediently as possible with its (changing) underlying factor endowments. Among several possible indicators for measuring this ability, Trabold points towards innovation.
- Finally, Trabold discerns a view of international competitiveness as a nation's *ability to attract* which he equates with "the competence of the economy in drawing mobile capital," that is, whether the national economy is considered to be an attractive and profitable site for international capital to situate investments. Among the indicators to measure competitiveness qua attractiveness are some of the more hard indicators such as wage and price levels, tax levels, and levels of FDI.[103]

5.2.2 Curtis and Ciuriak's Typology of Competitiveness

Likewise Curtis and Ciuriak invoke a fourfold typology of "major policy areas" with influence on international competitiveness in their recent comparative review of the competitiveness of Canada, Germany and the United Kingdom. They analyze competitiveness as a product of the interplay between *macroeconomic policies*, *microeconomic framework policies*, *microeconomic structural policies* and *social policies*.[104] While they don't provide completely analytically distinct definitions, their approach is nonetheless instructive.

- First, as *macroeconomic policies* they categorize

> "Fiscal policy, including budget deficits, public sector debt and stabilization. Monetary policy, including inflation interest rates and

[103] Yet he also points towards industrial relations, educational and health institutions etc. as influential in determining location decisions for investment.
[104] Curtis and Ciuriak, p. 25.

exchange rates. Trade and Investment Policy, including tariffs, non-tariff measures, trade costs, export promoting policies, and policies regarding inward and outward investment."[105]

- Second, *microeconomic framework policies* connote the basic institutional preconditions of operational product, labor and financial markets, such as the rule of law, enforcement of property rights, and credit information as well as a host of public and private regulatory practices, institutions and organizations. The relative administrative burdens of establishing and doing business, tax systems and labor regulation and rules for investor protection also fall under this heading.[106]
- Third, they employ the term *microeconomic structural policies* to account for physical as well as digital infrastructure, innovation systems and clusters and adoption of "future-looking environmental technologies."[107]
- Finally, they claim "the social policies that figure in global competitiveness evaluations are health, education and the avoidance of social conflict"[108] frequently measured by metrics of crime rates, quality of primary, secondary and tertiary education, availability of affordable and livable housing, healthcare institutions, culture and opportunities for recreation.

5.2.3 Pedersen's Typology of Competitiveness

Thirdly, Pedersen, in his recent analysis of the Danish competition-state, distinguishes between three types of competitiveness: *cost competitiveness*, *technological competitiveness* and *institutional competitiveness* [109] and argue that each was perceived as a dominant policy challenge of Danish policymakers in a particular historical period.

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[105] Curtis and Ciuriak, p. 65.
[106] Curtis and Ciuriak, p. 33.
[107] Curtis and Ciuriak, p. 35.
[108] Curtis and Ciuriak, p. 41.
[109] Pedersen 2011, pp. 129-139.

- First, from the 1940s to the 1960s the wage costs of labor in the eyes of Danish policymakers constituted the primary competitive factor, and thus much attention was devoted to the shortcomings, rigidities and inflexibilities of the labor market. These were to be addressed through tripartite labor market policies aiming to ensure a reasonable wage formation consistent with underlying productive capacity.
- Second, in the 1970s and 1980s, in addition to the above problem, the ability of Danish firms to keep pace with the technological race between the U.S., Germany and Japan became a central concern and a range of industrial policies aimed at improving the interplay between the private and public sectors to improve the external conditions for firms was introduced in order to further technological competitiveness.
- Third, from the 1990s and onwards the furthering of *institutional competitiveness* came to constitute the core problem for Danish policy elites. And the main policy challenge was perceived by policymakers to consist of incentivizing and motivating the labor force through a range of policies to work more productively, for longer hours, and more flexibly and to learn and acquire skills through life learning**.**

But again, just as definitions of competitiveness are bountiful, the count of different typologies likewise grows and continues to emphasize different aspects of competitiveness. Indeed Mischke on a somewhat defeatist note summarizes his very thorough review in the following way:

> "… in order to establish a consistent definition and theory of competitiveness, it would be helpful if all factors and indicators were standing in a complementary relation with each other. Instead, the international competitiveness of nations rather seems to be a complex phenomenon that touches a multitude of economic aspects, which

> cannot be captured easily within one overarching definition or theory."[110]

Clearly competitiveness means different things to different people at different times.[111]

5.3 A Common Grammar in the Language of Competitiveness

However, even though the concept of competitiveness *prima facie* comes across as essentially contested and fundamentally underdetermined, the highly varied literature studying this multi-faceted and illusive socioeconomic phenomenon nonetheless shares a set of generic features. To put it figuratively, the language of competitiveness is apparently organized according to a certain structural grammar.[112]

5.3.1The Function of Competitiveness

At the most general level it is commonplace to describe the competitiveness of a nation in functionalist terms. An account of the competitiveness of a nation distinguishes analytically a set of national *sources of competitiveness* (functional inputs) that interacts through a complex set of relationships and processes to yield a *competitive outcome* (functional output).[113] While most accounts diverge in terms of what particular econometric variables are included as sources and/or outcomes, they all invoke the same analytical distinction between source and outcome. [114]

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[110] Mischke 2008, p. 107
[111]Hay and Rosamond 2003, Hay 2001, 2004
[112] I am thankful to Robert Boyer for suggesting this term to me.
[113] See e.g. Trabold 1995, Aiginger 2006, Mischke 2008, Curtis and Ciuriak 2010, Fagerberg 1996, Wren 2001
[114] However, the list of potential econometric variables to be employed as proxy indicators of sources and/or outcomes is, to put it mildly, fairly immense. Mischke for instance discerns no

With regard to *competitive outcomes*, a core analytical dividing line in the literature is the question of whether competitiveness is most appropriately measured by trade performance (world market shares, export rates, terms of trade, for example) or by growth (GDP per capita, growth in average real incomes).[115] However, the question of whether indicators of unemployment, social security, environmental protection, wellbeing and/or happiness should be included as indicators of a competitive nation is also discussed.[116]

With regard to *sources*, accounts of competitiveness likewise diverge with regard to how inclusive the list of sources should be. At one end of the spectrum one finds fairly minimal accounts stressing that international competitiveness is nothing but the product of relative average wage levels, exchange rates and terms of trade (sometimes referred to as *price competitiveness*). At the other end, much more encompassing accounts can be found.[117]

5.3.2Is Social Protection a Source of Competitiveness?

In particular, two (potential) sources of competitiveness stand out as objects of controversy. Indeed it is hotly debated whether these ("really") improve or impair national competitiveness.

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less than 24 potential indicators of competitive outcomes, and 38 potential indicators of sources of competitiveness. To add just minimal degree of systematics to her account Mischke differentiates between first macro- or micro-economic sources and/or outcomes, and secondly as either short-term or long-term sources/outcomes, but the impression of a very heterogeneous, encompassing and blurred concept remains. Indeed a great and varied range of econometric indicators is cited in the literature as proper proxies of either competitive sources and/or competitive outcomes. (see p. 125).
(, which she classifies as either micro- or macro-economic as well as either short-term or long-term. [114])

[115] Trabold 1995.

[116] Aiginger 2006, Stiglitz, Sen & Fitoussi, 2009, Porter, Delgado and Kettels 2013, Curtis and Ciuriak 2010, Skidelsky and Skidelsky, 2012.

[117] These might, for instance, include productivity, workforce skills and educational institutions, industrial relations and innovation systems, and labor market and healthcare institutions.

First, some scholars argue that labor market policies and other types of welfare policies aimed at social protection, the prevention of social exclusion and the increase of economic equality diminish competitiveness. In this view, the provision of social security is perceived as incurring additional costs to firms through, for example, increased taxes and/or social contributions and thus *ceteris paribus* constitutes an impediment to international competitiveness. Such claims are not infrequently substantiated with the invocation of an alleged *trade-off* between social protection, inclusion and equality on the one hand and competitiveness on the other.[118] Most famously, Arthur Okun once argued that economic efficiency necessarily is obtained at the cost of increasing inequalities in income and wealth.[119]

However others have questioned that trade-off, suggesting that some types of labor market and social security policies improve competitiveness.[120] Bernard and Boucher describe this line of reasoning well:

> "An array of social policies … can contribute to the mobilization of the population into a labor force that is healthy, well trained, and able to balance adequately it's earning and caring work. … These policies represent a social investment which can pay for itself, at the societal level and in the long-run, because it increases the productivity of the economy both in the short-term (output per hour worked) and in the long term (hours worked over a lifetime), consequently leading to an increase in the fiscal capacity of societies."[121]

For instance, De Grauwe and Polan have examined the relation between social expenditures and competitiveness and found that those of the advanced political economies which spend most on social expenditures also frequently rank highest

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[118] Leeson 1997, Browning and Johnson 1984, Wilkinson and Pickett 2010, Alesina and Giavazzi 2006, Blyth and Hopkin 2012, Evans and Sewell Jr., 2013.
[119] Okun 1975, Blyth and Hopkin 2012.
[120] Pedersen and Campbell 2007, Kenworthy and Pontusson 2005, Acemoglu and Robinson, 2002, Iversen 2001, 2005.
[121] Bernard and Boucher 2007, p. 226.

in competitiveness.[122] And Pedersen and others have argued that such policies promote *institutional competitiveness*[123] just as an emerging body of scholarship invokes the term *social investment state* to describe such policy strategies.[124]

5.3.3... Is Environmental Protection?

Second, strict and demanding environmental regulation (typically to be enacted by governments) to protect firms' external environment, some scholars argue, reduces international competitiveness while others suggest that it raises it. Coming primarily from the branch of economic research, some scholars argue that strict environmental regulation will inevitably incur additional costs to firms and thus give them a competitive disadvantage compared to other global firms, implying a decrease of competitiveness.[125] Again a trade-off between environmental regulation and competitiveness is perceived to exist.

However, others—and most notably Michael Porter—have contested this claim and denied the existence of a trade-off. To the contrary they suggest that "properly designed environmental standards can trigger innovation that may partially or more than fully offset the costs of complying with them,"[126] i.e., a variation of Streeck's claim that the state through strict regulation might erect a set of what he terms "beneficial constraints," i.e., regulation, which will prove costly for firms to adapt to and comply with in the short term but which will provide firms with a competitive advantage in the long term.[127]

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[122] De Grauwe and Polan 2003, Delgado, Ketels and Porter 2012, Hall and Jones 1999, Rodrik et al. 2004.
[123] Pedersen 2010, Markussen and Kaspersen 2007, Bernard and Boucher 2007.
[124] Morel, Palier and Palme 2012, Hemmerjick 2012, Lundvall and Lorenz 2012, Giddens 1998, Esping-Andersen 1999, 2002, Nelson and Stephens 2012.
[125] Babool and Reed 2010, Jorgenson and Wilcoxen 1989, Gray 1987, Palmer and Simpson 1993.
[126] Porter and van der Linde 1995, p. 98. Ambec, Lanoie et al. 2011.
[127] Streeck 1991, Thelen 2012.

5.3.4 When Should One Measure the Competitiveness of a Nation?

Underpinning both controversies are differing assumptions about the appropriate time scale upon which to assess, understand and measure international competitiveness. That is, should competitiveness be measured in the short-term e.g., in the immediate ability of firms to export and gain international market-shares, or rather in the long term, say, in the sustained and prolonged ability of those firms to export and maintain market shares in the future? Indeed, what improves competitiveness in the short term might perhaps undermine it in the long-term As perceptively noted by Mischke,

> "Short-term competitive advantages finally can turn out to be long-term disadvantages. For instance, factors like low taxes, permissive competition policy, and low social and ecological standards could serve, in the short term, to reduce costs and to increase profits for enterprises so that these factors could be used to stop capital flight, to become an attractive location for foreign companies, and to increase the international competitiveness of domestic companies. Though, in the long run, low taxes and standards could reduce the international competitiveness of the companies and the locational attractiveness of the country. Low standards can reduce incentives to innovate whereas high standards induce factor substitution and innovations. Furthermore low taxes could lead to a poor public infrastructure." [128]

Assessments of the effects on competitiveness of various kinds of policies to mitigate social exclusion, inequality and environmental deprivation clearly depart due to an underlying analytical disagreement as to the appropriate timeframe within which to measure and assess competitiveness.

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[128] Mischke 2008, p. 126. See likewise Curtis and Ciuriak 2010, Streeck 1997, Deeg 2005, Porter and Kramer 2006, Sala-I-Martin et al. 2009.

5.4 Is Competitiveness a Question of Being Alike?

However, questions as these—as well as the manifold definitions and typologies themselves—draw attention to a theoretically important and to be sure politically highly pertinent question. As succinctly put by one scholar, the question is whether competitiveness for a nation essentially is about being different or alike?[129] That is, is there only one best way to become competitive, e.g., through competitive cost-levels, or are different pathways to competitiveness equally feasible and viable in conditions of increasing globalization? Many scholars from a great array of disciplines subscribe to a view of one "best practice" while just as many deny this view.[130] However, just as definitions as well as typologies of competitiveness remain highly and essentially contested concepts, so will the question of one or many ways to competitive success in the age of globalization probably remain an object of academic and political dispute for a long time to come.

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[129] Hospers 2004.
[130] Hall and Soskice 2001, Campbell and Pedersen 2006. See also Cerny 1997.

6. THEORETICAL BACKGROUND: Comparative Political Economy

The debate about the international competitiveness of nations has not been isolated to the public arenas nor to being the bread and butter of policymakers, public pundits, international organizations and think tanks. Nor has the discussion been insulated to the academic confines of conventional economics. The question of what makes a political economy competitive in conditions of increased globalization has been one of the pivotal preoccupations—if not *the* pivotal preoccupation—of scholars within the research field of comparative political economy.[131]

Indeed, the question above as to whether only one type of political economy is able to cope with the challenges posed by increasing globalization or whether several different types, models or varieties of political-economic systems might fare equally well (if by different means) has taken center stage within this research discipline. In fact, scholars within the discipline of comparative political economy have exhibited an equally profound interest in unveiling whether competitiveness is a question about being different or being alike—even if they have addressed it in a slightly different, somewhat more sophisticated theoretical vocabulary.

Previously a great deal of effort within this discipline has been devoted to uncovering, examining and understanding the nature and constitution of socioeconomic *institutions* per se. Within this tradition it has become commonplace to define, analyze and examine institutions in light of the formal

[131] Pedersen 2010.

rules and the informal, routinized practices possessing a rule-like quality which enable particular types of behavior of political and economic actors while constraining and excluding others.[132] And typically institutions within the spheres of corporate governance and finance, industrial relations, social policy and the organization of education and skills provision, as well as the interplay between them, have received the lion's share of scholarly attention.[133]

To be sure, a not altogether insignificant part of the scientific debate of recent decades has revolved around settling the foundational question of what an institution is. That is, questions as to whether institutions ought to be defined as formal rules or more informal norms and cultures[134], whether institutions stem from the negotiation and compromise or conflict and power struggles among actors[135], and whether actors act according to a utilitarian "logic of consequences" or a more deontological "logic of appropriateness"[136] have produced voluminous amounts of research. By now a reasonably degree of theoretical consensus has been reached and calls for a *second movement* in institutional analysis, in which insights from rational choice and sociological and historical institutionalism are woven together to provide more comprehensive and complementary accounts, have repeatedly been made.[137]

Instead, the question as to whether advanced political economies tend to converge or diverge has for a long time divided the waters. Whether different particular national institutional configurations or socioeconomic "models" are or can be largely stable, robust and resistant to the external pressure from globalization *or*

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[132] Hall and Taylor 1996, Campbell 2004, Morgan et al. 2010, Hall 2010.
[133] Thelen 2012, p. 140.
[134] Scott 2008, DiMaggio and Powell 1991.
[135] Thelen 2004, Hall and Thelen 2009.
[136] March and Olsen 2004.
[137] Hall and Taylor 1996, Immergut 1998, Campbell and Pedersen 2001, Peters 1999, Campbell 2004.

whether, due to mounting external pressures, they gradually give in, adapt and converge upon the same socioeconomic and political modality allegedly best suited to the challenges of globalization remains an object of heated and contentious theoretical debate within comparative political economy.[138] This vibrant and highly productive debate can roughly be divided into and summarized as four consecutive stages of theory development.

6.1 Coercive Globalization and Neoliberal Convergence

The point of departure for this debate was a set of claims and arguments particularly prevalent in the late 1980s and early 1990s about the consequences of increasing economic *globalization* for the policy autonomy of national governments and public administrations.[139] In particular it was observed that the external global environment facing states, firms, organizations and other kinds of domestic actors was undergoing radical changes significantly altering their room for maneuver in different ways.[140] First, a wave of liberalization and deregulation of international and domestic capital markets beginning in the late 1970s meant that global investment capital became increasingly "footloose" and thus, with less restrictions than earlier, could be reinvested in the sites of the planet which offered the best business conditions and promise of profit. Second, the emergence of

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[138] Hall and Lamont 2013, Schmidt and Thatcher 2013, Ferrera 2001, Swank 2002, Mosley 2003.

[139] Lash and Urry 1987, Boyer and Drache 1996, Held 1999, Berger and Dore 1996, Keohane and Milner 1996, Giddens 2000, Ohmae 1994, Sassen 1996, McKenzie and Lee 1991, 1989, Reich 1991 (cf. see Hall and Soskice 2001, Evans 2010, cf. Campbell 2004, p. ii). Again, to be sure, the term globalization means a great many different things to a great many different people, scholars and schools of thought. Yet it is beyond the scope of the present investigation to uncover and discuss them all here, and thus we will "merely" deal with globalization in political-economic terms. Scholte 2005, 2008, Held and McGrew 2007, Rosamond 2005, Hirst and Thompson 1995, 2009.

[140] See, e.g., Jessop, Pedersen 1993.

multinational companies and border-crossing value chains as well as still more sophisticated divisions of labor meant that firms increasingly were able to locate production where it was most advantageous. Third, the advent of new technologies, in particular within transportation and telecommunications, meant that the speed with which business transactions could be conducted across time and space was radically reduced, further accelerating the process of globalization. Finally, the rapid economic ascension and industrialization of a range of former developing countries in Eastern Europe, South America and Southeast Asia radically changed the global division of labor and implied a radical surge in the availability of cheap, uneducated labor, putting increasing pressure upon the labor markets of already advanced economies.

Together these changes were claimed to radically diminish the scope of economic, fiscal, monetary, social and other kinds of policies that national governments could pursue.[141] For instance, with regard to tax policy, it was argued that the heightened capital mobility stemming from liberalization and deregulation of financial markets led to *tax competition* and a race-to-the-bottom between advanced political economies. With more mobile capital, every individual government was confronted with a dilemma of *either* lowering tax rates (and thus in turn hollowing out the fiscal base of any welfare state arrangements) so as to remain attractive to investments by FDI and thus maintain decent growth rates, *or* to retain high and, for business, unfavorable tax rates with the risk of international capital flight resulting in an unattractive low-growth/low-employment scenario.[142]

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[141] Just as it significantly altered the scope for action of other institutional actors (in particular organized labor).

[142] Scharpf 1991, Steinmo, 1993, 1994, Rodrik 1997, Simmons and Elkins 2003, Oates 2001, Genschel and Schwartz 2011. Such arguments have not been uncritically accepted, however, and a series of studies have on the contrary found that tax rate convergence over time has been less extant than one perhaps should expect. See, e.g., Swank 1992, 1998, 2006, Baldwin and Krugman 2004, Swank and Steinmo 2002, Heichel et al 2005, cf. Dobbin et al 2007, p. 458.

Similar arguments have described how and explained why governments in most advanced economies were compelled to contribute to spreading a wide range of similar policies all over the planet. By a similarly deterministic logic, it has been argued that globalization forced governments to privatize formerly publicly owned enterprises, liberalize and deregulate capital and product and labor markets; open foreign and domestic markets to international trade, introduce the market provision of public goods, disempower labor unions, slash and retrench welfare provisions for social protection and inclusion, induce entrepreneurial and less risk-averse mindsets, values and motivations in citizens and corporate leaders and much more. [143] In short, the general claim has been that economic globalization—with an inevitability worthy of a Marxist treatise—forced and facilitated the *convergence* of formerly heterogeneous national political economies towards a similar socioeconomic organization in all of the world's political economies.[144]

In turn, this model upon which all economies allegedly were destined to converge was very often designated as *neoliberal.*[145] To be sure, in these studies it is not always clear exactly what neoliberalism connotes and the literature contains several different definitions of neoliberalism. But Colin Hays' seven-point list of

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[143] Hall and Lamont 2013, Evans and Sewell, Jr. 2013.
[144] Dobbin et Al. 2007.
[145] Again, to be sure on a par with the term globalization, a highly heterogeneous set of societal and political developments, shifts, trends, changes and phenomena have been categorized as neoliberal. (See Campbell and Pedersen 2001, 2014, Lane 2005, Simmons 2008, Harvey 2005, Dobbin 2007, Mudge 2006, 2008, Fourcade 2006, Simmons 2008, Babb 2007, Centeno and Cohen 2012, Iversen 2006, Glyn 2006, Schmidt and Thatcher 2013, Brenner, Peck and Theodore 2010, Cerny 2008, Peck 2010, Boas and Gans-Morse 2009, Dieter and Plehwe 2009, Jessop 2012, Crouch 2011, Hall and Lamont 2013, Duménil and Levy 2011.) Truly, neoliberalism is a highly ambiguous term. However, as recently observed by Evans and Sewell, "If 'neoliberalism' is an apt term for the current world economic regime, it is also a troublesome one. Neoliberalism has a wide range of meanings in current discourse and a strong left-leaning political inflection. It is used far more often by those who criticize the current economic order than by those who favor it. Indeed, 'neoliberalism' all too often serves more as an epithet than as an analytically productive concept." See Evans and Sewell 2013, p. 36.

"core precepts and principles that might be said to capture the identity of neoliberalism" constitutes a reasonably systematic, stringent and analytically distinct account of what neoliberalism means:

1. A confidence in the market as an efficient mechanism for the allocation of scarce resources
2. A belief in the desirability of a global regime of free trade and free capital mobility
3. A belief in the desirability, all things being equal, of a limited and non-interventionist role for the state and of the state as a facilitator and custodian rather than a substitute for market mechanisms
4. A rejection of Keynesian demand-management techniques in favor of monetarism, neomonetarism and supply-side economics
5. A commitment to the removal of those welfare benefits which might be seen to act as disincentives to market participation (in short, a subordination of the principles of social justice to those of perceived economic imperatives)
6. A defense of labor-market flexibility and the promotion and nurturing of cost competitiveness
7. A confidence in the use of private finance in public projects and, more generally, in the allocative efficiency of market and quasi-market mechanisms in the provision of public goods

In short, in the first phase of the debate a body of scholarship suggested that, as a response to increasing economic globalization, governments all over world—either willfully or reluctantly—followed a policy course guided by the above "precepts and principles," thus precipitating the ultimate convergence of all political economies upon a single, dominant neoliberal model.

6.2 Systemic Institutionalism: Stable Divergence of Varieties of Capitalism

The first response to and critique of such accounts was advanced by scholars subscribing to what we might term as *systemic* approaches to comparative political economy.[146] They argued that every political economy constituted and was underpinned by a series of institutional subsystems enabling and constraining the behavior of socioeconomic actors in particular ways in particular settings and that such subsystems assert influence upon one another. Moreover, these scholars contended that in some cases different institutional subsystems mutually reinforce each other through so-called *complementary* relationships[147], producing outcomes otherwise not possible. And as these subsystems stand in a complementary and mutually reinforcing relationship, external pressures as well as overt attempts to change them will prove difficult since each institution gathers strength from other institutions. Consequently, some types of individual political economies (models), comprising several complementary institutional subsystems, will exhibit sufficient resilience and remain stable. That is, even with the advent of political and economic globalization, some types of political economies will continue to diverge, i.e., remain a type, or so the argument of the systemic accounts goes.

While a great many examples of systemic approaches to comparative political economy could be mentioned here[148], one of the most parsimonious instances is the *Varieties of Capitalism* approach (VOC) by Hall and Soskice. Indeed this

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[146] Hall and Soskice 2001, Streeck 1992, Crouch 1993, Boyer and Hollingsworth 1998, Streeck and Yamamura 2001.
[147] Boyer 2005, Crouch 2010, Hall and Soskice 2001, p. 18, Hall 2005, Höpner 2005 (see Campbell and Pedersen 2014, p. 10).
[148] Esping Andersen 1990, Albert 1993, Crouch and Streeck 1997, Rueda and Pontusson 2000, Hollingsworth and Boyer 1997, Whitley 1999, Boyer 1990, Streeck and Schmitter 1985.

theory has come to epitomize the position, serving as a widely discussed standard reference.[149]

Their basic argument is that the particular constitution of different institutional subsystems—whether corporate governance, industrial relations, education systems and inter-company relations as characterized by coordination or competition[150]—provides firms located in the economy with what they term *comparative institutional advantages*, of which they as an example suggest a comparatively greater ability to engage in production processes characterized by radical or incremental innovation.[151]

Accordingly they suggest, first, that all political economies can be characterized as one of two ideal-types: a liberal market economy (LME) or a coordinated market economy (CME). Second, that *both* of these ideal-types will tend to remain stable in spite of the external pressures of globalization, as argued by Hall and Soskice:

> "Increasing flows of trade have not erased the institutional differences across nations. After all, world trade has been increasing for fifty years without enforcing convergence. Because of comparative institutional advantage, nations often prosper, not by becoming more similar, but by building on their institutional differences."[152]

Two sets of criticisms have been raised against this approach. First, that these types of accounts sacrifice empirical detail for the sake of theoretical parsimony. For instance, VOC has been accused of not being varied enough.[153] The VOC, so the argument goes, oversimplifies an empirical reality which is vastly more complex and nuanced, and thus scholars have suggested distinguishing between

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[149] Hall and Soskice 2001, Campbell et al. 2006, Hancké, Rhodes and Thatcher 2007, Hall and Gingerich 2009, Schneider and Paunescu 2012.
[150] Hall and Soskcie 2001, pp. 23-26.
[151] Hall and Soskice, pp. 36-39.
[152] Hall and Soskice, 2001.
[153] Allen 2004, Crouch 2005, Schmidt 2007.

three[154], four[155] or even five[156] different ideal-types of political economies.[157] However, it is an open question whether there is any real theoretical controversy here. First and obviously, every possible world will turn out more complex than its ideal-typical representation. As they are fairly cumbersome, cartographers don't do maps in a 1:1 scale. Second, even if one accepts that *more* than two different ideal-types are viable in an age of increased competition and globalization[158], the general point of VOC (and systemic approaches as such) remains unscathed: namely that more than *one* type of political economy is viable.

6.3 Dynamic Institutionalism: Gradual Convergence by Varieties of Institutional Change

The second and perhaps deeper criticism cuts straight to the heart of this assertion. Recently systemic approaches such as the above have been accused of being overly static[159] and for relying on a temporally *syncopated* account of institutions[160], that is, for perceiving political economies and their underpinning institutional subsystems as overly stable and as evolving along "path-dependent" lines[161] only liable to change if struck by a major external shock.[162] Kaspersen

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[154] Schmidt 2002, 2007, Coates 2000.
[155] Boyer 2004.
[156] Amable 2003.
[157] For instance, increasingly the Nordic or Scandinavian "variety of capitalism" has drawn the attention of scholars as a distinct type. Campbell, Hall and Pedersen 2006, Hull Kristensen 2012, Martin and Swank 2012, Acemoglu, Robinson et al. 2012, Katzenstein 1985, Rodrik 1997, Berman 2006, Sapir 2006, Cox 2001, Pontusson 2009.
[158] Which Peter Hall by the way himself does as of today. In a recent paper Hall, besides the continental CME and Anglo-American LME types, discerns a Nordic, Scandinavian and a Southern Mediterranean variety of capitalism (see Hall, forthcoming).
[159] Deeg 2005, Djelic and Quack 2007, 2003, Crouch and Farell 2004, Deeg and Jackson 2007, Schmidt 2002, Lieberman 2002, Thelen and Steinmo 1992.
[160] Hall 2010.
[161] Pierson 2000.
[162] Thelen 1999, 2000.

contends "only dead institutions do not change"[163] and similarly Kathleen Thelen has claimed that systemic accounts are theoretically insufficient inasmuch as they impose "rather high demands on 'real' change to be recognized as such."[164] Therefore this avenue of criticism points out that systemic accounts—theoretically and empirically—overemphasize institutional stability and thus fail to account for and appreciate the myriad small, incremental and cumulative changes, alterations, and moderations which might appear insignificant in themselves but which in aggregate and over time have the potential to change institutional systems and political economies profoundly.

In short, against *systemic* institutionalism, a growing body of literature, which one perhaps might term *dynamic* institutionalism, draws attention to how institutions *also* change through miniscule incremental changes.[165] The most frequently discussed instance of this approach is the *Varieties of Institutional Change (VIC)* framework proposed in an edited volume by Streeck and Thelen.[166] On a par with VOC they propose a typology of four ideal-typical (incremental yet transformative) mechanisms of institutional change[167]: *Displacement,* which refers to the slowly rising salience of subordinate relative to dominant institutions; *Layering*, which refers to the addition of new potentially transformative elements upon old institutions; *Conversion*, which entails the redeployment of old

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[163] Kaspersen and Marcussen 2007, p. 190.
[164] Thelen 2010. See also Thelen 2004.
[165] Greif and Laitin 2004, Streeck and Thelen 2005, Streeck 2008, Mahoney and Thelen 2010, Glyn 2006, Howell 2006, Baccaro and Howell 2011, Trampusch 2009, Aoki 2005, Greif 2005.
[166] Streeck and Thelen 2005, Mahoney and Thelen 2010.
[167] In line with theoretical convention, Streeck and Thelen define institutions as a set of formal or informal "rules stipulating expected behavior and 'ruling out' behavior deemed to be undesirable." Furthermore they argue that "the enactment of a social rule is never perfect, and that there always is a gap between the ideal pattern of a rule and the real pattern of life under it.'" This, they suggest, in turn allows for "a significant amount of 'play' in the rules actors are expected to follow." Thus, in the crevice between the ideal and actual enactment of an institution, actors have sufficient wriggle room to change institutions (Streeck and Thelen 2005, pp. 11-14).

institutions to new purposes; and *Drift*, which connotes the deliberate neglect of institutional maintenance in spite of external change resulting in slippage in institutional practice.[168] On a par with VOC, the VIC framework is fast becoming a widely debated and much cited standard reference within comparative political economy.[169]

However, VIC reiterates central tenets of the neoliberal convergence thesis. While analysts invoking Streeck and Thelen's framework argue that institutions change by *different* mechanisms, a majority nonetheless describe institutional changes as liberalizations and thus as gradual steps towards convergence upon a single socioeconomic model (if not necessarily neoliberal). In short, while studies find differences in the *mechanisms* of change, they all find change to take place in a *similar* direction.[170]

Dynamic institutionalism and VIC have recently also encountered two severe criticisms. First and ironically, the critique of VOC can equally be leveled against VIC, as this approach also sacrifices empirical complexity for the sake of parsimony. VIC implicitly reduces all institutional processes to change, wherewith the approach risks neglecting the ways in which what might *prima facie* appear to constitute short-term incremental changes in fact might be countered, blocked, diverted or ricochet in the long term.[171] Just as everything looks like a peg for someone with a hammer, a researcher equipped with VIC risks committing a *typological fallacy*, i.e., applying a theoretical framework, which by its very

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[168] Streeck and Thelen 2005, p. 31. Note originally Streeck and Thelen distinguished between five different modes, including exhaustion.
[169] Greve 2012, Schmidt 2008, Schmidt 2010, Sabel and Zeitlin 2008, March and Olsen 2006, Hall and Thelen 2009, Djelic and Quack 2007, Campbell and Pedersen 2007.
[170] Consider as an illustration Streeck and Thelen's original volume (2005) in which virtually all case studies in some way or another address institutional liberalization processes towards convergence. Crouch 2005, Deeg 2005, Hacker 2005, Rothstein 2005.
[171] Campbell and Pedersen, 2014.

analytical categories predisposes her to approach, study and understand political and socioeconomic phenomena, events and processes as an instance of institutional change where there in fact might be institutional stability.[172]

Put differently, arguments for the occurrence of institutional change require a careful theoretical specification of both the institutional *unit*, which allegedly changes, and the *scope* of the temporal sequence in which this change ostensibly takes place. If the unitization is vague, the scholar risks misconstruing superficial changes as real institutional change. And with an unclear specification of the relevant temporal scope she risks misconstruing long-term institutional stability as short-term change. Obviously, the theoretical unitization and temporal specification of comparative political economic analysis has tremendous implications for the warranty of subsequent observations of institutional stability or change.

[172] For instance, it is not entirely unimaginable that political-economic actors could advance to shore up institutions as a response to perceived unfolding processes of institutional displacement, layering, conversion and drift and thus counter change through countervailing mechanisms of what could be termed institutional *replacement* (reverted displacement), institutional *peeling* (reverted layering), institutional *reformation* (reverted conversion), and institutional *anchoring* (reverted drift). By remaining theoretically inattentive to such possibilities, the VIC-equipped scholar might inadvertently come to overemphasize change and neglect long-term stability.

6.4 Teleonomic Institutionalism: Gradual Divergence along Varied Trajectories

The second and perhaps more potent criticism concerns the *trajectory,* direction or intended end (telos) of institutional change in such accounts. Dynamic institutionalism and VIC remain either largely silent about the particular direction in which institutional change is headed or, in the vast majority of cases, contend that change is in the direction of increased liberalization: more markets and less state, more competition and less coordination, more convergence upon the LME-model and neoliberal modes of socioeconomic organization.[173]

Recently Kathleen Thelen has argued that the controversy between systemic and dynamic institutionalism (VOC and VIC) has reached an impasse and "devolved into a disagreement of whether the glass is half empty or half full."[174] According to her the debate is

> "… played out in the more familiar disagreements focusing on how far liberalization has taken CME's toward LME-type arrangements—thus effectively situating countries on a single continuum and reducing the question of change to movement along that continuum."[175]

That is, VIC appears to have re-assumed the same bifurcated bimodal worldview suggested by the VOC approach, only to argue that this dichotomy is in the midst of collapsing. As such, VIC ironically ends up reifying the very same theoretical framework that it set out to challenge. And the scholar employing the VIC framework therefore neglects two not entirely insignificant theoretical possibilities. First, institutional change might take place on a "two way street" and some changes might be headed in "the opposite direction."[176] Second, that

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[173] Hall and Thelen 2009, Streeck 2008, Glyn 2006, Howell 2003, Coates 2005.
[174] Thelen 2012, p. 139.
[175] Thelen 2012, p. 143.
[176] In more specific analytical terms it is completely possible to theoretically accept (i) that institutional change is occurring and (ii) that political economies are *converging* upon one

processes of institutional change occur "at a crossroads" in the analytical junction of two (or more) trajectories (continuums) along which political economies can change (in either direction).[177]

The latter possibility is explored in Kathleen Thelen's most recent research.[178] First she argues that scholars studying institutional change invoke a too broad, encompassing and vague term when they characterize all of the great many institutional changes of recent decades as being instances of *liberalization.*[179] As she suggests,

> "There is certainly a family resemblance between some aspects of the reforms associated with Danish 'flexicurity' and some of the measures introduced by Margaret Thatcher in the United Kingdom in the 1980s, and both can reasonably be treated as cases of liberalization, broadly defined. However, it is not clear that the term provides us with the precise and discriminating analytic tool we need to grasp the rather different implications of different 'liberalizing' moves."[180]

Instead she claims that the many institutional changes of past decades—which one coarsely might characterize as "liberalizations"—took on many different forms and led to highly varied outcomes in different domestic contexts, and thus that we need more analytically stringent and precise analytical categories to describe such differences.

This more precise and discriminating tool Thelen develops through a careful re-examination and recasting of the VOC framework where she suggests that

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common model without necessarily endorsing (iii) that this point of convergence will be in either end of the VOC continuum (i.e., neoliberal convergence). For instance, if one invoked the categories of VOC, one might suggest that LMEs are gradually becoming more like CMEs.

[177] Again, in analytical terms, one might (i) accept that institutional change is occurring but (ii) either reject or accept that political economies are converging and maintain (iii) that trajectories of institutional change need to be charted along *more* continuums than just the one suggested by VOC, opening up a two-dimensional analytical space.

[178] Thelen 2012, Thelen 2014.

[179] See Thelen 2012, p. 145, Hall and Thelen 2009 pp. 22-24.

[180] Thelen 2012 p. 145.

scholars of comparative political economy begin to disentangle and differentiate analytically between *coordinated capitalism* and *egalitarian capitalism* and their different outcomes.[181] By distinguishing between the two and remaining agnostic to their mutual relation, Thelen intends to reopen "the analytic space to disentangle the complex (and nonlinear) coevolution of egalitarian capitalism and coordinated capitalism"[182] and thus "to propose a new framework that can take us beyond the usual distinctions between CMEs and LMEs and allow us to distinguish among divergent trajectories of change."[183]

--- See Figure 4.1 p. 415 ---

With this analytical innovation it is made vivid that different processes of institutional change, which all might roughly be squared with the term "liberalization," in fact occurs "at a crossroads" (i.e., in the analytical junction of two continuums) and thus follows different trajectories of institutional change and results in different outcomes on different parameters. [184]

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[181] According to Thelen coordinated capitalism has attracted the interest of comparative political economists in virtue of its (potential) *Williamsonian* outcomes of particular institutions (and system of institutions), whereas egalitarian capitalism instead has been the object of interest due to is ostensible *Durkheimian* outcomes. The former connotes, the extent to which firms, as a consequence of being embedded in the institutional context of a particular political economy is in a better position to overcome coordination problems, reduce transactions costs and enhance efficiency, through various kinds of negotiation, compromise and coordination of activities. The latter instead connotes the extent to which a particular institutional configuration of a political economy leads to better performance in terms of solidarity, societal cohesion and equality. See also Streeck 2011, p. 153. The attentive reader will note the neat resemblance of the distinction between Williamsonian and Durkheimian outcomes and the debate within the competitiveness literature of whether the competitiveness of a nation is most appropriately measured by its ability to trade and export, by its ability to grow or rather by its ability to secure high levels of employment, social security and cohesion, equality and environmental sustainability. See p.72 above.
[182] Thelen 2012, p. 145.
[183] Thelen 2012, p. 139
[184] Specifically, Thelen distinguish between three ideal-typical forms of liberalization or as she term "trajectories of institutional change": *deregulation, dualization and embedded*

Recently a growing group of scholars has begun to argue along similar lines as Thelen. Like her they contend that while institutions of most advanced political economies have been in a flux in recent decades and thus a plethora of institutional changes *have* occurred, they nonetheless also argue that institutional change is *not* a unidirectional, equifinal and monolithic process and thus *reject* that all changes lead to the same outcome. In short, they accept that institutions change but reject that political economies as a consequence hereof converge.[185] For instance, Cathie Jo Martin draws attention to what she terms the "conundrum of institutional continuity within change."[186] Hall and Lamont in their recent discussion of the alleged global diffusion of a neoliberal regime of governance urge that

> "Neoliberalism must not be seen, however, as a blanket laid over the world. The process whereby neoliberal schemes acquired influence over policymaking and popular beliefs is ultimately best described as a syncretic social process. … Their social impact was inflected by the creativity with which political actors used them and conditioned by the contexts into which they were introduced." [187]

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flexibilization. First, liberalization qua *deregulation*, by which she refers to the active political dissolution of the ability to coordinate activities among both employers and labor. Secondly, liberalization as *dualization,* as for instance when strong employment protection is maintained for a stable core of regular, well-organized workers, while a growing share of "irregular" workers as they emerge remain disorganized and less protected. In this way, different institutional subsystems – which are not necessarily mutually complementary, are allowed to grow alongside each other. Thirdly socially embedded flexibilization, referring to the different forms of active labor market policies associated with the Nordic flexicuriy- arrangements in the labor market Thelen 2012, p. 147. See also Campbell and Pedersen 2007, Martin and Swank 2012, Hull Kristensen and Lilja 2012,

[185] See illustrative accounts Peck and Tickell 2002, Hall and Thelen 2009, Fourcade-Gourinchas and Babb 2002, Hall and Lamont 2013, Evans and Sewell, Jr. 2013, Campbell and Pedersen 2014, Halliday and Carruthers 2010.

[186] Martin forthcoming 2013, Petigrew et al 2001.

[187] Hall and Lamont 2013, p. 10.

7. THEORY: Ideas in Comparative Political Economy

Tangential to this core controversy within comparative political economy, a growing body of scholarship has evolved trying to settle the question of whether and how ideas—broadly understood as the ways social actors situated in a political economy perceive and make sense *of* that political economy—matter to processes of institutional stability and change. That is, this sub-branch of comparative political economy generally holds that increased theoretical attention to ideas might complement and aid comparative political economists in devising more encompassing and complete explanations of how and why, for instance, some types of political economies remain stable, some types of institutional change occur and some types of outcomes result. As succinctly put by Blyth, "structures don't come with an instruction sheet,"[188] by which he suggests that, before a social actor can either adhere to or defy institutional rules, that actor first needs to make sense of them by the invocation of ideas.

At the most general level, this literature shares the assumption of many great philosophers and sociologists that beliefs *about* social reality held by actors embedded *in* social reality matters *to* social reality (in more than a merely epiphenomenal sense), and that ideas perhaps even possess the potential to *transform* the very social reality they are ideas of.[189] The sub-branch has variously been labeled *Discursive Institutionalism*[190], *Constructivist Institutionalism*[191] or

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[188] He thus implies that agents need ideas to make sense of the institutional constraints imposed upon them in order to adhere by them. Blyth 2003.
[189] Weber 1915, Polyani 1944, Merton 1948, Foucault 1977, Scott 1998.
[190] Campbell and Pedersen 2001, Schmidt 2002, 2006, 2008.
[191] Hay 2002, 2006, 2011.

Ideational Institutionalism[192] or as a *Cultural Political Economy*.[193] Regardless of the particular epithet, the core common denominator of this literature is that "ideas matter"[194] to the study of political economies and the turn to ideas within the comparative political economy reflects a broader social-scientific awareness of the need to make better theoretical sense of how social actors make sense of themselves, others, their time, history and context.[195]

Again Peter Hall pioneered the field with a study of how ideas influenced British macroeconomic policymaking in the 1970s[196], and following in his footsteps still more scholars have begun to study the interplay between ideas, discourse and institutions. [197]

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[192] Hay 2001.
[193] Jessop 2012.
[194] Mehta 2011.
[195] As argued by Jessop, this turn to the study of ideas reflects a broader, ongoing and postdisciplinary re-orientation within humanities and social science—variously termed "the cultural turn, the narrative turn, the rhetorical turn, the discursive turn, the argumentative turn, the performative turn, the reflexive turn, the visual turn"—towards emphasis upon the independent theoretical value of studying the modalities and conditions of "social production of intersubjective meaning." Jessop 2012, pp. 59-60.
[196] And allegedly orchestrated a broader "paradigm shift" from Keynesianism to monetarism during Thatcher's government in the 1970s. See Hall 1993.
[197] Indeed, it is somewhat paradoxical that the study of ideas has not preoccupied comparative political economists more. After all, if ideas *about* political economies, institutions, globalization, competitiveness and other matters stand in no relation whatsoever to those objects they are about, then why would scholars want to devote hours, years and entire careers to the meticulous elaboration of such ideas (theories) in the first place?[197] Campbell and Pedersen even suggest that the study of ideas "constitutes the third analytic leg of a three-legged stool along with the analysis of policymaking and production regimes upon which comparative political economy should rest. Until now that leg has been largely missing." (2014, p. 11) For a few examples of studies of ideas, see, for example, Campbell and Pedersen 2001, Campbell 2004, 2008, Schmidt 2002, 2006, 2008, Hay 2001, 2006, Blyth 2002, Beland and Cox 2011, Skogstad and Schmidt 2011, Gofas and Hay 2010, Schmidt and Thatcher 2013, Berman 1998, McNamara 1998, Abdelal et al. 2010, Rodrik 2011, Rosamund 2012 , Jessop 2012, Culpepper 2008.

7.1 Ideas in Systemic, Dynamic and Teleonomic Institutionalism

As a matter of fact, both systemic, dynamic and teleonomic institutionalism implicitly or explicitly ascribe an explanatory role to ideas in their respective approaches to the study of institutions and processes of institutional change. First, systemic accounts rely on ideas. For instance when addressing the question of how institutions are formed in the first place, Hall and Soskice addressed the organizational and institutional preconditions for elaboration, diffusion, deliberation, contestation and subsequent institutionalization of ideas.[198] However, beyond these brief assertions, Hall and Soskice do not pursue the issue further. Second, ideas apparently also play a role in dynamic institutionalism accounts. For instance, ideas figure prominently, albeit implicitly, in the VIC framework. In their very definition of an institution, Streeck and Thelen distinguish between the "ideal" and "real" pattern of behavior in an institution and thus already assume some role for ideas, even if they on a par with Hall and Soskice do not pursue the question in any significant detail. [199] Finally ideas constitute an important part of

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[198] In particular, they argued that CMEs—but strangely enough not LMEs—host what they termed *deliberative institutions* and claimed they carry out three tasks. First, deliberative institutions encourage actors to engage in sharing of information and collective discussion on distribution of risks and gains associated with cooperation. Second, they improve the confidence between cooperating actors. Third, they can enhance the capacity of actors in the political economy for strategic action when faced with new or unfamiliar challenges. See Hall and Soskice 2001, pp. 11-12. See also Hall and Gingerich 2004.

[199] Streeck and Thelen, 2005. For example, it is difficult to imagine how *layering* or *conversion,* could occur without someone having an idea about what layer to add to the institution or what new purpose the institution should be redeployed towards. Indeed, absent an account of how ideas might influence social actors' perceptions of the relative advantage of continued adherence or deviation from an institution, an actor's behavioral deviation from institutional constraints in theoretical terms seems to be so spontaneous that it renders the very concept of an institution virtually vacuous. If it involves so little cognitive effort on behalf of actors to utilize the room for play and deviate from institutional constraints, the good question is whether it all makes theoretical sense to speak of an institution in the first place. A similar consideration informs Pierson's worry of the "abyss of agency unleashed" —that is, the observation that a staunch theoretical insistence on the complete capacity of actors to alter every aspect of an institution

the theoretical vocabulary of teleonomic institutionalism. For instance Hall and Lamont in their recent analysis of how the diffusion of an allegedly similar neoliberal policy paradigm nonetheless led to widely differing outcomes in different domestic contexts examine the influence of collective imaginaries, by which they understand

> "the overarching narratives that tell people what their society is about, what its past embodies and its future portends, who belongs to it, and what kinds of behavior merit social respect." (p. 4, see also p. 17, Hall and Lamont 2013)

Hall and Thelen argue that in order to understand both institutional stability *and* change, it is important to grant attention to "meta-institutions for deliberation":

> "When the world throws up shocks that unsettle the benefits flowing from the existing institutions, deliberative forums facilitate the re-equilibration of cooperative endeavor, by allowing for (i) "diagnosis," where the issue is to agree on the cause-and-effect relations generating the problem and pertinent to the solution, and for (ii) 'agreement on distributive justice', where the issue is to apportion the risks and benefits that can flow unequally from cooperation." [200]

Indeed ideas play a prominent role in most of the studies of teleonomic institutionalism[201]

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always already obliterates the very theoretical concept of an institution. In short, if institutions are so easily changed, perhaps they are not really institutions. Pierson 2004, Thelen 2010. See also Hall 2010.

[200] Hall and Thelen 2009, p. 12.

[201] See also Evans and Sewell, Jr. 2013, pp. 36-37, Campbell and Pedersen 2014, Martin and Swank 2012, Martin 2013.

7.2 If This Is Your Idea of an Idea…

However, as difficult as it is to deny the potential relevance of ideas to comparative political economy, as difficult has it been for scholars within mainstream comparative political economy to take most research of ideas seriously.[202] But perhaps the core of comparative political economy is not entirely to blame for this mishap. Recently, Campbell has argued that if scholars taking ideas and discourse seriously *themselves* are to be taken seriously, they must become able to manage three central challenges to this body of scholarship: [203]

- *Conceptual Clarity:* First, scholars need to do a much better job of providing clear *definitions* of ideas and differentiate more precisely between different types of ideas through more rigorous and analytically clear typologies of ideas.
- *Attention to Actors:* Second, scholars should pay much more attention to the *actors* who wield and field ideas and be able to specify empirically who they are, how they act, coordinate and compete, how they are organized, and their varied roles in the deliberation, dissemination, contestation and potential implementation of ideas.
- *Transparent Methodology:* Finally, scholars must devise and specify appropriate and sufficiently transparent and reproducible *methodologies* for the empirical study of different types of ideas as well as the various actors who carry them.

The provision of satisfactory answers to these three challenges is a necessary (but not sufficient) condition if scholars of ideas are to be taken seriously within the larger edifice of comparative political economy and connect the insights from the

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[202] Schmidt 2010.
[203] Campbell 2004, p. 92. See also Campbell 2002. In fact Campbell discerns five challenges inasmuch as he also argues that scholars should be better at specifying under what *conditions*, in what contexts and at what temporal pace different types of ideas are most likely to assert influence upon institutions.

study of ideas to these broader research agendas. The three challenges are addressed in greater detail in the following section.

7.3 What Is an Idea?

First, the literature on ideas, ironic as it seems, does not have a common clear idea of what an idea is. A great many seemingly synonymous terms flourish in this branch of literature—sometimes applied discriminately but most often interchangeably and with weak analytical distinctions. Among the many terms invoked (besides ideas), one finds blueprints[204], ideologies, beliefs, perceptions, philosophies (in the plural), policies, narratives[205], cultures[206], episteme[207], problematizations[208], epistemologies[209], paradigms[210], frames and programs[211], world views[212], collective imaginaries[213] and bricolages.[214]

Among the more analytically rigorous accounts, one finds the following definitions of ideas. In their forthcoming volume, Campbell and Pedersen define policy ideas as

> "… arguments that specify causal relationships, such as that between tax or welfare policies and economic performance, over certain periods of time. They are based on paradigmatic theoretical or ideological assumptions. They are often substantiated with data and analyses of various sorts. They are often framed rhetorically in ways designed to appeal to policymakers and their staff, the general public or other audiences, sometimes by invoking widely held values, opinions and

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[204] Blyth 2002.
[205] Bates 1998.
[206] Swidler 1986.
[207] Foucault 1966.
[208] Also Foucault 1997.
[209] Pedersen 2010.
[210] Hall 1993.
[211] Campbell 2004.
[212] Swidler 1986, Hall and Lamont 2013.
[213] Jessop 2012, Hall and Lamont 2013.
[214] Campbell 2005. See Campbell 2007 and 2004 for a similar listing of concepts of ideas.

> attitudes in society. And they are often articulated in explicit opposition to competing ideas." [215]

And Mark Blyth has suggested that

> "Economic ideas provide agents with an interpretive framework, which describes and accounts for the workings of the economy by defining its constitutive elements and "proper" (and therefore "improper") interrelations. Economic ideas provide agents with both a "scientific" and a "normative" account of the existing economy and polity, and a vision that specifies how these elements *should* be constructed. That is, economic ideas also act as blueprints for new institutions. In sum ideas allow agents to reduce uncertainty, propose a particular solution to a moment of crisis, and empower agents to resolve that crisis by constructing new institutions in line with these new ideas." [216]

However, as should be clear, several features of ideas are touched upon in these definitions which need to be carefully disentangled. Within the literature, then, so as to provide some degree of orderliness, it is common to elaborate a typology of ideas.

7.3.1 Hall's Typology of Ideas

In his seminal article from 1993, Peter Hall distinguish between three types of ideas and, accordingly, between three types (or "orders") of policy change. First, specific *settings* of policy instruments are a type of idea, and Hall suggests calling a change in such a setting a first-order change.[217] Next, he discerns *instruments* defined as "the basic techniques used to attain" overall goals of policy and argues that we might speak of second-order change when instruments and their settings change while "the overall goals of policy remain the same."[218] Finally Hall, drawing on Thomas, defines *policy paradigms* as

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[215] Campbell and Pedersen 2014, p. 24.
[216] Blyth 2002, p. 202.
[217] Hall 1993, p. 278.
[218] Hall 1993, p. 279.

> "a framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing. … They specified what the economic world was like, how it was to be observed, which goals were attainable through policy, and what instruments should be used to attain them. They became the prism through which policymakers saw the economy as well as their own role within it."[219]

Third-order changes thus describe changes where "the hierarchy of goals behind policy" is changed and one paradigm replaces another.[220]

7.3.2 Mehta's Typology of Ideas

In a recent account, Mehta (2011) defines an idea as an entity "which defines how policymakers should act"[221] and then discerns three types of ideas: *policy solutions*, *problem definitions* and *public philosophies*. First, he defines a policy solution as the instrument, tool or measure which is deemed appropriate to address a certain problem, in that particular case where this "problem is given … and the idea provides the means for solving the problem."[222] Second, he defines a problem definition as "a particular way of understanding a complex reality" as being problematic. The two types of ideas are related, inasmuch as problem definitions by their very articulation circumscribe and delineate the scope of potential, effective or appropriate solutions for addressing that problem, while excluding others as ineffective and/or inappropriate. As Mehta claims, "the way a problem is framed has significant implications for the types of solutions that will seem desirable."[223] Finally Mehta invokes the work of Hugh Heclo (1986) when he

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[219] Hall 1993, p. 279.
[220] To be sure, Hall find such paradigm shifts to be very rare events, and he cites the broad "movement from a Keynesian mode of policymaking to one based on monetarist economic theory" during the government of Thatcher as the most prominent example of such a paradigm shift.
[221] Mehta 2011, p. 25,
[222] Mehta, p. 27.
[223] Mehta, p. 27.

considers a third and more general type of idea, namely public philosophies (or *zeitgeists*), which he defines as a view about the "appropriate role of government given certain assumptions about the market and society"[224] and which determine "(a) who is at the table, (b) how those actors think, and (c) the types of actions that will be seen as desirable or legitimate."[225]

7.3.3 Campbell's Typology of Ideas

John Campbell has also proposed a typology of ideas based on two analytical distinctions. He suggests that ideas might either be in the *foreground of the debate* figuring explicitly in writings, publications and other statements by policymakers, politicians and others. Or an idea might reside in the *background of the debate* in the form of taken-for-granted assumptions that implicitly underlie and ground the foreground ideas. Second, an idea might be either *cognitive* or *normative*. That is,

> "at the cognitive level, ideas are descriptions and theoretical analyses that specify cause-and-effect relationships, whereas at the normative level ideas consist of values and attitudes."[226]

These distinctions provide him with four different types of ideas: *programs*, defined as "cognitive concepts and theories that enable or facilitate decision-making and institutional change by specifying for decision makers how to solve specific problems"; *paradigms*, defined as ideas which "constrain decision-making and institutional change by limiting the range of alternatives that decision-making elites are likely to perceive as useful and worth pursuing"; *frames*, defined as foreground ideas that "enable elites to legitimize their programs and institutional changes to their constituents"; and *public sentiments*, defined as background ideas that "constrain decision-making and institutional change by

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[224] Mehta, p. 40.
[225] Mehta 2001, p. 42.
[226] Campbell 2004, p. 166.

limiting the range of programs that decision-making elites are likely to perceive as acceptable and legitimate."[227]

7.3.4 Schmidt's Typology of Ideas

Schmidt has also introduced an analytical distinction between *coordinative* and *communicative discourses.* Generally she defines discourse as

> "... not only the substantive content of ideas but also the interactive processes by which ideas are conveyed. Discourse is not just ideas or "text" (what is said) but also context (where, when, how, and why it was said). The term refers not only to structure (what is said, or where and how) but also to agency (who said what to whom)."[228]

In turn, coordinative discourses describe discourse between socioeconomic elites about current political challenges and communicative discourse connotes the communication between such elites and broader electorates and societal groups in which these challenges are conveyed and legitimized.[229]

7.3.5 Common Features of the Typologies of Ideas

As should be clear, these definitions and typologies share several features. First and foremost, ideas are defined as being *different from institutions*, as commonly understood within mainstream comparative political economy.[230] Second, they tend to conceptualize ideas according to a *generality* spectrum where some types of ideas (such as paradigms or discourse) are considered to have a more general, encompassing, basic or fundamental reference than other more particular, specific and confined ideas (such as settings or policy solutions.) Third, in turn more general ideas possess the capacity to *constrain* the less general ideas available to

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[227] Campbell 2004.
[228] Schmidt 2008, p. 305.
[229] 2002, 2006, 2008.
[230] To be sure, there can be some degree of overlap between definitions of ideas and institutions (as for instance when Mahoney and Thelen distinguish between the "ideal pattern of a rule and the real pattern of life under it"), and institutions might figure as part of ideas, just as ideas might be a part of institutions. However, ideas are *not* considered equivalent to institutions.

policymakers by rendering some of these particular ideas more legitimate, appropriate, rational or effective than others. Fourth, the more general an idea is, the more hidden in the background, unquestionable and inaccessible to scrutiny it tends to become for actors. More general ideas can come to be so *taken for granted* that actors think, act and behave according to them without doing so consciously or intentionally.[231] Finally, it is common to distinguish between ideas as *descriptive* factual statements about socioeconomic reality[232] and *normative* value-laden judgments about appropriate courses of political action.

7.4 Three Remaining Problems

Even so, while advances have been made in defining more analytically clearly and rigorously what types of ideas there are, these analytical concepts can nonetheless still be subjected to three not entirely insignificant criticisms. First, one has not demonstrated that ideas matter by showing that it is possible to distinguish between different types of ideas. Again, to do so would be to commit a typological fallacy.[233] Second, it is not obvious that these conceptual categories are as well suited to conduct cross-national comparative studies—which after all is the core preoccupation of *comparative* political economy—as they are for conducting 1n-case studies of ideas within single countries.

Finally and perhaps most importantly, the question remains as to how social scientists in terms of methodology at all can approach, operationalize and study the more general, taken-for-granted ideas, paradigms, zeitgeists, or discourses

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[231] Scott 1987, Scott, 2001, Campbell 2004. Perhaps Foucault would suggest that some ideas can come to possess a quality of normality. Foucault 1977.

[232] Objective ideas do not only refer to (allegedly) factual knowledge claims about the world (such as, e.g., "proper economic interrelationships," "causal relations," "problem definitions" etc.) but also to actors' epistemological claims about proper procedures through which an actor might come to obtain knowledge about the world. See Campbell and Pedersen 2014.

[233] See p. 89 above.

which they argue reside in the background of the debate, inaccessible to the social actors who unconsciously accept them. *Prima facie*, several of these analytical conceptualizations seem to presuppose a privileged epistemological position on behalf of the scholar of ideas by which she can access and scrutinize that which is inaccessible and unavailable to scrutiny by the social actors themselves. Moreover, even if it is possible to assume such a privileged epistemological vantage point—and specify methodologically how to do so—the additional challenge of what James C. Scott with usual eloquence has termed the *Social Heisenberg Principle* remains.[234] That is, how can the scholar of ideas be certain that she is not transforming the object of her study (discourse, paradigms) while studying it? Where do ideas come from?

Turning to the second issue, scholars of ideas have also been troubled with providing adequate accounts of where ideas come from in the first place. That is, who are the actors, who develop and disseminate ideas and how are they organized? For instance, Hall argues that the "marketplace of economic ideas" expanded dramatically during the Thatcher years, as a host of new research institutes and think tanks devoted to the elaboration and dissemination of ideas about economic affairs flourished.[235] Employing a different concept, Haas suggests studying *epistemic communities,* which he defines as a

> "Network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area."[236]

Sabatier instead argues that scholars ought to scrutinize clusters of actors that he terms *advocacy coalitions*. According to Sabatier,

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[234] Scott 1998, p. 47.
[235] Hall 1993, p. 286. See also Goldman 1999, Goldman et al. 1996, Rasmussen 2009
[236] Haas 1992 p. 3, see also the term applied in Finnemore and Sikkink 1998, March and Olsen 1998

> "An advocacy coalition consists of actors from many public and private organizations at all levels of government who share a set of basic beliefs (policy goals plus causal and other perceptions) and who seek to manipulate the rules of various governmental institutions to achieve those goals over time."[237]

With an almost synonymous term, Hajer has suggested that scholars examine *discourse coalitions.*[238] And increasingly scholars have encouraged studies of how different types of academic *professions* (such as economists but also others) through a host of profession-specific ideas seek to assert influence upon processes of institutional change and stability.[239]

However, on a par with the analytical conceptualizations of ideas, such approaches to define actors who hold ideas suffer problems which emerge primarily because epistemic communities, advocacy and discourse coalitions and professions etc. are analytically defined with reference to the *substantive* content of particular ideas.[240] This is of course sufficient if one wants to describe these clusters of actors and the particular outlook of their epistemic and professional idiosyncrasies by themselves.

But they are inherently inapt for studying more general ideas (paradigms, public philosophies etc.). Recall for instance, how Hall argues that paradigms constitute the prism by which policymakers see their own role within the economy[241], or how Mehta suggests that public philosophies designate "who is at the table." More specifically, the very status of community, coalition or profession is not a prediscursively independent ontological fact of the social world but a status conferred to it by the very constitution of a given general idea. Since more general

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[237] Sabatier 1991, pp. 151-153
[238] Hajer 1995, Pautz 2012
[239] See e.g. Skowronek 1982, Lamont and Molnar 2002, Lamont 2009, Seabrooke and Tsingou 2009, Seabrooke 2011, Morgan 2012
[240] (e.g. the epistemic community or profession of economists which all subscribe to supply-side economics and monetarism.)
[241] Hall 1993, p. 279.

ideas not only specify policy problems but also confer identity, agency and responsibilities on social actors—that is, social actors are constituted *as* actors in virtue of certain general ideas of agency—analytical approaches which define actors according to the substantive content of ideas paradoxically by their very theoretical framework come to *reify* the very ideas and communities they propose to study by considering epistemic communities, professions etc. as ontologically given and immediately available for social-scientific study, which they are not.

Peter Hall's original definition of a marketplace of ideas consisting of all organizations that invokes ideas to influence policy processes far better addresses the challenges. In these footsteps, the literature has examined the formation and organization of different types of idea-producing organizations such as think tanks, research institutes and councils of economic advisers.[242] But much of this has suffered from an Anglo-American bias and seldom engaged in more thorough and cross-nationally comparative analysis of how different marketplaces of ideas might be organized and structured differently in different national political and economic contests.

7.4.1 Knowledge Regimes

However, recently Pedersen and Campbell have addressed this gap in the literature on cultural political economy in their comprehensive and empirically rich study of what they term national knowledge regimes[243], as well as how the latter have developed since the end of the Golden Age of Capitalism until today. They argue that a political economy basically can be considered to consist of three types of *regimes*: a production regime, a policymaking regime, and a knowledge regime. First, they define a production regime, which they claim

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[242] See, for example, Cockett 1994, McGann 2007, Abelson 2002, Stone and Denham 2004, Rich 2004, and Pautz 2012 for accounts of the emergence of think tanks.
[243] Campbell and Pedersen, 2014, forthcoming, 2011.

> "… involve[s] the organization of economic activity through markets and other market-related institutions, which govern the inter-relationships among firms, customers, employers, employees and owners of capital."[244]

Thus drawing heavily upon central tenets of systemic institutionalism[245] (in particular VOC), Campbell and Pedersen argue that production regimes can be (ideal-typically) distinguished by the extent to which interactions between market participants are governed by market principles (e.g., competitive behavior mediated by the price mechanism) or other institutional nonmarket principles (e.g., coordination through various kinds of mechanisms facilitating cooperation and consensus among market participants).

Second, they argue that "policymaking regimes involve the organization and governance of states, political parties and other political institutions"[246] and thus draw upon the literature which argues for "bringing the state back in."[247] This body of scholarship emphasizes that the particular organization of the state, the bureaucracy and its parliamentary processes can have a profound influence upon specific policies.[248] Finally they define a knowledge regime as the set of

> "policy research organizations like think tanks, government research units, political party foundations and others that produce and disseminate policy ideas. … Knowledge regimes are the organizational and institutional machinery that generates data, research, policy recommendations and other ideas that influence public debate and policymaking."[249]

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[244] Campbell and Pedersen 2014, p. 9.
[245] See p. 85 above.
[246] 2014, forthcoming, p. 9.
[247] Evans, Rueschemeyer and Skocpol 1985, Katzenstein 1978, Steinmo 1992, Vogel 1986.
[248] Thus, whether a state is centralized or decentralized (as in the case of federal systems), whether the party system is bipartisan or multipartisan and whether the internal state bureaucracy is strongly organized or fragmented has a potential impact upon policy processes, outcomes and ideas.
[249] Campbell and Pedersen, 2014, forthcoming, p. 6.

As such, a knowledge regime is assumed to be analytically distinct from both production and policymaking regimes.

In turn, they demonstrate that the particular outlook of national policymaking and production regimes structures the particular organization of a knowledge regime, and on this basis argue that the particular organization of a national knowledge regime structures the substantive content of the ideas held by actors situated in that knowledge regime. Finally, they argue that ideas potentially can affect the structure and functioning of policymaking and policymaking regimes.

--- See Figure 5.1 p. 416 ---

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With regard to Campbell and Pedersen's second set of claims, they on the one hand demonstrate that some degree of organizational isomorphism (i.e., convergence) occurred between national knowledge regimes. First, they find that since the late 1970s policy research organizations in all national knowledge regimes strengthened their outward communication capacity, embracing the Internet and new types of social media to enhance external exposure and disseminate their ideas to targeted audiences. Second, all of the organizations, regardless of knowledge regime, also enhanced their social-scientific analytical capabilities and increasingly began to employ sophisticated econometric methodologies, techniques, statistics and metrics.

On the other hand, besides these convergent features national knowledge regimes nonetheless retained distinct national characters. Hence they argue that the particular configuration of national policymaking and production regimes continued to assert an influence upon the way the national knowledge regime was organized and find limited convergence of knowledge regimes:

> "Although each knowledge regime underwent significant change national differences persisted in how each one was organized and operated. In short, we found patterns of only limited convergence that were at odds with what many organizational and economic sociologists and others would have expected."[250]

With regard to the third set of claims, Campbell and Pedersen assert that the substantive content of ideas produced in the four national knowledge regimes also converged in some regards but nonetheless—on a par with the organizational structure of the regime—retained a unique national character.

To examine the content of ideas, they conducted a comparative case study of annual economic reports published by four different national economic councils. They found that those reports differed both in terms of the *substantive content* of ideas advocated and the *relative pace* or *steadiness* with which that content changed (or did not change) over time. In short, they argue that a more erratic flip-flopping of ideas in the reports of the U.S. Council of Economic Advisors reflects the more competitive nature of U.S. knowledge, policy and production regimes, and conversely that the more "steady hand" of the German *Sachsverständigensrat* is the product of a more consensus-oriented knowledge, production and policymaking regimes.[251]

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[250] Campbell and Pedersen 2014, p. 23.

[251] In the case of U.S. Council of Economic Advisors, they observe the ideological content of ideas to vary greatly depending on the political color of the current administration. Ideas "flip-flopped" and flowed with the changing tides of political power. Where Campbell and Pedersen find that the annual economic reports published during the presidency of both George W. Bush and Ronald Reagan exclusively speak in favor of neoliberal ideas, during Clinton's administration the picture is seemingly more mixed as neoliberal ideas are complemented with ideas favoring a more interventionist state which should move to correct inherent market failures. [251] In contrast, the authors find the reports published by the German *Sachsverständigensrat* much more consistent over time and exhibiting a continuous mix of neoliberal policies such as privatization, fiscal austerity, deregulation, tax cuts, and liberalizations with government-based supply policies aimed at improving educational systems and enhancing labor market mobility.

7.4.2 Shortcomings of the Knowledge Regime Approach

Campbell and Pedersen's analysis of the substantive content of ideas (the alleged product of national knowledge regimes' unique organization), comprehensive and impressive as it is, leaves some questions unanswered.

First and foremost, Campbell and Pedersen's thorough and meticulous analysis of the substantive content of ideas is based on data drawn from just one type of policy research organization. Having first demonstrated a significant and nationally specific variation in how many different types of policy research organizations are organized in different knowledge regimes (and finding that some types are much more prevalent in some knowledge regimes than in others), it is somewhat curious that Campbell and Pedersen by methodological choice restrict their subsequent content analysis to merely one type of policy publication (annual economic reports) from just one type of policy research organization (councils of economic experts) even if they provide good methodological reasons for restricting their study to this type of organization.

While it of course might be the case, it is not entirely obvious that ideas held by councils of economic experts are representative of the ideas generally held by other types of policy research organizations situated in a knowledge regime. Nor can it be assumed that such ideas exclusively or primarily find expression in annual economic reports published by policy research organizations. Indeed, the publication portfolio of these types of organizations is vast, and the annual reports might constitute the tip of the iceberg.

Finally, while they tell us that policy research organizations converged in their common adoption of similar sophisticated econometric methodologies and techniques, they curiously do not shed much light on the particular form, content and function of these advanced econometric methodologies and techniques.

7.4.3 Complementing the Knowledge Regime Approach

In short, our knowledge of the knowledge that knowledge regimes produce could be greatly enhanced by a content analysis of the ideas (as well as econometric techniques employed to substantiate such ideas) held by a greater variety of policy research organizations as expressed in a greater variety of policy publications based upon a more explicit and clear analytical framework.

In fact, Campbell and Pedersen in a postscript to their recent book on knowledge regimes call for further research along these lines:

> "More effort is required to determine whether the overall structure and practices of a knowledge regime influences the type of ideas it tends to produce. Our analysis of this was suggestive but by no means definitive because it was based on documents from only one policy research organization in each of our four knowledge regimes— national councils of economic advisors. More systematic research is in order and would involve analyzing reports from a broader sample of policy research organizations in each knowledge regime. Documents from at least the most prominent organizations in each should be sampled for different time periods to determine whether changes in the knowledge regime affected the type of ideas they tended to produce."[252]

This is exactly were the present study sets in. In particular, the primary purpose of the present study is to pick up the baton after Campbell and Pedersen and advance the knowledge regime research agenda by conducting a discourse analysis of the ideas held by a greater variety of policy research organizations in order to determine whether and how such ideas co-vary with national knowledge regimes.

In fact more is at stake for the knowledge regime approach than first meets the eye. If it cannot in a methodologically convincing way be demonstrated that ideas held by policy research organizations situated in different knowledge regimes vary, then there is really no good reason for comparative political economists to take knowledge regimes seriously. After all, if knowledge regimes vary but the

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[252] Campbell and Pedersen 2014, p. 339.

ideas they produce remain the same, why bother to study knowledge regimes in the first place?

8. ANALYTICAL FRAMEWORK: Discourse and Narratives

Hence, the present study will examine whether and how the substantive content of the ideas held by policy research organizations vary—and vary systematically—in accordance with the national knowledge regimes within which they are situated. And it will demonstrate that a common discourse of international competition among nations has been present in the period from 1993 to 2007 in the three national knowledge regimes of the United Kingdom, Germany and Denmark but that this discourse nonetheless came to be expressed and understood in nationally specific ways through, in some aspects, similar but nonetheless sufficiently distinct national narratives of competitiveness.

This it will do by means of an analytical framework—elaborated in the present chapter—in which the central analytical categories of a *discourse of international competition* and *national narrative of competitiveness* are presented, defined and explained. In the subsequent chapter, a cross-national, three-layered methodology and research design is presented by which the study intends to operationalize and apply the analytical framework laid out below.

8.1 Discourse Defined

The concept of discourse, as applied in the present study, refers to the set of conceptual conditions or rules for intersubjective communication implicitly accepted and understood by a multitude of actors embedded in a given social context at a given historical time. By virtue of discourse, such actors become able to assess, interpret and evaluate the speech and behavior of others and differentiate rational, purposeful speech and action from irrational, futile folly and nonsense. As such, discourse constitutes *a context of rationality* which allows actors to

interpret and make sense of themselves and others *as if* that practice is rational or irrational, regardless of whether it in fact is. And it consists of the historically prevailing quasi-transcendental conditions of sense-making, which any social actor is bound to observe insofar as she intends to make herself intelligible and understood by—that is appear as rational to—others who share these conditions.[253] Of course, the great challenge associated with studying a discourse is that it cannot be observed directly. As should be intuitively clear, the historically prevailing quasi-transcendental possibility conditions for intersubjective communication are not immediately given to the social scientist who hopes to study them.

Even so a discourse can reasonably be assumed to be present if, in the comparison of different instantiations *of* the discourse, there can be discerned a common logic or sufficiently clear pattern. Put differently, one can as a social scientist reasonably assume discourse to be present if a plurality of temporally and spatially dispersed situated social actors makes sense of their social world in sufficiently similar and comparable—if different and distinct—ways.[254]

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[253] Pedersen 2010, 1991, Campbell and Pedersen 2001, Fairclough 2003, Hay 2013, Laclau and Mouffe 2001.

[254] Note however, that the point is *not* that a discourse is present if and only if all actors instantiate these dichotomies in exactly the same way through exactly similar narratives. Rather the point is that a discourse can be assumed to be present if multiple actors situated in different contexts tell narratives which *are* different but that all employ the dichotomies in a manner sufficiently similar to allow for their meaningful comparison and contrast. If several narratives are structured according to the same *logic*—e.g., the same timescale, metrics, identities and functions—then one can reasonably assume a discourse to be present.

8.2 Paul Ricoeur's Concept of Narrative

These particular instantiations of a discourse are, in the present study, defined as *national narratives of competitiveness.* In so doing, the study draws heavily upon the philosophical concept of a narrative as proposed by Paul Ricoeur. In his brilliant philosophical treatise "Time and Narrative" (1983) he suggests that

> "the plot of a narrative … 'grasps together' and integrates into one whole and complete story multiple and scattered events, thereby schematizing the intelligible signification attached to the narrative taken as a whole."[255]

To Ricoeur, a narrative rests upon the philosophical premise that to any human being *a priori* two fundamentally different—and *prima facie* mutually incompatible—ways to apprehend and make sense of time are available. On the one hand, time can be understood as cosmological time that refers to the uniform sequence of an unending multitude of unqualified, undifferentiated moments. In short everything that has happened, happens and will happen. On the other hand, time can be understood as lived or human time. This refers to the lifespan of some human being, i.e., the sequence of experienced events, moments and occurrences of which some, upon recollection, stand out as more meaningful and important than others. The simultaneous presence of two so different temporal modalities constitutes a fundamental, virtually insurmountable paradox to any human being. How can the same moment be both qualitatively significant (human time) and quantitatively insignificant (cosmological time)?

Paul Ricoeur argues that narratives resolve the paradox. The narrative "grasps together," qualifies and delimits the unqualified, cosmological multitude in an apprehensible whole which accentuates and attributes significance to some moments at the expense of others. As such the narrative resolves the allegedly

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[255] 1983, preface, p. x.

paradoxical tension between cosmological and human time. Or in Ricoeur's own words, historical time becomes human time

> "to the extent that it is organized after the manner of a narrative; and narrative attains its full significance when it becomes a condition of temporal existence."[256]

As such the act of narrating is not a pure or scientific exercise of depicting and obtaining knowledge about the world in and of itself. Through narratives, human beings continuously construct and interpret, reconstruct and reinterpret history in certain ways, with certain emphases and punctuations, regarding some aspects and moments as more significant, important and meaningful than others.

However, the point is not that narratives can be constructed in an infinite range of imaginable ways. Any meaningful narrative must necessarily relate to cosmological time. Rather, the point is that narratives constitute contingent constructs, not necessary truths, and thus any narrative always could have been told differently.[257] This, in turn, has the implication that any given narrative—apparently a descriptive account of an extant temporal socioeconomic reality—is always already inscribed with a particular meaning and holds a certain significance inasmuch as some moments by some actor at some point are "carved out" of cosmological time and put forward as significant at the expense of other potentially significant moments. In short, the very act of description necessarily involves a moment of normative judgment. History could always have been told otherwise but not in an infinite number of ways.

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[256] Ricoeur 1983, p. 3.

[257] For instance, two different narratives might ascribe importance and significance to different chains of moments and events occurring in the stream of cosmological time and thus constitute different narratives, yet these would be considered equally truthful (i.e., equally related to cosmological time). However, the two narratives share the feature of having *some* relation to cosmological time.

8.3 Ontological Assumptions of Discourse Theory

Paul Ricoeur's concept of a narrative shares a set of assumptions with discourse theoretical approaches in general.

8.3.1 The Never-Once-and-for-All-Givenness of Knowledge

First, the discourse theoretical approach emphasizes the contingency of any purported objective, necessary knowledge claim of social reality. Regardless of the strength of the epistemological foundation, a given knowledge claim rests upon that epistemological foundation itself, which is always historically given, context dependent and contingent.

Thus the discourse theoretical approach points towards the *never-once-and-for-all-givenness* of any purported knowledge claim about social reality[258] and proposes that any idea should not be assessed as being either true or false but understood as *an interpretation of ostensible facts by a historically situated cognizing subject*. In particular it underscores this as such:

- That interpretation is guided by a historically given, contingent and not infrequently contested norm, procedure or *epistemology* for the appropriate interpretation of alleged facts, where
- What constitutes a fact is given by historical assumptions about *ontology*, that is, assumptions about what entities exist in the world, and where
- What constitutes a *subject* is guided by historically given norms and conventions for who may (and may not) legitimately and with sufficient

[258] If for no other reason then for the fundamental *reflexive* character of knowledge of social reality, i.e., any purportedly objective knowledge *of* social reality is always (and necessarily) *known* by some subject situated *in* that social reality. As such that knowledge, in turn, is added *to* social reality as soon as that knowledge becomes known by other participants also embedded in that social reality and they begin to adjust their behavior according to that knowledge.

competence apply epistemological procedures for assessing and interpreting facts.

The task, then, is to construct a second-order interpretation *of* the first-order interpretations of social reality *through which* the epistemological and ontological assumptions underpinning these are laid bare, revealed and explicated.[259] Thus the discourse theoretical approach seeks to render social actors taken-for-granted first-order interpretations of social reality a little less taken for granted and more historically contingent through the careful, meticulous and comparative reexamination and reinterpretation of these first-order interpretations. In short, to demonstrate that history *could* have been told otherwise.

8.3.2Three Dichotomies of Discourse

Second, the approach contends that the range of possible narratives is not infinite. That is, just because any knowledge claim necessarily is historically contingent (i.e., emphasizes some aspects of cosmological time at the expense of others), this does not imply that any claim whatsoever could come to count as knowledge in any socio-historical context. [260] In other words, the range of *tellable* narratives is constrained by a set of (quasi)-transcendental, generic possibility conditions of intersubjective communication, conditions any human being, regardless of historical context, must observe. For instance, a narrative told without the invocation of temporal categories is *a priori* meaningless and unintelligible. These

[259] Heidegger 1962.

[260] Indeed, there exist a variety of discourse theoretical approaches, of which some are of a more radical and strong ontological tenor than those discussed here. Some strands of strong discourse theory contend that inasmuch as any description of the world is mediated by language, and moreover since all language is socially constructed, then there is no "objective" nonconstructed basis upon which any kind of knowledge claim (including a narrative) can be founded. For examples of such approaches, see Woolgar 1988, Knorr-Cetina and Mulkay 1983.

can be expressed as a set of discursive dichotomies.[261] Any narrative which purports to be meaningful must necessarily invoke the following:

1) *The Dichotomy of Temporality:* As famously noted by the French philosopher Henri Bergson, time is what keeps everything from happening all at once. Accordingly, in a narrative all objects, subjects, causes and events must necessarily be described as taking place in temporal sequences, where something happens before other things and something happens after. The temporal dichotomy differentiates cosmological time with the categories of "before" and "after."
2) *The Dichotomy of Subjectivity and Objectivity:* Likewise a narrative must ascribe the quality of objectivity as having being to some entities, i.e., as possessing the quality of being objects present for observation. Likewise, the narrative must ascribe the quality of subjectivity to some entities, i.e., as possessing the quality of subjectivity and consciousness. That is, someone or some group of someones has to be defined as cognizant social actors which are first in an epistemological position to observe objects *qua* their being objects and subsequently able to engage, interact with and potentially change those objects. The dichotomy thus differentiates and set differences in cosmological space with the categories of subject and object.
3) *The Dichotomy of Functionality:* Finally a narrative must carve out and assume connections and relationships between objects and subjects. Such relationships can assume one of two generic forms. Relationships between two objects constitute causal relationships, where one object is described as effect and the other as the cause of that effect. Relationships between an object and a subject, instead, constitute an instrumental relation in which a conscious subject relates to and understands a given object as a potential means to the obtainment of an

[261] Pedersen 2010.

end or, conversely, as an end for which another object is perceived as a means. In short, the difference between a causal and instrumental relationship is the intentionality of a subject which consciously apprehends a causal relationship as a potentially manipulable instrumental *function* for the obtainment of an end. This dichotomy thus differentiates social reality through categories such as causes, means, sources or inputs on the one hand and effects, goals, outcomes or outputs on the other.

8.3.3 The Assertion of Discursive Dichotomies through Commensuration

Recently Espeland and Sauder have described how this "carving out" and assertion of dichotomies is operationalized and practiced through the (essentially cognitive) process of *commensuration.* They argue, that in its most simple form,

> "commensuration is characterized by the transformation of qualities into quantities that share a metric; a process that is fundamental to measurement. … Commensuration shapes what we pay attention to, which things are connected to other things, and how we express sameness and difference."[262]

In fact, in a prolongation of Espeland and Sauders' claim, one might argue that a distinct form of *commensuration* applies to each of the three discursive dichotomies above:

- The discursive dichotomy of temporality is cognitively asserted through a process of *temporal* commensuration, by which a multitude of qualitative and undifferentiated moments, events and sequences are quantified and ordered according to common a *timescale* or *cycle*.

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[262] Espeland and Sauder, p. 16. One of the perhaps best-known examples of commensuration is the sociologically well-described process of commodification, through which vast, dispersed and qualitative information of an ostensible social entity is reduced to a quantitative price. But commensuration is more general than commodification and can assume several forms. See Espeland and Sauder 2007, p. 34.

- The dichotomy of objectivity and subjectivity is asserted through the dual processes of *objectifying* commensurations, by which a multitude of qualitative data and phenomena are categorized and subsumed according to a common *metric* or *scale*, and *subjectifying* commensurations, by which the mass of all human beings are analytically differentiated and recollected according to common (potentially collective) *identities* (such as a government).
- The dichotomy of functionality is asserted through processes of *relational* commensuration, by which a multitude of undifferentiated, qualitative events are recategorized according to the common form of a *causal relation or function*.

As such, processes of commensuration affect which aspects of their social world actors grant attention to and perceive as relevant and thus structure the form of their attention by decontextualizing the potentially infinite, bewildering and hyper-complex amount of qualitative, context-based information of cosmological time in the form of common *metrics*, *timescales, identities and functions*.

According to Espeland and Sauder, commensuration alters and simplifies the cognitive horizon of social actors in two ways. On the one hand, it delegitimizes and eliminates huge amounts of information possessed by actors as being irrelevant. On the other hand, it reorganizes the remaining information by imposing a common form upon it. As such commensuration *unitizes* social reality by reifying certain social phenomena as having being but simultaneously *hierarchizes* it through the evaluative differentiation and distinction made possible by the evaluative yardsticks implied by the common metrics, timescales, identities and functions. For instance, Espeland and Sauder contend that commensuration constrains the cognition of agents in virtue of

> "how the common metric relationship is constructed, as well as from the relations of relevance and irrelevancy, visibility and invisibility, that are conferred. Difference between entities is expressed as an interval on a

shared metric. Commensuration takes other categories for expressing difference irrelevant as they are subsumed into this metric. "[263]

8.4 The Scylla and Charybdis of Discourse Analysis

Of course, the good methodological question is how one as a social scientist should approach the task of analyzing the not immediately given and visible discourse. It is not an entirely unproblematic exercise to explicate the discursive possibility conditions upon which knowledge claims taken for granted by socially embedded actors are premised. Obviously the question readily arises as to what the epistemological assumptions underpinning the second-order interpretations—which the discourse theorist attempts to establish from the first-order interpretations—they are?

Put differently, when the discourse theorist intends to reveal ostensible objective knowledge claims as contingent constructs, on what epistemological grounds does the discourse theorist put forth her own knowledge claim *about* the knowledge held by actors? If not extremely careful, she runs the risk of repeating the very same mistake as she accuses her study object of committing, namely of laying claim to a privileged epistemological vantage point from which the social world as "*it really is"* can be perceived, accessed, described and understood once and for all.

The methodological challenge for the discourse theorist consists of remaining on the same epistemological plane as the social actors she studies while retaining the possibility of demonstrating that the actors' knowledge of the social world *are* perceptions and thus historically contingent. To invoke the sophisticated term of Louis Althusser, the challenge consists of avoiding reassuming the very same

[263] Espeland and Sauder, p. 17.

relation of exteriority[264] that one attempts to reveal. Put figuratively, the discourse theorist must steer the hazardous methodological course between the Scylla and Charybdis of empiricism and theoreticism, theoretical approaches which both assume a relation of exteriority but in different ways.

Empiricism assumes, put simply, that "the facts are out there." As such, the object of study is immediately given to the discourse theorist in some real-concrete sense. Accordingly the cognitive task consists of nothing more than abstracting, generalizing and extracting the essence of the real through inductive reasoning from facts to theory. Yet, this path is methodologically blocked since this would amount to an unwarranted claim to a privileged epistemological vantage point, of being somehow "closer" to the facts than the actors themselves. In short, it would constitute a deliberate and methodologically unjustifiable neglect of the fundamental point that not only are social actors *always already* situated within a socially meaningful and mediated context, so is the discourse theorist. In this sense, the facts are *never* out there but always already mediated, and this has to be taken into account.

Theoreticism conversely assumes, no less simply, that "the theories are out there," i.e., that the bewildering mass of scattered events and phenomena constituting the social world principally can be subsumed under empirically verifiable causal laws or general theories and that knowledge can be obtained through empirical verification or falsification of hypotheses derived from these more general, well-established theories. Accordingly, the cognitive task for the discourse theorist consists of, first, the theoretical deduction of a set of analytical categories and concepts, after which the first-order interpretations held by social actors could be examined to analyze the relative conformation or deviation

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[264] Howarth 2005.

between categories and "data." However, this path is also blocked. Again she would need to explain in what sense, upon what epistemological basis, her own deductively derived concepts constitute a more appropriate or superior set of concepts to approach the social world than those held by the actors themselves. That is, one would need to account for how one as a theorist would be "closer" to the "real" theories of social reality than other social actors. Thus theoreticism carries a severe risk that the discourse theorist in her eagerness to ascertain second-order interpretations would overimpose and force a particular set of theoretically categories and concepts upon the first-order interpretations—as it were, "import" a preconceived meaning into the already meaningful discourse—herewith neglecting the specificity and particularity of the notions held by the social actors themselves.

Instead, the discourse theorist must steer a third course between Scylla and Charybdis. She can reject the empiricist and theoreticist approaches and proceed through what one, in desperate need of a precise phrase, could term "*double conceptual judo*," that is, an analytical strategy through which the epistemological strength of one narrative is played out against that of another. By such an exercise, the *prima facie* necessity or taken for grantedness of one narrative is compared to and contrasted with the equally *prima facie* necessity of another narrative, by which they both ultimately are rendered a little more contingent.

8.5 Epistemological Status of Discourse Theoretical Claims: It's Just Another Story

However, the approach thus also implies that the propositions asserted by the discourse theorist (i.e., the second-order interpretation of first-order interpretations) remain and can never be more than just another interpretation of social reality among many. In epistemological terms, the approach is not *more* privileged than others and in terms of empirical (positivist) predictive power they are inherently insufficient. Put figuratively, once one as a scholar makes the methodological choice to open Pandora's hermeneutic box and let the genie of Ricoeur out of the bottle, it is not easily closed again. As such, the propositions of the discourse theorist can perhaps best be likened to what Italian philosopher Gianni Vattimo has termed "weak thinking." A type of thinking or philosophy which, when contested or challenged consciously (and conscientiously), refrains from taking epistemological recourse to stronger ontological first principles or capital-letter categories such as God, Nature, History, Science, State or Market.[265]

However, being weak does not necessarily imply being inconsequential. The epistemological weakness of the discourse-theoretical approach constitutes its very strength. Exactly because the discourse theoretical analysis possesses the potential to question the taken for grantedness of first-order interpretations upon epistemological and ontological premises *already* accepted by such interpretations, it obtains a position from which it becomes possible to demonstrate that history (always) could have been told differently. Perceived imperatives might be political choices. By pointing out how and in what aspect taken-for-granted narratives are different from other such equally taken-for-granted interpretations, the analytical power of the discourse-theoretical approach

[265] Vattimo 2006.

resides in its ability to continuously reopen the social horizon of imagination.[266] On a par with the skilled judo fighter who turns the strength of her enemy to an advantage, the epistemological weakness of the discourse-theoretical approach constitutes its very strength, as through this dual conceptual judo it becomes possible to reveal the soft epistemological underpinnings of any ostensibly strong ontological claim.

[266] Gadamer 1977.

9. METHODOLOGY: Advancing Our Knowledge of the Knowledge Knowledge Regimes Produce

And now for something completely different.[267] In the following, a methodology and research design is elaborated by which it becomes possible to demonstrate that, in the period from 1993 to 2007 in the national knowledge regimes of the United Kingdom, Germany and Denmark, nationally distinct—if in some regards similar—narratives of competitiveness came to be expressed by the policy research organizations (PROs) situated in those knowledge regimes and by which it subsequently becomes reasonable to assume that a discourse of international competition of nations in fact has been present in this period.[268]

The study applies a three-level research design to study the substantive content of national narratives of competitiveness.

--- See Figure 7.1 p. 417 ---

- On the first level, three national knowledge regimes—the United Kingdom, Germany and Denmark—have been selected for analysis.

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[267] Cleese 1971.

[268] As argued, it is only in virtue of variance between national narratives of competitiveness that one as a discourse theorist is allowed to assume the presence of a discourse For instance, a discourse of "international competition of nations" could not be reasonably said to be present if, say, the issue of competitiveness was *not* addressed in one or two knowledge regimes at all. It is in virtue of the fact that all PROs in all of the knowledge regimes in some way or another discuss what it takes for a nation to be competitive in an increasingly competitive global environment—but in different ways with different emphasis elaborating different conceptualizations of the very concept of competitiveness—which warrants the argument that a discourse of "international competition of nations" is present.

- On the second level, from each these knowledge regimes a typologically representative set of four different types of PROs—an advocacy organization, a scholarly organization, an economic council and a ministry of economics—has been selected.
- On the third level, from these PROs three types of policy documents—annual economic reports, commission white papers and indexes of competitiveness—have been included in the dataset and subjected to a thorough coding and content analysis.

Thus the full dataset covers more than more than 10,000 pages of policy documents and publications published by 12 different organizations situated in three different national knowledge regimes. The specific methodological rationale for the selection of the particular cases at these three levels of analysis is laid out and explained in greater detail in the following.

9.1 Sample of Knowledge Regimes

At the first level of analysis, the national knowledge regimes within the political economies of the United Kingdom, Germany and Denmark have been selected for analysis, the United Kingdom and Germany because these within the wider literature of comparative political economy are commonly cited as prototypical or ideal-typical policymaking and production regimes (LMEs and CMEs, respectively) and thus provide a good ground for a productive and relevant cross-national comparison.[269] Furthermore, Denmark has been included since scholars within comparative political economy increasingly have begun to grant this case more attention, with some arguing that it constitutes a hybrid case that combines features of other ideal-types.[270]

9.1.1Two Caveats

Before moving forward, it is important to assert two caveats with regard to the sampling of the three national knowledge regimes.

First, as should be clear from the discussion of discourse analysis above[271], the very theoretical positing of ideal-typical models and regimes—production, policymaking and knowledge regimes—as well as claims regarding the potential presence or absence of complementary, mutually reinforcing relationships between them, could be problematic from a discourse-theoretical view. That is, these constitute themselves as abstractions deduced from general theories common to comparative political economy and thus the study could be accused of implicit theoreticism.[272] For instance, as will be evident shortly, policy research

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[269] See p. 85 above.
[270] See Campbell, Hall and Pedersen 2006, Hull Kristensen 2012, Martin and Swank 2012, Acemoglu, Robinson et al. 2012, Katzenstein 1985, Rodrik 1997, Berman 2006, Sapir 2006, Cox 2001, Pontusson 2009.
[271] See p. 115 above.
[272] See p. 124 above.

organizations situated in knowledge regimes in fact *themselves* invoke ideas of distinct types of political economies, as is the case in Germany (at times referred to as "Modell Deutschland"[273]) or Denmark (the labor market of which is at times characterized as a flexicurity model)[274]

However, this should not constitute a severe problem as long as one, as a discourse theorist, remains aware of the problem and, during analysis, remains open and attentive to the specific ways "models," regimes and systems are being discursively constructed and conjured by the objects of analysis (i.e., the policy research organizations) and keeps them separate from his or her own methodological categories. Moreover, as long as the analytical categories by which one as a discourse analyst approaches a discourse are sufficiently generic (i.e., remain at the level of the discursive dichotomies) and thus do not overimpose or predetermine the meaning of the discourse by the very analytical categories one approaches it with, the problem is manageable. After all, one has to approach the discourse from somewhere in order to study it. The view from nowhere is reserved for philosophers.

Second, in the following, the particular national characteristics of the production, policymaking and knowledge regimes of the United Kingdom, Germany and Denmark are briefly presented. The reviews are based on secondary literature and surely could have been more comprehensively, evenly and systematically elaborated than is the case here. However, the production, policymaking and knowledge regimes have already elsewhere been very well described and detailed by core comparative political economists. And as the present study merely hopes to *describe* rather than *explain*[275] the cross-national variation of ideas, this does

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[273] See p. 213 below.
[274] See p. 275 below.
[275] See p. 331 below.

not constitute a significant shortcoming. Of course, had the intention been to establish convincing explanations of cross-national variation, then the descriptions below would probably have been too crude and insufficient for the task. But it was not and, given the time and resource constraints, the study committed the majority of its resources to the substantive content analysis of discourse and narratives.

9.1.2 The Knowledge Regime of United Kingdom: A Liberal Marketplace of Ideas

The policymaking regime of the United Kingdom hosts a two-party system and a winner-takes-all system. Whichever of the Labor or Conservative parties win an election holds control of the legislative and the executive branches of government, which grants any given U.K. government considerable more policy autonomy and room to maneuver. In contrast to Germany, the British state is centralized, and the prime minister and the British government has far greater policy autonomy and initiative freedom than elsewhere. The state bureaucracy is likewise strong, well-established, and professionalized and remains in place with the coming and going of electoral majorities. The civil service thus possesses a significant degree of policy expertise and competence accumulated over time.

The United Kingdom is—besides the U.S.— often highlighted as a prototypical liberal market economy[276], that is, as a type of political economy in which interactions between various stakeholder groups in the market (between boards and management, between management and employees, between competing firms etc.) are resolved through the price mechanism, i.e., as transactions within a market without any formal or informal institutional rules or constraints guiding such an exchange. At least since the Thatcher government, the direct influence and involvement of the social partners—in particular the labor movement—in the

[276] Hall and Soskice 2001.

drafting and implementation of economic policy have been severely constrained and cosmetic. The typical CEO of a U.K. firm is typically less encumbered by and not subjected as often to having to take into account the interests of various stakeholder groups, which means he or she can move quickly and unilaterally without interruption when required. In terms of corporate finance, following the "big bang" of financial market liberalizations since 1986[277], a deep and strict divide has separated the interests of the financial sector from those of U.K.'s manufacturing industry.[278] Thus British firms must secure financing either through retained earnings or equity financing, and financial institutions investing in British firms are far more interested in short-term turnover, earnings and value of market shares than in the longer-term nurturing of the firm. Consequently, British firms have been far more vulnerable to hostile foreign takeovers.

According to Pautz, in recent decades the British knowledge regime has seen a proliferation of new think tanks and advocacy organizations where new organizations with a particular partisan inclination typically have emerged in periods where their favored political party has been in opposition. Prior to the election of Margaret Thatcher in 1979, a group of think tanks had been founded, such as the Institute for Economic Affairs (1955), the Adam Smith Institute (1977) and the Centre for Policy Studies (1974). The emergence of these organizations have often been used to explain Thatcher's ascension to power as they (allegedly!) helped pave the ground for her free-market-oriented ideas and policies as well as aided in the intellectual discrediting of Keynesianism.[279] Similarly during the late 1980s and 1990s, with the Labor Party out of office, new advocacy think tanks with a progressive ideological orientation were established, groups such as the

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[277] Schmidt 2002, p. 23.
[278] Zysman 1983.
[279] Hall 1993, Cockett 1994, Desai 1994, Denham and Garnett 1996, 1998, 2004, Pautz 2012, p. 25.

Demos, the Social Market Foundation, the Institute for Public Policy Research, Catalyst and the Smith Institute. And the electoral defeats of the Conservatives from 1997 through 2007 have given rise to a new bulge of center-right-oriented think tanks such as the Policy Exchange, ResPublica, Politeia and Civitas. [280] Thus in the British knowledge regime, it seems, the budding and blossoming of new PROs ebbs and flows synchronously with the tides of political power. One might term the British knowledge regime as a *liberal marketplace of ideas.*

9.1.3 The Knowledge Regime of Germany: A Coordinated Marketplace of Ideas

Likewise the political economy of Germany—*Modell Deutschland*—is a fairly well described and thoroughly analyzed object of study within the literature of comparative political economy.[281] And the bountiful tales of its many deep-rooted structural deficiencies[282] have led several scholars to suggest that the model has stepped onto a pathway of gradual but fateful secular decline.[283]

The Germany policymaking regime, in contrast to the British, is a multi-party system composed of two major political parties—the Social Democratic Party (SPD) and the Christian Democratic Union (CDU)— and three smaller parties—the Christian Social Union (CSU), the Free Democratic Party (FDP) and the Green Party. As is the case in these multi-party systems, a single party seldom holds a sufficient majority to form a government and thus broad coalitions (at times involving both major parties) are the rule rather than the exception in the German policymaking regime. As a consequence, policymaking tends to be more slow-moving and less radical and involves more compromises from government to government than two-party systems.

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[280] Pautz 2012, p. 27.
[281] Kitchelt and Streeck 2004, Hall and Soskice 2001, Dyson and Padgett 2005
[282] Prasad 2006, Harding 1999, 2007.
[283] Streeck 2008, Schirm 2002, Carlin and Soskice 1997.

Likewise the German state is a federal state composed of 16 Länder, each with a separate regional government and bureaucracy. These states within the state are not only responsible for the implementation of federal policies once enacted but also hold independent and rival jurisdiction over significant policy fields such as education. Also, since the Länder controls the Bundesrat (the German legislature's second chamber), federal governments must regularly consult with the Länder to get policies passed. In times of "divided government," where opposing parties or fractions hold the majority in the Bundestag and the Bundesrat, policymaking virtually grinds to a halt.[284]

In turn the federal state bureaucracy is comparatively small and fragmented. As noted by Kitchelt and Streeck, "the entire federal bureaucracy has fewer employees than a single U.S. government department"[285] and thus holds far fewer opportunities for lifelong careers for civil servants. As a consequence, specialized policy expertise and competences within the state bureaucracy are less extensive and relatively limited compared to other countries and to the bureaucracies of the Länder. Also each ministry operates with significant autonomy from the federal chancellery but under the constraints implied by the legislative division of labor between the Länder and the federal government.

Also the German *welfare* state is decentrally organized and fragmented. Described by Esping-Andersen as a conservative, Christian democratic variant of the welfare state, where social security provisions are designed to prevent decline in social status for individuals and social services are provided by private nonprofit organizations (e.g., churches), organized according to occupations and sectors and have transfer incomes proportional to contributions paid through payroll taxes. As

[284] Kitchelt and Streeck 2004, p. 7.
[285] Kitchelt and Streeck 2004, p. 7.

such, the German welfare state is less progressive and redistributive than its social-democratic counterpart.[286]

In contrast to the market-based production regime in the U.K., the production regime in Germany is (or has been) characterized by various formal and informal institutionalized mechanisms for facilitating interactions and transactions among market participants fostering coordination and collaboration on range of issues as well as competition. With regard to the organization of capital, strong informal inter-firm relationships, personal networks and well-organized employers' associations, as well as close collaboration between the private sector and state agencies, have facilitated cooperation among major and medium-sized firms around the generation and acquisition of important inputs to the production process (trained labor, technology process innovation) while maintaining market competition in other fields.[287] The much acclaimed "dual system" of vocational training, in which employers share the risks of extensive investment in significant and long-term vocational training in entry-level apprentices, is one of the most-cited examples of an institutionalized practice within the German economy which fosters coordination among firms. But also the system of corporate finance—the Hausbank system, where major German banks traditionally have held majority stockholder positions in large Germany firms, which in turn has allowed German corporate managers to plan for the long term of their firms without the risk of hostile takeovers—is such an example.[288] Likewise labor is far more organized in Germany than in liberal market economies. More workers belong to a union—even if this figure has been declining—and more workers are covered by collective agreements established through collective wage bargaining organized to

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[286] Esping-Andersen 1990.
[287] Kitchelt and Streeck 2004, p. 4
[288] Busch 2005. However, several authors have also described how this system has undergone significant changes in recent years. See Deeg 1998, Vitols 2005.

a principle of *Tarifautonomie*. This implies that the state does not involve itself in processes or policies of wage formation. By federal law (the *Betriebsverfassungsgezets*) in large German firms employees are ensured of representation in works councils in which they are informed, consulted with and involved in corporate decisions regarding nonwage issues such working conditions, hours and mass layoffs.[289]

Thus on the basis of these and other corporatist measures, since the end of the Golden Age of Capitalism, the Modell Deutschland arose as what some observers have dubbed a strong export juggernaut with particular competitive strengths in traditional, capital and energy-intensive industries such as automobile production and petrochemicals.

This particular configuration of the policymaking and production regimes in Germany has conditioned the emergence of a distinct national knowledge regime. In a comparative perspective, its perhaps most notable feature is the great involvement of the federal state in the knowledge regime. While the German federal state is not engaged directly as an actor which itself produces all of its policy research, it nonetheless plays a large indirect role. It looms large as a facilitative and financial safeguard ensuring that public debate and policy research on political and economic matters is and remains sufficiently open and inclusive, entailing a broad spectrum of divergent ideological ideas.

The German knowledge regime can be described as consisting of several components. First is a predominant group of scholarly organizations specialized within advanced economic analysis which receive significant shares of their funding from the federal government, the Länder and the ministries. They are operated more like scientific research centers than think tanks. They publish

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[289] Kitchelt and Streeck 2004, p. 5.

regularly in recognized peer-reviewed academic journals and in many regards, as it were, function as the private extended analytical arm of the public bureaucracy. They are not oriented to advocacy work and lobbyism and pride themselves on being independent, neutral and objective producers of policy-relevant economic knowledge. Among these, the most prominent are *Zentrum für Europäische Wirtschaftsforschung* (ZEW), *Münchener Gesellschaft zur Förderung der Wirtschaftswissenschaft* (CESIfo), *Deutsches Institut für Wirtschaftsforschung* (DIW), *Wirtschafts- und Sozialwissenschaftliches Institut* (WSI) and *Institut für Makroökonomie und Konjunkturforschung* (IMK). [290]

Second, another notable feature of the German knowledge regime is its Council of Economic Experts. The Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung (SACH) is perhaps the prototypical example of the kind of quasi-public or "para-public institutions" which inhabit—as do many other PROs of the German political economy[291]—the murky borderlands between the private and public sector in Germany. This highly esteemed and recognized economic council of scientific experts advises the federal government on all matters pertaining to political economic policy issues. The members of the council, who "must possess a specialized knowledge of economic science,"[292] are formally appointed once every five years by the Bundesministerium für Wirtschaft und Technologie (BmWI). The SACH is fully funded by the federal government but is formally fully independent of its funder.[293]

In 1963, the SACH was established by federal law in the passing of *Gesetz zur Bildung eines Sachverständigenrates zur Begutachtung der*

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[290] Campbell and Pedersen 2014
[291] Katzenstein 1978, Thunert 2004.
[292] Gezetz Act on the Appointment of a Council of Experts on Economic Development, 1963.
[293] Besides the five council members, the scientific secretariat is staffed by ten PhD-trained economists.

gesamtwirtschaftlichen Entwicklung. In the law's second article, the task of the SACH is specified as follows:

> "In its Annual Report the Council of Experts will describe the current economic situation and its foreseeable development. … The Council of Experts will point out undesirable developments and the possibility of avoiding or suppressing such developments, without, however, recommending any specific measures of economic and social policy."[294]

Thus, accordingly, once a year (in November) SACH solicits a very elaborate, detailed and lengthy report—*Jahresgutachten*—which contains an assessment of the current condition of Germanys economy as well as forecasts of the domestic and international development with the federal government and all others involved with economic policymaking in Germany as addressees. The SACH is obliged to assess the extent the current economic policy stance is viable in terms of ensuring "stability of the price level, a high rate of employment and equilibrium in foreign trade and payments, together with steady and adequate economic growth."

Third and comparatively unique for the German knowledge regime is the system of party foundations. Each political party with seats in the Bundestag has secured financing for the operation of an independent PRO—a party foundation (*Stiftung*). Each of the party foundations, typically founded in the early post-war era, is affiliated with a political party with which they are ideologically "in tune" even if the party foundation is formally and practically independent of the party. Thus each foundation receives financial resources in an amount matching the number of seats which its affiliated party holds. These resources are spent upon a range of activities directed to affect the public opinion, and the Stiftungs are explicitly

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[294] See Act on the Appointment of a Council of Experts on Economic Development, 1963, http://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/Sonstiges/act_council_of_economic_experts.pdf.

politically committed to advancing a clear ideological agenda.[295] In this line, the Social Democratic party has the Friedrich Ebert Stiftung, the Christian Democrats have the Konrad Adenauer Stiftung, the Christian Social Union the Hanns Seidel Stiftung, the Green party the Heinrich Böll Stiftung, and the Left Party has the Rosa Luxembourg Stiftung.[296]

Fourth, besides the well-established scholarly organizations, party foundations and the economic council—which all trace their history back to the immediate aftermath of the Second World War[297]—a small group of advocacy organizations has in the most recent decades gained a foothold and blossomed alongside the more traditional actors. Among these are the Initiative Neue Soziale Marktwirtschaft (founded in 1999), the Bertelsmann Foundation (founded in 1978), the Quant Foundation and the Foundation Market Economy. These organizations do not produce their own research in-house but either commission it from others or synthesize already existing studies and policy research. Thus they are far more oriented to influence the public opinion on broader and more ideological questions than they are to scrutinize specific instances of policy legislation. And while they claim to be politically neutral and nonpartisan, they nonetheless typically boast an ill-conceived ideological stance. Thus compared to the U.K. knowledge regime, one might describe the German knowledge regime as a *coordinated marketplace of ideas*.

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[295] In fact the party foundations structure is a little more complicated than that. The foundation (which is funded by the federal state) carries out a lot of different activities directed to promote civic and political education, as well as a vibrant democracy, of which one is the operation of think tank-like organizations, which produce and disseminate policy research on a range of perceived public political problems to the wider public.

[296] Campbell and Pedersen 2014, p. 12

[297] In fact some organizations such as the Friedrich Ebert Stiftung was founded already before the war. (1928)

9.1.4 The Knowledge Regime of Denmark: A Negotiated Marketplace of Ideas

The Danish policymaking regime is also a multi-party system, which during the last century has grown increasingly abundant. The four old parties—the Social Democratic Party (Socialdemokraterne), the Liberal Party (Venstre), the Social Liberal Party (Det Radikale Venstre) and the Conservative Party (Konservative)—have for decades held sway as well-defined representatives of distinct class-interests representing variously the interests of workers, the agrarian sector and business. However, during the 20th century several new and not immediately class-associated parties have entered the stage. As of 2014, no fewer than eight different political parties are represented in the parliament. Beyond the four old parties, the four newcomers are the Socialist Party (Socialistisk Folkeparti) formed in 1956, the Red-Green Alliance (Enhedslisten) formed in 1989, the Danish People's Party (Dansk Folkeparti) formed in 1995 against the backdrop of the mildly chaotic breakup of an earlier tax-denier Progress Party (Fremskridspartiet) and the recently emerged Liberal Alliance founded in 2007, which came into being as a more libertarian offspring of the Social Liberal Party.

Thus, the multi-party structure in Denmark, as in Germany, facilitates a more consensus-oriented culture in which two or more parties most often engage in a broader coalition to form a government and hence political compromise and negotiation both within governments and outside is the order of the day. Accordingly, Danish policymaking tends to follow a less abrupt and more incremental pattern.

However, in contrast to Germany but similar to the United Kingdom, Denmark is a centralized state and a very strong one. The central administration is staffed with a permanent and thus highly skilled and specialized civil service which wields significant policy expertise which matches and often supersedes that of individual

parliamentarians and party secretariats. And the Danish ministries—in particular the strong Ministry of Finance—possess far greater policy autonomy vis-à-vis regions and municipalities than is the case, for example, in Germany.

On a par with Germany, the Danish production regime also has at times been categorized as a coordinated market economy. But some significant features nonetheless set it apart from the German variety of capitalism, and thus increasingly scholars have begun to address Denmark—alongside other small Scandinavian states—as a distinct national type of political economy[298] and have variously dubbed it a "hybrid" political economy[299] or a "negotiated economy."[300]

First, of all Danish workers are considerably more organized than in Germany, for example. As of 2007, 68% of workers held membership in a union (compared to 23% in Germany) and 82% were covered by collective wage agreements (compared to 63% in Germany).[301] Likewise, more than half of all employers are organized under the auspices of the Confederation of Danish Employers (Dansk Arbejdsgiverforening). In turn, the social partners' high degree of organization has precipitated and facilitated an encompassing, multi-level system of interlocking tripartite negotiations and dialogue, where these actively engage in the formulation and implementation of policies at both national and subnational levels—and not only within labor market issues. And over time the "negotiated" economy has become even more so as additional societal interest groups have increasingly been included in the inclusive, deliberative Danish policy loop.[302]

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[298] Campbell, Hall and Pedersen 2006, Martin and Swank 2012, Acemoglu, Robinson et. al. 2012;, Katzenstein 1985, Berman 2006, Sapir 2006, 2007, Pontusson 2009, Kenworthy and Pontusson 2005
[299] Campbell, Hall and Pedersen 2006,
[300] Pedersen 2006.
[301] Campbell and Pedersen 2014, chapter 5.
[302] Pedersen 2010, Campbell and Pedersen 2005.

Second, the tax-financed, universal Danish welfare state—characterized by Esping-Andersen as a "social democratic" welfare regime[303]—has traditionally been far more generous than its German counterpart. Third, and in turn this more generous social security system has constituted one of three legs in the so-called flexicurity model. In this ostensible "model," the combination of a tightly knit net of social security, very liberal regulation of employment protection and active labor market policies for bringing unemployed labor back in employment, e.g., through continuous re-skilling and further education programs, is found to provide for a well-functioning labor market with a comparatively high job churn, high mobility, low unemployment and a high degree of individual security in the case of unemployment.[304]

As a consequence, the Danish knowledge regime stands somewhat out from the knowledge regimes in the United Kingdom and Germany. With the latter, it shares the presence of an economic council but there are also Danish equivalents to the German party foundations. However, the most conspicuous difference is that the Danish knowledge regime for a long time has been far less densely populated by PROs then elsewhere. Indeed, from a comparative perspective, the Danish knowledge regime is virtually empty as from a historical perspective very few nongovernmental advocacy and/or scholarly organizations have managed to gain a foothold here.

Of course, there is no rule without exceptions. The Rockwool Foundation has since 1987 worked much like a scholarly organization, occasionally publishing reports on issues such as migration, labor supply and tax evasion. And in 1989 the weekly newspaper Monday was established and quickly evolved into an

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[303] Esping-Andersen 1990, p. 27.
[304] Madsen 2006.

advocacy-style think tank.[305] Also very recently, things have begun to change. Since 2004, when the advocacy organization Center for Political Studies (CEPOS) was established, several self-declared think tanks—DEA, CEVEA, KRAKA, CONCITO and as of 2014 EUROPA—have been founded.

But before 2004 the presence of PROs which were not in some way affiliated with or funded by the state was limited. Instead significant policy research capacity rested—and remains—within the central administration, ministries and agencies as well as in quasi-public, publicly funded and formally independent scholarly organizations such as the Economic Council (DØR)[306], the Danish Center for Social Research (SFI) and The Danish Center for Governmental Research (KORA). Besides these, it was apparently only the social partners that could muster sufficient economic muscle to organize and finance independent PROs beyond the reach of the strong arm of the Danish state. The Confederation of Trade Unions (LO), the Confederation of Danish Employers (DA) and the Confederation of Danish Industry (DI) all posses policy research expertise and capacity at a level close or equivalent to that of the Danish ministries.

Hence, given the prolonged predominance of state, governmental, quasi-public and scholarly organizations funded by the social partners—and thus the virtual absence of contending competitors—within the Danish knowledge regime, a strong tradition for negotiation, compromise and coordination has evolved. According to Campbell and Pedersen, these forms of coordination take place within PROs as well as between PROs.[307] Thus, compared to the liberal marketplace of ideas of the U.K. and Germany's coordinated marketplace of ideas,

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[305] See p. 162 below.
[306] See p. **Fejl! Bogmærke er ikke defineret.** below.
[307] See Campbell and Pedersen, 2014, Chapter 7, p. 17.

the knowledge regime of Denmark is perhaps best described as a *negotiated, hybrid marketplace of ideas.*

9.2 Sample of Policy Research Organizations

To ensure a sufficient internal validity for the present study, from each of the three knowledge regimes four different ideal-typical PROs have been selected: two private and two public or state-based. In particular, an advocacy organization, a scholarly organization, an economic council (if available) and the ministry of economics have been selected.

9.2.1A Typology of Policy Research Organizations

As noted, Campbell and Pedersen argue that a knowledge regime to consists of

> "policy research organizations like think tanks, government research units, political party foundations and others that produce and disseminate policy ideas."

To distinguish such organizations, they propose a typology according to which they distinguish between three ideal-types for PROs.[308] The first type is a*dvocacy research units* or what in common parlance would be termed think tanks.[309] These are privately funded and highly partisan organizations concerned more with affecting the public climate of opinion and policymaking than with producing new research and applying social scientific methods to perceived political and economic challenges. They primarily operate by adding a distinctive, often highly ideological spin to already existing academic research and are typically funded—through in some national contexts fairly generous tax codes—by private interests (firms, foundations, interest groups and wealthy individuals, specifically) to do

[308] Campbell and Pedersen, 2014, forthcoming, p. 25.
[309] Weaver 1989.

so.[310] It is think tanks such as these (e.g., the Heritage Foundation and Cato Institute in the U.S. and the Adam Smith Institute in the U.K.) which Hall, among others, has held (partly) accountable for the emergence and the ensuing ostensible predominance of monetarist and supply-side ideas since Reagan and Thatcher.[311] Thus, the many different activities in which these PROs are engaged—such as commentary, publishing of policy briefs, reports and articles, media appearances, testimony for committees, or public seminars—are all directed towards what Campbell would term the foreground of the debate and thus designed to leave a mark upon communicative discourses in the vocabulary of Schmidt.

The second type is *scholarly organizations*, which are sometimes referred to as "universities without students."[312] Their main activity consists of the production and dissemination of new, original policy research in a range of different policy domains (tax policy, education policy, or fiscal policy, for example) with a quality close to or at times at the level of academic peer review. However, their primary target audience is *not* academics, universities and the institutions of science proper but public policymakers (i.e., actors in production and policy) and public opinion more broadly. Thus their scholarly activities are *not* directed towards advancing the scientific frontier of knowledge but rather to directly influencing policymaking. This they hope to do through the application of advanced social scientific methodologies (in particular economics, econometrics and advanced statistics) to perceived policy challenges.

To be sure, the relative scholarliness of these PROs varies and should not be overemphasized or conflated with proper universities, that is, universities with real

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[310] Common examples are the Heritage Foundation and American Enterprise Institute in the U.S., the Adam Smith Institute in the U.K., and the Initiative Neue Soziale Marktwirtschaft in Germany.
[311] Hall 1993.
[312] Weaver 1989.

students and research responsibilities. Scholarly organizations, in contrast to most universities, are characterized by being highly attuned to influencing public opinion through the dissemination of publications designed to lure journalists, policymakers and public officials. Thus in contrast to advocacy organizations, scholarly organizations intend to issue, publish and disseminate work which influences the coordinative discourses in the background of the debate.[313]

In terms of funding, scholarly organizations typically rely on private sources, but this can be combined with and complemented by state and even party funding sources. In fact, Campbell and Pedersen discern an additional type of PRO, one which in fact is best characterized as a subtype of the scholarly organization. These *party research foundations*, which are prevalent in the German knowledge regime, are formally associated with political parties even if they operate independently at arm's length from political parties.[314] However, besides their formal affiliation with parties, in most regards these PROs in practice very much resemble scholarly research organizations.

The final type is *state-based organizations*. These units are either directly situated within specific government departments and ministries or created outside the central administration. They are officially designed to produce economic analysis and policy advice on issues deemed important to the political economy. In contrast to their advocacy and scholarly counterparts, state-based organizations are, in terms of funding, largely apart from the private market and the funding to finance their knowledge production and dissemination activities comes exclusively from public sources. As such, they enjoy a relatively greater scholarly independence from the interests of the market. And where advocacy and scholarly organizations target discourses in the foreground or in the background of the debate,

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[313] Campbell 2004, Schmidt 2002.
[314] See Campbell and Pedersen, 2014, forthcoming, p. 25.

respectively, state-based organizations work to influence both communicative and coordinative discourses, to use the words of Schmidt.

State-based organizations come in (at least) two varieties. On the one hand are *economic councils* (and other forms of permanent, publicly funded PROs), which often are established with the explicit intention to create an independent platform from which neutral, objective (economic) science can "speak truth to power," that is, politicians and civil servants, on matters of general public interest.[315] The most prominent examples of this type are perhaps the quasi-public, quasi-tripartite advisory councils found in many coordinated market economies, for example, SACH in Germany and *Det Økonomiske Råd* in Denmark (DØR). On the other hand are *research units* or departments from within the state bureaucracy itself. Like economic councils, these also purport to provide balanced and neutral policy analysis directed towards the public debate. But, obviously, given their location inside the policymaking regime, they are far less independent from the parliamentary system and its associated pressures.

To be sure, the authors readily admit that *both* regime types and the types of PROs are *ideal*-types. And in concrete cases it can be difficult to determine what type a given PRO actually is. PROs often blend features of different types and mimic the behavior of other PROs in the knowledge regime. [316] Likewise, for practical and theoretical purposes, it can (at times) be difficult to differentiate clearly between policymaking, production and knowledge regimes.

9.2.2 Selection Criteria

The PROs have been selected in accordance with the following three methodological criteria. First, the PRO should have been operational and active

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[315] Wildavsky 1979.
[316] Campbell and Pedersen p. 25.

from the beginning of and throughout the period from 1993 until 2007. Thus PROs first established after 1993 or which went out of operation during this period were excluded.[317] Second, the PROs should have produced at least *one* and preferably more of the three types of policy documents.[318]

Third and finally, so as to mitigate potential selection bias, PROs were selected according to a principle of *maximum typological variation*[319], that is, from each national knowledge regime, one of each of the three ideal-types of PROs as well as the ministry of economics was included. Maximum variation implies that the cases selected be as different from each other as possible. This is an important and necessary methodological criterion insofar as one as a researcher—as is the case in the present study—intends to ascertain relative similarity/homogeneity within a population of cases. As the exact aim of the present study is to examine how far it is possible to (re-) construct cross-nationally varying, yet internally consistent narratives of competitiveness in order to compare and contrast them, it is indeed vital to ensure a sufficient degree of variation.[320]

However, the selection criterion is best described as a *typological* maximal variation, inasmuch as a maximum variation *proper* would entail the inclusion of a far greater count of PROs. As should be clear from the review of different type of PROs, these vary on a great many parameters, all potentially important, rather than just one or two. PROs vary (among other aspects) in terms of their size, funding, staffing, the number of policy topics they cover, whether they primarily target policymaking elites or the broader public opinion, whether they are avowedly

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[317] For instance, in the case of the Danish knowledge regime, this sampling criterion implied that the otherwise highly profiled and visible in the public media advocacy organization CEPOS (Center for Political Studies) founded in 2004 was not included in the dataset.

[318] See 9.3 Sample of Policy Publications, p. 163.

[319] Flyvbjerg 2006, p. 230, Slater and Ziblatt 2013, p. 1312, Howarth and Torfing 2005.

[320]

political and ideological in their orientation or claim neutrality and so forth. Proper maximal variation would require the examination of both small and big PROs, privately and publicly funded, ideological and neutral in each knowledge regime. However, this would amount to a vast dataset and a far larger research project (in terms of necessary coding capacity, time, financial resources etc.). The present study instead has sampled a set of PROs on the basis of the criterion of maximum typological variation.

Moreover, the methodology has sought to achieve a balance between (quasi) state-based organizations and private organizations (scholarly and advocacy). As will be clear, Campbell and Pedersen find that some types of national knowledge regimes are relatively more state-centered (reliant upon dominant state-based organizations) than others. Thus a comparative study of the ideas produced by knowledge regimes should take such differences duly into account. In fact, the relatively dispersed literature on think tanks[321] typically only examines private PROs (think tanks) at the expense of more state-based types and is thus inherently Anglo-centrically biased. To avoid such bias, this study has included two state-based PROs (a ministry of economics *and* an economic council) and two market-based PROs from each knowledge regime. This procedure resulted in a sample of 12 PROs, each of which will be described briefly below.

--- See Figure 7.2 on p. 418 ---

[321] Abelson 2002, 2009, Denham and Garnett 2004, 1998, Hames and Feasey 1994, Linden 1987, McGann 2007, Rich 2004, Stone and Denham 2004, Weaver 1989. But see Pautz 2012 for an exception.

9.2.3Two Caveats

Before moving forward, a few caveats regarding the selection of particular PROs are appropriate. First, in methodological sampling exercises such as the present, it will always remain a significant challenge to select real-world PROs which neatly conform to the ideal-typical analytical categories of which they are supposed to constitute representative exemplars. Indeed, one might easily digress into endless quibbles of whether a particular PRO *in fact* can be characterized as this or that type of PRO. At the end of the day, if one as a scholar insists upon complete analytical rigor, each and every particular PRO probably could be characterized as a type of its own, as all blend and borrow features and characteristics from others and few, if any, pure types exist. But again, the categories are ideal-types, not real-types, and the PROs included in the present study have been selected in order to *approximate* maximum typological variation, not maximum variation *per se.* A better approximation to the ideal is imaginable but so is a worse. At least the present study has advanced beyond the conventional Anglo-centric bias of most scholarship on think tanks.[322]

Second, the present research design could perhaps be challenged[323] for being ideologically biased to the left. Included in the sample, for example, is the Institute for Public Policy Research in the United Kingdom (commonly associated with New Labor), the Friedrich Ebert Stiftung in Germany (legally associated with SPD) and the Arbejderbevægelsens Erhvervsråd in Denmark (funded by the Danish labor movement). On the one hand, such criticism seems unbalanced. In fact, as it happens, the Institute of Fiscal Studies in the U.K. (financed to a large extent by the British financial sector), SACH in Germany and Monday Morning in

[322] Cockett 1994, McGann 2007, Abelson 2002, Stone and Denham 2004, Rich 2004.
[323] In fact it has been.

Denmark are also included in the sample, none of which are easily squared with leftist ideology.

But on the other hand and more importantly, the criticism is misplaced. Neither leftism nor rightism (or neoliberalism) are independent, prediscursively given ontological categories "out there" which social scientists can control for but instead highly complex, heterogonous ideas harboring a plethora of often non-explicated epistemological and ontological assumptions. The discourse-analytical approach continuously emphasizes the importance of not inadvertently predetermining the analysis by overimposing a particular meaning upon the discourse through the analytical categories one uses to study it.[324] Purporting to control for ostensible ideological biases would exactly amount to this, that is, one would approach the study of political ideas with a preconceived conception of what those ideas are before one had studied them. That is, if the present study should control for an allegedly leftist (or rightist) bias, it would first have to define and analyze what *leftism*, *rightism* or neoliberalism "really" means. But in doing so, the entire discourse analysis would collapse in tautology.

9.2.4 Sample of United Kingdom Policy Research Organizations

Besides the HM Treasury (HMT), in the knowledge regime of the United Kingdom, the National Institute for Economic and Social Research, the Institute for Fiscal Studies and the Institute for Public Policy have been selected for analysis.

In the knowledge regime of the United Kingdom, it has not been possible to identify a state-based economic council which is *strictly* similar and comparable to the quasi-public, corporatist and tripartite economic advisory councils present in

[324] See p. 124 above.

both Germany (SACH) and Denmark (DØR). In fact such an organization *has* existed in the U.K. The *National Economic Development Council* was established 1962 and explicitly modeled with inspiration from the French Economic and Social Council. During the administrations of Heath, Wilson and Callaghan, this advisory body was engaged with the formulation of British economic policy. However Thatcher proved highly skeptical of the PRO (as of any other nonmarket institution) and the council was dismantled by her successor John Major in 1992.[325]

However the PRO which in the U.K. knowledge regime comes closest to this type of PRO is allegedly the *National Institute for Economic and Social Research* (NIESR). Upon the initiative of, among others, William Beveridge, NIESR was established in 1938 with funding from some of the largest and socially engaged foundations and trusts.[326] As such, it is one of Britain's oldest independent PROs. In 2013 it employed 32 academic staff and research fellows (with Ph.D. and MA-level staff in disciplines such as economics, economic geography, mathematics and more) pursuing its self-proclaimed primary purpose of carrying out "economic and social research which is of high academic standard."[327] The PRO pursues research agendas in five broad thematic clusters: macroeconomics and finance, employment, productivity, innovation and skills, and labor markets and disadvantage.

As such, the NIESR of course might be categorized as a scholarly organization. However, where the PRO mirrors the economic councils found in Germany and Denmark is in its development, maintenance and application of a highly sophisticated and complex macroeconomic econometric model (NiGEM) by

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[325] Marr 2007, p. 239.
[326] For example, the Rockefeller Foundation, the Pilgrim Trust, the Leverhulme Trust and the Halley Stewart Trust.
[327] NIESR, Annual Report 2012, p. 3

which it produces an authoritative quarterly economic forecast of the development of the U.K. economy. This is published in its quarterly, peer-reviewed journal *National Institute Economic Review*. (The model is also employed be IMF, OECD, and ECB.[328]) In terms of funding, it is funded from research grants from the Economic and Social Research Council, as well as state departments and agencies and the private sector, which commissions work from NIESR on a project-by-project basis.

The *Institute for Fiscal Studies* (IFS) constitutes a good example of a scholarly organization. It was founded in 1969 and as of 2013 employed 35 full-time research staff (primarily Ph.D.-trained economists) along with additional associated Ph.D. students and visiting scholars. It engages in a range of policy issues, including analysis of the budget, public spending and finance, tax and benefits systems, investment and finance, productivity and competition, labor supply, employment, education and skills and more. The IFS's self-declared goal is "to promote effective economic and social policies by understanding better their impact on individuals, families, businesses and the government's finances" and itself claims to be "Britain's leading independent microeconomic research institute."[329] Thus as opposed to advocacy organizations. the IFS conducts independent research aimed at perceived public policy problems rather than merely spinning, synthesizing, condensing and communicating the research carried out by others. Nor is the institute (at least explicitly) committed to a particular political program, agenda or ideology, but claims to possess a "reputation for objectivity and impartiality."[330]

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[328] http://nimodel.niesr.ac.uk/
[329] See http://www.ifs.org.uk/aboutIFS.
[330] http://www.ifs.org.uk/aboutIFS. In this line recently the scholar of think tanks, Pautz, has argued that the IFS is "one of the U.K.'s most prestigious think tanks and today occupies a

The IFS has a broad and heterogeneous funding base and receives research grants (British Economic and Social Research Council), public funding from a host group of public ministerial departments (Department for Transport, Education, Trade and Industry etc. as well as HM Treasury), private trusts and foundations, international organizations (World Bank, IMF, European Commission) and organizations and firms in the financial sector (The Hundred Group of Finance Directors, the Investment Management Association and Morgan Stanley[331]). Among IFS's wide and varying research production and output, for several decades it has published its annual "green budget" report simultaneously with the HM Treasury's publication of its Pre-Budget Report. In this report, the IFS, in its own words, presents "impartial and objective evidence"[332] in order to discuss, comment and not infrequently criticize the forecasts and econometric calculations underpinning the government's budgetary dispositions. Often the economic assumptions underpinning the models are drawn into question and, more than often, alternative macro- and microeconomic courses of action are suggested to the government. Additionally, IFS publishes its own quarterly peer-reviewed journal entitled *Fiscal Studies,* which publish articles by policy practitioners and academics alike. In 2009, IFS was named "Think Tank of the Year" by the business and politics newspaper *Prospect Magazine*.[333]

In contrast, the *Institute for Public Policy Research* (IPPR) constitutes a clear-cut example of an advocacy organization with an avowedly explicit ideological agenda.[334] Founded in 1988, this PRO, in its own words, "seeks to promote social justice, democratic participation, and economic and environmental sustainability

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somewhat unusual position in that its output is usually accepted as impartial by politicians across the spectrum." 2012, p. 26.

[331] See preface, Green Budget 2007.

[332] Green Budget 2013, foreword.

[333] http://www.prospectmagazine.co.uk/thinktanks/the-awards/2009-awards/

[334] Denham and Garnett 2006, Pautz 2012, 2010. See also Bevir 2003.

in government policy" and thus clearly is committed to a particular political ideology. It employs 30 researchers with varying educational backgrounds (within economics but also in both the qualitative and quantitative branches of social science more broadly), primarily at the MA level, and issues reports and policy papers within a broad range of themes, including economic policy, families and work, migration, public services, climate change, energy and transport and more. However, instead of applying social scientific methodology to policy problems, these kinds of publications rather synthesize already existing research findings and package them in a well-written, accessible and digestible format intended to reach a wide audience of both journalists and public policymakers. Among the wide-ranging output of reports, testimony, newspaper articles and commentary, the IPPR has initiated the establishment of several *policy commissions* with the participation of a range of external experts and representatives of various interest groups. The commissions are specifically designed to address more overarching and general policy themes. In particular, the Commission of Social Justice—under the patronage of the, at the time, shadow chancellor of Labor and main contender for party leadership John Smith—was initiated in 1992. The Commission had an explicit mandate to "analyze the relationship between social justice and other goals, including economic competitiveness and others goals"[335] but worked with the implicit purpose of modernizing the political program of the Labor party after 13 years in opposition. According to Pautz, through this commission "the IPPR was involved in remaking a political party."[336]

The IPPR also publishes the journal *Juncture*, which publishes shorter, polemic articles by its own researchers as well as external experts. On a par with IFS and NIESR, IPPR is primarily funded by foundations and trusts but also garners

[335] IPPR, Commission on Social Justice, 1994, p. 412.
[336] Pautz 2012, p. 65. However Pautz also somewhat contradictorily observes that "The report failed to have influence on the 1997 manifesto," p. 65.

financial support from the private sector (firms and individuals) as well the European Commission. And likewise IPPR was named "Think Tank of the Year" in both 2007 and 2001.[337] As further indirect testimony to this think tank's influence, its current director, Nick Pearce, served as Head of the No. 10 Policy Unit from 2007 to 2010 and thus passed through the "revolving doors" of power, coming fairly close to the inner halls of public policymaking.[338]

9.2.5 Sample of German Policy Research Organizations

In the German knowledge regime, the economic ministry, BmWI, as well as SACH[339] have been included in the dataset. Besides these two, an example of a scholarly organization (the Friedrich Ebert Stiftung) and an advocacy organization (Bertelsmann Stiftung) has been selected in the sample of PROs for the German case. These are briefly presented below.

The *Friedrich Ebert Stiftung* (FES) is, as described earlier, the party foundation associated with the German Social Democratic party SPD and, as such, exemplary of the particular kind scholarly research organization prevalent in the German knowledge regime. Founded in 1925, it is both the oldest and as of 2013 the largest of the political party foundations in the German knowledge regime. As with other party foundations FES is also primarily funded by the federal government, topped up with additional financing from the Bundesländer, and has since the 1990s managed a budget of over 100 million euros, employing a staff of more than 600 in Germany and abroad.[340] And on a par with the other foundations, these resources are spent to promote a clear, partisan ideology. The PRO, in its own words, pursues strategic goals of shaping the socioeconomic order and

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[337] http://www.prospectmagazine.co.uk/thinktanks/the-awards/2007-awards/
[338] Weaver 1989, Stone and Denham 2004.
[339] Described above.
[340] Pautz 2012, p. 101.

globalization in a social and just order, strengthening political participation and social cohesion as well promoting the renewal of social democracy.[341] These goals are pursued through a wide-ranging plethora of activities besides the production and dissemination of policy research. For instance, the FES runs a political academy, helps deserving, impecunious youths finance their education, engages in international foreign aid and development projects to further democratization and more.

However the foundation also spends a sizeable share of its budget (approximately 10-20%) on the production and dissemination of policy research and other activities aimed at influencing public opinion as well as policymakers. For instance, since 1991 the PRO has initiated, hosted and facilitated a *Managerkreis*—a economic policy forum designed to provide a platform for common debate between managers of major German firms, private organizations and high-profile economic policymakers.[342] The outcome of these meetings is a long range of policy and position papers on various perceived policy challenges intended for the broader public. The FES—like IPPR in the U.K.—has also hosted a nongovernmental policy commission: the Zukunftskommission der Friederich Ebert Stiftung. This commission, initiated by the leading Social Democrat Oscar Lafontaine, is tasked to renew and rethink the Modell Deutschland in accordance with the goals of economic efficiency, social cohesion and ecological sustainability, which were to be balanced in a coherent and just manner.

The *Bertelsmann Stiftung* (BS) in contrast is included as an example of a German advocacy organization. This PRO, founded in 1977, today employs 300 people, of which more than 180 are engaged in policy research production and dissemination activities. Its activities are very much directed towards affecting public debate,

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[341] http://www.fes.de/sets/s_stif.htm
[342] http://www.managerkreis.de/

media and the wider public opinion in general, and they cover a wide range of themes. In 2013, the most prominent of these focus areas was demographic change, modern government, integration, health, education and Europe.[343] For instance, BS has over the years excelled in producing various kinds of benchmarking reports, indexes, monitors and radars, where various aspects of German economy and society are contrasted and compared to other countries through a series of compiled and aggregated indicators—a type of document very popular among journalists. While BS itself proclaims to work as an independent and nonpartisan think tank[344], it nonetheless also comes across as being a somewhat ideologically committed PRO inasmuch as its work, in its own words, "is based on the conviction that competition and civic engagement are essential for social progress."[345] Thus, in contrast to the party foundations, BS does not receive federal or Länder funding for its activities but instead is financed as a fund which holds the majority of stocks in the German-based multinational media corporation Bertelsmann.

9.2.6 Sample of Danish Policy Research Organizations

As discussed above, before 2004 the Danish knowledge regime was, from a comparative perspective, virtually empty and very few (not governmentally affiliated) scholarly and advocacy organizations were in operation. In fact, in the case of Denmark the sampling procedure was pretty much a question of selecting those PROs that were operational from the beginning of the period (1993) and throughout (until 2007). Thus besides the Danish Ministry of Economics, Det

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[343] http://www.bertelsmann-stiftung.de/cps/rde/xchg/SID-6CC7151E-1E5A6329/bst_engl/hs.xsl/270.htm
[344] http://www.bertelsmann-stiftung.de/cps/rde/xchg/SID-6CC7151E-1E5A6329/bst_engl/hs.xsl/2086.htm
[345] http://www.bertelsmann-stiftung.de/cps/rde/xchg/SID-F6C22199-09FF84BA/bst_engl/hs.xsl/269.htm

Økonomiske Råd, Arbejderbevægelsens Erhvervsråd and Mandag Morgen were also selected for analysis.

Det Økonomiske Råd (DØR)—which in common parlance is referred to as "The Wise Men"— is a publicly funded but formally independent advisory body designed to bring economic-scientific expertise to bear on public debate on national economic questions. As such it constitutes a quintessential example of an economic council. Today the PRO is composed of a tripartite council (currently counting 25 representative members from the social partners, the Danish Central Bank and the Ministries of Finance and Economic Affairs) and a chairmanship of four university-based professorial economists appointed by the Danish Ministry of Economics. Since it was established by law in 1962, its mandate has been "to follow the country's economic development and shed light on the long-term development perspectives, as well as contribute to the coordination of the various economic policies." To this end, DØR, besides a range of media appearances and op-ed pieces, on a biannual basis publishes the economic report entitled *Danish Economy* (*Dansk Økonomi*). In these publications, the monetary and fiscal policy stance is assessed, evaluated and at times harshly criticized, just as structural issues such as labor market policies and tax policies are addressed on a regular basis. But other themes are also addressed. The specific themes of the report are decided by the chairman and subsequently produced by a secretariat staffed by 35 employees, of which 20 are university-trained economists at the MA or Ph.D. level. In 2007 DØR expanded (again by law) as the *Environmental Economic Council* was established (*Det Miljøøkononiske Råd*). It has as its mandate the "task of elucidating the interaction of economy and environment as well as the efficiency of environmental policies."

The Economic Council of the Labor Movement (*Arbejderbevægelsens Erhvervsråd* or AE) was established in 1936 upon the initiative of then Social Democratic

prime minister Thorvald Stauning and, as such, is the oldest nongovernmental PRO in Denmark. It constitutes a hybrid of a scholarly, advocacy and party organization, of which it most closely resembles the scholarly variety. It is funded by the Danish Labor Movement and regularly conducts research for the Danish Confederation of Trade Unions (LO) and the Social Democratic Party. For instance, the entire Social Democratic economic policy electoral platform, "Gang i 90'erne," upon which the party ran in 1993 for government and won was written by AE.[346] AE publishes a range of different types of policy publications. Some of these are short policy briefs designed for media consumption and some are longer, more analytical and methodologically sophisticated reports. In these, policy issues such as employment, growth and prosperity, education, inequality, work-life balance, public finances and tax policy are addressed.[347] In particular, AE publishes an annual economic report entitled *Økonomiske Tendenser* (*Economic Trends*) that, besides conjectural analysis, highlights and discuss different selected economic themes deemed currently important by AE. It also holds a permanent seat on the economic council and on a biannual basis issues a thorough commentary on that PRO's biannual economic report.

Monday Morning (MM)— on a par with the political economy of Denmark— constitutes a somewhat odd-sized PRO which perhaps best can be described as a hybrid. Originally founded as a weekly newspaper in 1989, the PRO has since sprouted through several organizational offspring and, as of 2014, combines elements of a news medium, a lobby organization, an NGO and a think tank. However of the four ideal-typical policy research organizations, MM most closely resembles an advocacy organization. According to the organization itself, it is the "leading independent think tank in Scandinavia" and describes its mission as the

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[346] Anecdote told in 2011 by current director of AE Lars Andersen.
[347] See http://www.ae.dk.

creation of "an innovative society" where "sectors, institutions and leaders" cooperate for "new solutions to shared challenges." Today it employs close to 50 people, mainly individuals with MA degrees in the social sciences and communications (no economists), and claims policy expertise within a wide range of issues such as growth, welfare innovation, sustainability, management, education, digitalization, Europe and health.[348] Frequently, MM has mimicked the Danish central administration and established external ad hoc policy commissions or independent knowledge councils. For instance, in 2003 it established an Innovation Council (Innovationsrådet) and in 2009 a Copenhagen Climate Council. Likewise, MM—on a par with IPPR—has served as a "revolving door" between the knowledge and policymaking regimes. In 2008, former editor Noa Reddington was recruited as special adviser for then-leader of the opposition Helle Thorning-Schmidt, who in 2011 was elected prime minister in Denmark.

9.3 Sample of Policy Publications

The methodological challenge of sampling data sources from PROs has traditionally occupied and caused significant trouble for scholars, as the amount of available data is despairingly vast. For instance, scholarly organizations such as IFS or FES[349] within a month produce several highly specialized and detailed book-length reports on a range of different topics in addition to their commentary, op-eds, articles, conferences, public appearances and web content. Likewise advocacy organizations such as IPPR, BS and MM have being as widely cited in the public media as possible as their very *raison d'être*. Thus each of these PROs has a tremendous oeuvre of media inputs, quotations and other types of appearances in the public media. In fact, some of these PROs even publish their own quasi-scientific journals (IPPR) or specialized newspapers (MM). Again the

[348] See https://www.mm.dk.
[349] Abelson 2004,

amount of data produced by these PROs tends to become methodologically unmanageable within a matter of months, if not days. Thus for the purpose of the present study, some methodological choices have been made to delimit the amount of textual data material.

For each of the 12 sampled PROs, three types of policy publications—annual economic reports, commission white papers and competitiveness indexes—have been included in the dataset insofar the PRO has published that particular type of document.[350] To allow for a *diachronic* discourse analysis—and thus the possibility of comparing similarities and differences as they evolve over time—documents published in the rather recent period between the years 1993 and 2007 have been included in the sample. Thus in terms of periodization, the year 1993 was selected as the first year as this was the year that Bill Clinton and Jacques Delors officially set in motion the competition of nations. We selected 2007 as the final year as the global financial crisis, with the bankruptcy of Lehman Brothers as its defining moment, erupted the year after in 2008.[351] Of course, the discourse that nations compete has been present in public economic debates perhaps since the founding of the discipline of economics itself, and it has certainly been prevalent in, for example, European discussion of economic policies at least since the 1950s and 1960s.[352] However, this fairly recent periodization has been chosen, first, because it was assumed that by 1993 the discourse of "international competition of nations" had become sufficiently sedimented and well-established to allow for a reasonably systematic discourse analysis. Second, this period was

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[350] It might be objected that the unavailability of one instance stemming from each type of organization might constitute a methodological shortcoming of the study. For instance, if the German government does not publish an annual set of competitiveness indicators, it does not make sense to include the competitiveness indexes. However the very presence or absence of a type of document is *itself* significant from a discourse theoretical perspective.
[351] Campbell 2010.
[352] See Background Chapter, p. 1 XX (insert cross-reference).

also chosen because the researcher wanted to examine whether significant changes had occurred in the discourse since its inception by Clinton and Delors.

However, in the end, the periodization *could* have been otherwise and other periods could have been selected. Yet, it is an independent discourse theoretical point *not* to assume beforehand that a particular period is particularly important. In fact, these kinds of periodizations are exactly what the PROs themselves engage in in their attempts to interpret their social reality and carve out narratives of competitiveness.

9.3.1Annual Economic Reports

First and foremost, *annual economic reports* have been collected. These types of reports are often published by state-based organizations (but at times also scholarly organizations) and are designed to provide an overall and balanced outlook for the general condition of the national political economy, usually entailing a wealth of econometric indicators and providing estimates of budgetary and fiscal stances, monetary policies, domestic and international growth prospects, export performance, inflation and more. While such indicators at times are assessed and described without further discussion as to why it is relevant to examine these particular indicators and not others, at other points particular econometric accounts of the state of the economy are accompanied by long and detailed descriptions of why it is worthwhile for economists to grant attention to such metrics, just as the interrelationships between different metrics also can be the object of lengthy discussion. But these reports at times also include elaborate passages explaining the international political economic context of the national economy and, for example, what constraints and opportunities increased globalization and international competition imply for national economic policymakers, just as they can be used to address particular standalone policy issues, themes and perceived challenges (e.g., labor market reforms, energy

policies, demographics etc.) found to be prevalent in the wider public political-economic debate. As such, annual economic reports provide a great source for examining how the PRO makes sense of globalization, competitiveness and the economy in general. However, as this type of report is published once a year, if one were to include all annual economic reports from the period 1993 to 2007, the resulting data material would be unmanageable. Hence, in the case of annual economic reports *only* issues published in the years 1993, 2000 and 2007 have been included.

9.3.2 Commission White Papers

Second, *commission white papers* have been included. Among the many different activities through which PROs produce, disseminate and promote their ideas, one of the most conspicuous is certainly the method of establishing a policy commission.[353] These types of commissions—in contrast, for example, to the permanent economic councils—are temporary ad-hoc organizations established with a specific mandate to examine a particular predefined and delimited policy challenge or agenda prevalent in current debate and to report and provide recommendations upon it within a given time frame. Policy experts drawn from academics and politicians (often from opposing factions and parties) staff these commissions, as well as representatives of divergent societal interests (e.g., the labor movement, employer organizations, particular industries). Indeed these types of ad hoc commissions are frequently established by state-based actors (ministries and departments.) For instance in Denmark the *Globalization Council* and in Germany the *Bündnis für Arbeit, Ausbildung und Wettbewerbsfähigkeit* constitute widely debated exemplars of such commissions.[354]

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[353] Pedersen 2010, Dyson 2005, Greve 2012, Pautz 2012.

[354] In fact, Dyson has in a different context gone so far as to argue that "government by commission" constitutes a particular mode of governance in contemporary Germany and urged

Commissions and the white papers they produce thus clearly constitute a great empirical source from which to examine how PROs come to make sense of their socioeconomic context. Interestingly, not only state-based organizations set up these kinds of commissions.[355] During research, it became clear that scholarly and advocacy organizations mimic and copy this format from the state-based organizations and also establish such policy commissions. Thus the commission white papers produced from these types of PROs have also been included in the data set.

Moreover a snowballing sampling method has been applied to identify additional, potentially significant policy white papers. If continuous references have been made to a particular white paper in the annual reports, that white paper has been included in the dataset.[356]

9.3.3 Indexes of International Competitiveness

Third and finally, *national indexes of competitiveness* have been included in the sample to the extent that they have been available.[357] This type of publication is not reserved for state-based organizations. Advocacy organizations produce alternative indexes explicitly designed to challenge and compete with the indexes produced by the state-based organizations. For instance, in Germany BS publishes an annual International Standard Ranking and in Denmark the lobbyist

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scholars to pay more attention to the work, output and impact of temporary policy commissions. He argues that governments by commissions "have proved attractive to domestic economic reformers because they promise to provide external disciplines that bind the hands of German governments, change expectations of elites, publics and markets about what needs to be done, and will be done, better enable governments to resist the claims of powerful domestic interests, and help to reduce the costs of carrying through reforms by shifting expectations." See Dyson 2005, p. 226.

[355] Pautz 2012.

[356] For instance, following this procedure, the two white papers on productivity in the U.K. (2000, 2007) were identified and included.

[357] Berger and Brislow 2009, Bruno 2009, Hospers 2004, Aiginger 1998, Lall 2001.

organization Danish Industry produces a set of indicators somewhat different from that of the government.[358] As with the annual economic report, these indexes are published annually. Thus, similarly, only indexes published in 1993, 2000 or 2007 were included in the dataset.

This procedure provided the following sample of data sources.

--- See Figure 7.3 p. 419 ---

--- See Figure 7.4 p. 420 ---

--- See Figure 7.5 p. 421 ---

9.3.4 Why Not Interviews?

The dataset only includes textual data from policy publications. However, it could be argued that the study's internal validity could be enhanced with the inclusion of additional data types to use for triangulation. The most obvious candidate is semi-structured interviews with central experts situated within PROs.

It is true that the majority of qualitative comparative case studies employ in-depth, semi-structured expert interviews as an important (if not the only) source of data.[359] However, this methodological approach was for several reasons found wanting for the present purpose. First, the task has been to examine whether and to what extent cross-national similarities and differences occur and persist in different national narratives of competitiveness over a prolonged period of time and, moreover, whether changes occur within that time period. However, as actors embedded in a social context usually have a short memory and frequently are biased insofar as they engage in "retrospective rationalizations" of the past (i.e.,

[358] See Dansk Industri, 2007, Sådan ligger landet: Globaliseringsredegørelse.
[359] See Campbell, Osserman et al. 2013.

assess knowledge claims of earlier periods with the epistemological standard predominant in their own time), interviews would have constituted a less-reliable source of data for assessing the particular form that national narratives of competitiveness have taken in earlier periods. Publicized policy documents offer much more direct access to these.

Second, doing semi-structured interviews in a case like this would entail a severe risk of obtaining "hyperbolic representations" from the interviewees. That is, the interviewees, in their capacity as directors of think tanks or other idea producing organizations, all possess a vested interest in influencing public opinion in a certain way, including researchers studying them. Thus these might deliberately present past, present and future objects or events in overly optimistic/pessimistic terms or radically over- or underemphasize their own involvement in such events.

Finally and perhaps most importantly, employing interviews for the obtainment of data would entail the risk of the interviewer overimposing preconceived categories, concepts and analytical constructs upon the interviewee through the very way an interview question would be framed. As in the discourse-theoretical analysis already discussed several times, it is highly important *not* to succumb to theoreticism and instead remain open and attentive to the categorizations and concepts of the discourse itself. The use of interviews would probably compromise this ambition.

For these reasons, semi-structured, in-depth expert interviews, which might prove very useful in different methodological contexts, were not adopted as a means of data collection in the present study.

9.4 Coding Procedure

The collected data have been coded using the qualitative data analysis software application Atlas.ti 6. This software application allows researchers to code, analyze, assess and, most importantly, track and quickly retrieve large amounts of qualitative textual data. On the basis of this extensive coding procedure, a thorough comparative content analysis—one for each of the three national knowledge regimes—has been conducted.[360] A semi-structured coding schema was devised and designed to enable the researcher to examine the occurrence of potential regularities (comparative similarities and differences) within the data material in accordance with the principles of discourse analysis.[361]

9.4.1 Coding Categories

The coding scheme was designed with categories derived from the dichotomies of discourse, and for each dichotomy two separate codes were included, totaling six general codes: Before and After, Object and Subject, Outcome and Sources.

1. First, a set of *temporal* codes was included. Accordingly whenever a text differentiated between periods, episodes and occurrences which came *before* or *after* other such periods, episodes and occurrences, this paragraph was coded with either the temporal category "Before" or the category "After." For instance, particular analytical attention was granted to discussions of globalization and the competition of nations to discern potential claims of different "phases" following each other in the competition of nations.
2. Second, a set of codes distinguishing between *subjects and objects* was included in the coding scheme. On the one hand, paragraphs which contained descriptions of objects claimed to be in possession of the quality of

[360] Krippendorf 2004. See Chapters 5, 6 and 7 for the analysis of the British, German and Danish knowledge regimes.
[361] See Paragraphs 4.11 – 4.1.5 above.

competitiveness were coded with the code "Object." In particular, analytical attention was granted to paragraphs describing and discussing different types of economic metrics, econometric statistics and indicators through which entities were objectified. On the other hand, paragraphs which designated some actors as subjects (i.e., actors which describe the entity as an object of competitiveness and relates to it as such) were coded "Subject." For instance, under the category of "Subject," descriptions of the roles of various actors (e.g., governments, firms, unions, employers) vis-à-vis the task of furthering competitiveness of the nation (object) were coded.

3. Finally, a set of *functional* codes was devised and applied. Whenever policy publications made explicit reference to how the competitiveness (of an object) was revealed and measured, then this paragraph was coded with the code "Outcome." Similarly any passage of text which discussed entities, phenomena or concepts constituting sources or inputs to competitiveness, these paragraphs were coded with the code "SOC" (Source of Competitiveness). Also when some phenomenon, actor, force, event etc. was cited as a *cause* of something, then the particular paragraph was coded "Cause." Similarly, whenever texts described some entity or phenomenon as an effect of such cause, those paragraphs was coded "Effect."

As argued, according to discourse theory these generic dichotomies are the only categories sufficiently generic to prevent the discourse theorist from unintentionally or overtly "importing" predefined meanings into the discourse itself. If the data material were approached through an analytical lens deduced from theory, this would amount to nothing more than basing the study of social actors' own first-order interpretations of social reality upon the preconceived categories of yet another first-order interpretation.

9.4.2 Coding Technique and Sequence

A tentative pilot-coding schema was first pilot tested on a subset of the data. The count of macro-codes/general codes was intentionally from the outset kept as low as possible to protect inter-coder reliability—which as a rule of thumb tends to fall when the number of codes increase. However, after the initial pilot test, it became clear that the coding scheme was nonetheless a little too general to manage. Hence two modifications to the coding technique were devised after which the coding scheme was revised. On the one hand, additional subcodes were formed and introduced during the coding procedure and, on the other, entirely new codes were formed from a residual cat-flap code signed "Other."

First, for each of the six generic general codes, additional subcodes (post-fixed predicates) were introduced. For instance, during the coding procedure it quickly became clear that myriad phenomena by PROs are perceived as conducive (or detrimental) to competitiveness. Thus, to the extent that similar paragraphs with the general form "X is a source of competitiveness" began to occur regularly (i.e., saturate), a new subcode was introduced with the form "SOC: X" (e.g., "*SOC: Education*," "*SOC: Entrepreneurship*," or "*Outcome: Exports*").

Second, the coding process proceeded in a semi-structured manner in which the researcher remained open and attentive to paragraphs, statements and propositions which did not fit easily into the predefined general coding categories but somehow nonetheless appeared significant. Such paragraphs were initially coded with a cat-flap code termed "Other." If a sufficient amount of reasonably similar paragraphs appeared, these codes—initially ascribed to the cat-flap—were reassessed and assigned an additional representative code.[362]

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[362] In this way, additional categories of analysis emerged and it for instance became clear that in all knowledge regimes the concept of "gap" is frequently employed, if in different ways (Output-gap, Productivity gap), just as the econometric technique of "growth accounting" is

Obviously, this more open and semi-structured approach (of assigning new codes to codes initially coded "Other") entails the risk of coding bias and potentially impairs a study's inter-coder reliability. Unfortunately, the research project had insufficient resources to employ additional coders and thus had to rely upon the principal investigator to conduct all the coding. However, not all problems of inter-coder reliability are managed just by employing additional coders. In fact, the cat-flap coding strategy does not *per se* and if rigorously followed impede inter-coder reliability. A dispersed group of coders could apply this technique and during the coding session meet and consult upon the collective residual cat-flap. The residual set of cat-flap codes could then be reassessed and recoded with a new subsidiary coding scheme devised in conjunction with the initial general coding scheme.

After these two modifications, coding of the full dataset began. The coding procedure was carried out in two consecutive sequences in which first the subdataset of annual economic reports was coded and then subsequently the subdataset containing commission white papers and competitiveness indexes was coded. This sequence was chosen to enable an examination of whether a discourse of "international competition of nations" *was* present or emerged in the annual economic reports. Indeed, this analysis could not be carried out on the other types of commission white papers and competitiveness indexes, as these types of reports often take the discourse of "increasing international competition and globalization" for granted and instead are more analytically attuned to elaborations of what the concept of international competitiveness entails for a nation.

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applied in most annual economic reports, again with the same name but a different connotation and application. See p. 303 below.

Throughout the coding process, the researcher kept a coding logbook to chart progress, developments and the researcher's own reflections upon data and analysis.

10. How United Kingdom Came to Compete

10.1 Before and After the Collapse of Bretton Woods

In the British knowledge regime, all the four PROs examined in this study assert a temporal distinction between a time *before* late 1970s—a time often referred to as the Golden Age of Capitalism, characterized by high levels of growth and employment, led on by debt-financed, Keynesian demand-side management of the economy—and a time *after, where* the international political environment surrounding the U.K. underwent fundamental change. The temporal distinction is exemplary discussed by IPPR in its commission report *Social Justice: Strategies for National Renewal* published in 1994:

> "After the war, the U.K. had relied on a combination of national economic management, a mildly redistributive welfare state, and a mixed economy of public and private sectors. The system had seemed to work well enough until 1970, but during the next decade this post-war settlement came under increased strain. The Symptoms were clear: the economy suffered 'stagflation' (the previously unknown combination of rising unemployment and rising inflation); the state could no longer resolve conflicts between employers and labor."[363]

According to IPPR, "in the post-war years the central challenge was to sustain demand at a level commensurate with full employment."[364]

Likewise HMT in its white paper *Competitiveness: Helping Business to Win*, published in 1994, gazes back in history and finds that

> "By the late 1970s the U.K. suffered from high and seemingly chronic inflation. Strikes were common. Government intervention distorted

[363] IPPR, 1994, p. 62.
[364] IPPR, 1994, p. 103.

decision-making. Protected industries were unable to adjust to changing world conditions."[365]

The source of these vagaries was a marked change in the external political-economic conditions facing the U.K. The character of these new globalized external conditions is discussed by NIESR, IFS[366], IPPR[367] and HMT.[368] Albeit with a different emphasis all of these PROs claim that following the 1970s the external international environment substantially changed with deregulation of product markets (for instance with the establishment of the European Single Market[369] and NAFTA) and the reduction of trade barriers through GATT, the entry of Eastern European and East Asian economies into the world economy, the liberalization of international capital markets and the herewith associated acceleration of trans-boundary flows of FDI, advances in production and communication technology, allowing for increased supply chain disaggregation and thus a more spatially dispersed international division of labor as well as the emergence of new multinational corporations.[370]

10.1.1 The Role of Government after Bretton Woods

This transformed international environment is perceived by British PROs to have implications for economic policymakers and hence the appropriate stance of the state vis-à-vis the market. In particular the potency of conventional macroeconomic policies is perceived as significantly curtailed after the collapse of Bretton Woods.

First of all, monetary policy should independently target price stability, inasmuch as an accommodative monetary policy designed, for example, to enhance

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[365] HMT, 1994, p. 10.
[366] IFS, 2000, pp. 135-141.
[367] IPPR, 1996, p. 33.
[368] See HMT, 2007b, pp. 34-37, HMT 2005 pp. 7-12.
[369] NIESR, 2007, p. 101.
[370] NIESR, 1994a, p. 44, HMT, 1994, pp. 6-7.

employment would tend to drive up inflation and hence interest rates, which in turn would reduce incentives to investment and thus ultimately counteract employment and job creation. For instance, an independent central bank charged with the task of ensuring price stability is, by the HMT in its 2000 pre-budget report, argued to constitute an important leg of a "new" macroeconomic framework designed to "achieve economic stability for the long term."[371] (This framework was presented by the newly elected Labor government in 1997, by which the Bank of England was made formally independent in 1998.[372])

Second, active and interventionist fiscal policy is perceived to be less effectual. Reduced trade barriers are found to render fiscal stimuli (e.g., through increased government expenditure) of domestic demand to boost growth and employment less efficient, as this in a new global setting more likely increases imports instead of domestic production, thus impairing the current account. Third, even if a government should want to employ large-scale fiscal demand-side stimulus, then, in a globalized environment characterized by free capital movements, that government would find it increasingly difficult to raise revenue to do so insofar as it should want to raise that revenue from an increasingly footloose, unencumbered global capital. IFS in its 2000 Green Budget[373] questions the continued tenability of taxation of assets, which with globalization becomes far more mobile (in particular capital), and contends that

> "The globalisation of international markets and advances in technology have reduced the costs of seeking out lower tax rates and increased the likelihood that tax rates on mobile activities will continue to fall."[374]

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[371] HMT 2000a, p. 14.
[372] HMT 2000a, pp. 15-16.
[373] IFS 2000, p. 135.
[374] IFS 2000, p. 141.

Thus in the long run, accumulating budgetary and current account deficits will tend to run up interest rates. In this line IFS in its Green Budget published in 1993 finds that "the lesson of the 1980s is that no government can be indifferent to a widening in the current account deficit."[375] Indeed, in its pre-budget report from 2000, HMT argues that the other leg of the government's new macroeconomic framework consists of a fiscal policy which as its primary goal has the objective to "ensure sound public finances" and "support monetary policy."[376] Objectives to be achieved by HMT adhering to what is termed a "golden rule of fiscal policy" according to which the current budget ought to be balanced or in surplus over the economic cycle.[377]

By several PROs these newly imposed constraints on (macro)economic policymakers are articulated as a distinct policy choice or, employing the vocabulary of the PROs themselves, a "trade-off" which they will have to address. For instance, HMT observes a "trade-off between output growth and inflation,"[378] as does NIESR[379] and IPPR. The latter PRO provides the most explicit account:

> "It is important to understand, that the presence of these two instruments does not allow us target independently both growth (full employment) and price stability, because the two instruments themselves are not fully independent. … The output/price or unemployment/inflation trade-off is inexorable; that is to say it cannot be eliminated or mitigated by altering the fiscal/monetary mix."[380]

Thus, as the efficacy of conventional macroeconomic measures in the form of demand-side stimuli is seen as significantly reduced, economic policymakers are

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[375] IFS 1993, p. 19.
[376] HMT 2000a, p. 18.
[377] HMT 2000a, p. 18.
[378] HMT 2000a, p. 149.
[379] NIESR 2000, p. 11. See also NIESR 1995c, p. 74, for a slightly different formulation.
[380] IPPR 1996, p. 251.

perceived to be confronted with an "inexorable" choice between either high growth (and employment) accompanied by high inflation or low growth and low inflation. Instead attention is directed to the supply side of the economy as the remaining viable source for enhancing long-term growth (simultaneously with stable development of inflation). For example, IFS expresses such a view in its 1993 Green Budget claims:

> "The best way of achieving sustained non-inflationary growth without a deteriorating current account would be to adopt measures to improve the supply-side of the economy … there might be a policy bias in the direction of achieving further gains in competitiveness."[381]

Indeed, IFS here comes close to equating efforts to improve the supply side of the economy to the task of increasing competitiveness.

10.1.2 A Competition of Nations

These ostensibly new international conditions perceived to face U.K. firms and economic policymakers are by some PROs also interpreted and represented as an increasing competition among nations. For instance, HMT continuously makes reference to the heightened competition and the importance of improving domestic competitiveness.[382] In 1993 it argued

> "Today, our companies face the most competitive environment they have ever seen. Change is relentless and swift. The global financial market never sleeps. Technology has shrunk the world. Free trade has opened new markets but it has also created new competitors. We cannot ignore these changes. To do so means certain decline."[383]

While it is acknowledged that such a shift presents "enormous opportunities," it is conversely claimed that increasing competition is "a threat" where the U.K. is not

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[381] IFS 1993, pp. 20-21.
[382] HMT 2007a, p. 2.
[383] HMT 1994, p. 3.

competitive.[384] HMT warns that "for many decades, Britain has been behind other countries; and our rivals will not wait for us to catch up."[385] IPPR similarly, in a commission report published in 1996, finds that "national governments are in competition with each other in providing conditions which will encourage business to thrive"[386]

Clearly the British PROs do not consider it a uniquely British pastime to ponder over the pressures implied by increasing globalization and competition. On more than one account a PRO notes how other national governments similarly perceive themselves as engaged in a competition of nations and how the competitiveness agenda is advancing abroad. HMT, for example, argues

> "Others recognise the importance of competitiveness. The European Commission has recently published a White paper. Germany has also published a report. The U.S., Canada, Australia and New Zealand all regard competitiveness as a key issue. The fast growing countries in the Far East already know that it is vital to economic success."[387]

Just as NIESR recognizes "Improving national competitiveness has become a key theme of the 1990s,"[388] noting that countries such as the U.S., Germany, Canada, and Spain have forestalled HMT in the U.K. and published extensive competitiveness white papers outlining their national competitive strategies.[389]

However, just because some British PROs argue that growing competition among nations constitutes an important challenge for economic policy, this does not

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[384] HMT 1995, p. 5.
[385] HMT 1995, p. 1.
[386] IPPR 1996, p. 52.
[387] HMT 1994, p. 9.
[388] NIESR 1995c, p. 71.
[389] That the international competitiveness of the U.K. comes to be perceived as increasingly important by PROs in the British knowledge regime is also evidenced by the two commission reports published by the IPPR two years apart. When one compares the two, one finds that the entire theme—and title—of the first report published in 1994 is social justice, whereas the second report from 1996 presents itself as "a public policy agenda for a more prosperous Britain—an aim that calls for progress in business competitiveness."

imply that this is *the* only challenge alluded to in data. In some reports the competition of nations is a far more prevalent idea than in others[390], whereas in others the theme of increasing competition is merely touched upon in a sporadic fashion.[391] In some reports, other political and economic challenges—such as demographic changes and aging populations, global climate change, international terrorism and conflicts as well as global poverty—besides competition are discussed and addressed.[392] However, in the reports examined here the notion that nations are engaged in an intensifying competition is alluded to more often than not.

10.2 How Competitiveness Is Revealed: Outcomes

While all British PROs contend that the U.K. is engaged in competition with other nations, there appears to be some degree of variance as to interpretations of what the competitiveness of a nation is. Indeed, all PROs in one way or another conceptualize competitiveness as an economic function in which some set of inputs or sources are transformed into a competitive outcome by which relative national competitiveness can be ascertained and measured. However, interpretations differ with regard to just how and by what econometric indicator such an outcome should be measured, just as PROs are not always in agreement about what should count as a source of competitiveness.

With regard to outcomes, there appear to be two general interpretations prevalent among the PROs in the British knowledge regime.[393] On the hand, some PROs suggest that a competitive economy is most appropriately measured by its export

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[390] See HMT 1994 or IPPR 1996.
[391] For instance, the subsequent Green Budgets of the IFS do not make frequent reference to the notion of a competition of nations but just address a range of conventional macroeconomic issues. But see IFS 2000, pp. 135-141, for an exception.
[392] HMT 2007a, p. 2.
[393] Where some PROs subscribe to both of these.

performance. For instance, in its 1994 white paper on competitiveness HMT addresses the question "what is competitiveness?" head on. In this discussion, it argues that for a firm "competitiveness is the ability to produce the right goods and services of the right quality, at the right price, at the right time." Yet HMT claims that things are different with nations and invokes an OECD definition when it argues that national competitiveness consists of "the degree to which it can under free and fair market conditions, produce goods and services which meet the test of international markets."[394] NIESR echoes this view in its quarterly economic reports on the state of British economy, where it square competitiveness with "price competitiveness"[395], which it at times deems decisive for national export performance.[396]

On the other hand, some PROs argue that competitiveness should be measured by a nation's ability to advance economic growth and extend the average real incomes of its population. Such a view is expressed in several of the later reports published by HMT in 2000 and 2007.[397] In fact, in the 1994 HMT white paper, national competitiveness is defined as the ability of a nation to export (as it were, "produce goods and services which meet the test of international markets") "while simultaneously maintaining and expanding the real incomes of its people over the long term." The same view is voiced by IPPR, which in its commission report from 1996 in the very opening chapter claims "at the heart of this report is a vision of a more prosperous Britain. Its central element is high and rising income per head."[398] Indeed, even NIESR in some of its publications shares such an emphasis upon growth and increasing living standards as the appropriate outcome measure

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[394] HMT 1994, p. 9.
[395] An aggregate indicator composed of unit labor costs and exchange rates.
[396] See, for example, NIESR 2000, p. 15 and p. 20, NIESR 2007, p. 46.
[397] HMT 2000a, p. 3, HMT 2007b, p. 3, HMT 2000d, p. 71.
[398] IPPR 1996, pp. 13-14.

of competitiveness.[399] Thus one might perhaps, albeit very cautiously, argue that a gradual shift is detectable among British PROs away from an understanding of competitive outcome as measured by export performance towards a view emphasizing growth performance.

However, while this is a very coarse-grained generalization, it does not, however, imply that it is not occasionally questioned whether growth constitutes the most appropriate or for that matter only indicator of competitiveness. For example, IPPR in its 1996 commission report on the one hand admits that growth *is* the primary policy target but on the other hand that measures of employment and job creation performance should be included as supplementary outcome indicator:

> "While wealth creation is the primary objective and public policy should seek to promote it, we cannot ignore the distribution of economic activity and what it implies for employment. If two countries have the same GDP per head but in one everyone is employed while in the second there is high unemployment, we would presumably regard the first as better off."[400]

10.3 How Competitiveness Is Created: Sources

In much the same way, the PROs of the British knowledge regime address a range of potential inputs or sources of the competitiveness "function" of the British political economy.

10.3.1 SOC I: Macroeconomic Stability

First, macroeconomic stability is asserted and by some PROs (such as HMT and IFS) almost taken for granted as a necessary, if not essential, condition of competitiveness.[401] For instance, the 1995 HMT white paper on competitiveness considers it "the most important contribution that the government can make to

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[399] NIESR 1995c, p. 71.
[400] IPPR 1996, p. 15.
[401] HMT 2005, p. 13, HMT 2000d, pp. 12-14, HMT 2000b, p. 28, IFS, 2000, p. 15.

improving competitiveness."[402] Indeed, the temporal distinction between a time before and a time after the collapse of Bretton Woods is often substantiated with claims that *after* the collapse the U.K. in particular was haunted by significant macroeconomic instability and turbulence. For instance, in its 2000 pre-budget report, HMT gazes back in the past and argues that

> "Economic history clearly demonstrates that stability is an essential platform for achieving high and stable levels of growth and employment. Past instability in output, inflation and interest rates—as seen in the British Economy over the past 30 years—created uncertainty and led to short-termism in the savings and investment decisions of individuals and businesses alike."[403]

As should be clear, macroeconomic stability might mean different things to different PROs. As just seen, the HMT in its pre-budget report from 2000 argues that macroeconomic stability is best achieved through a monetary policy which concedes formal independence to the central bank, which in turn is entrusted with the primary task of ensuring stable inflation as well as a fiscal policy in observance of "a golden rule" according to which the current budget should be in balance or surplus across the business cycle.[404]

However, other PROs also address and discuss what kind of policy mix that best achieves macroeconomic stability. For example, NIESR, in its annual economic report from 1993, issues a comment on the general tenor of macroeconomic debates in the U.K. and finds it

> "Remarkable how the debate over economic policy has reverted to issues of demand management. … From about the mid-1970s, until last year it was at least mildly heretical to advocate discretionary counter-cyclical policy, whether fiscal or monetary instruments were to be used.

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[402] HMT 1995, see paragraph 2.1.
[403] HMT 2000a, p. 2.
[404] HMT 2000a, pp. 14-18.

> Now everyone seems to assume once more that it is the government's job to encourage and foster economic recovery."[405]

Thus, according to NIESR, the discussion of macroeconomic stability does not necessarily entail the complete abandonment of demand-side management exclusively in favor of supply-side measures—and NIESR observes that as of 1993 governmental management of aggregate demand is once again considered by British economic policymakers.

In a similar vein, IFS, in an elaborate discussion of fiscal policy occurring in its 1993 Green Budget, argues that economists do not really disagree about the appropriateness of deficit spending *per se*: "Both Keynesian and classical economists would agree that a buildup of debt during a recession can enhance an economy's long-term performance."[406] Rather, the IFS argues that the question of politics contention is whether additional discretionary fiscal spending *beyond* that implied by automatic stabilizers is warranted or not and contends that

> "The balance of economic evidence probably suggests that fiscal stimuli during recessions are reasonably successful in stabilising demand and activity, while the longer-term supply-side losses from higher tax rates are typically rather nebulous."[407]

According to IFS, while a balanced budget constitutes a desirable macroeconomic goal, it is balance across the business cycle (not the budget year) matters, and ample scope remains for fiscal policy to counterbalance economic upturns and downturns by deficit spending. Indeed, the IFS in 1993 gazes back into history to ascertain the extent to which the subsequent governments of Thatcher and Major in fact adhered to the policy of fiscal restraint (through curbed governmental expenditure), which one might expect in light of their publicly proclaimed political commitment to "roll back" the state. However the PRO finds that

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[405] NIESR 1993, p. 5.
[406] IFS 1993, p. 31.
[407] IFS 1993, p. 33.

Thatcher and Major in the period from 1979 to 1993 on average retained a government expenditure-to-GDP ratio of 45% and that real government expenditures on average increased 1.6 to 2% a year.[408] In other words, the IFS does not find evidence of a significant rollback or retrenchment of the state in the U.K. and thus an abandonment of demand-side management through increased governmental expenditures in this period.

In fact, even HMT appears to take a somewhat different position on the question of macroeconomic stability when it, in its white paper published in 1994, argues that "low inflation is not an end in itself, but one of the necessary conditions for sustained growth." Apparently the HMT here expresses a view according to which competitiveness as an outcome should be measured by national growth performance and that stable inflation is perceived merely as a subsidiary instrument to achieve that goal , not as an end in itself.[409]

10.3.1.1 Metrics of Competitiveness I: Output Gaps

Hence the achievement of macroeconomic stability does not entail the complete abandonment of demand-side policy *per se* and active, interventionist (even discretionary) fiscal policy to offset economic cycles through stimulus of aggregate demand to some PROs appears warranted. Instead, the task confronting economic policymakers consists of conducting a fiscal policy in alignment with the real productive capacity of the economy as well as the current stage of the business challenge.[410] The challenge of such a fiscal policy stance, of course, is for economic policymakers to determine whether the economy is running above or below its real productive potential and thus whether a contractive or expansive fiscal stance is appropriate to achieve macroeconomic stability.

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[408] IFS 1993, pp. 97-98.
[409] HMT 1994, p. 9.
[410] As expressed, for example, by HMT's "golden rule" according to which fiscal policy should achieve balanced budgets across the cycle.

Hence in the reports of some of the PROs in the British knowledge regime, a distinct economic metric is employed to enable assessments of the current stage of the cycle: the output gap. This econometric means of estimation is discussed in the annual economic reports published by HMT, IFS and NIESR, in particular from 2000 and onwards.[411] For instance, NIESR devotes an entire article to what it terms "one of the principal indicators of inflationary pressures used in the current debate" and argues that

> "Many economists … have taken, or are quickly taking, a stand on the size of the output gap, so much that Gavyn Davis (*The Independent*, January 2009) compiled a list of 'gapeologists,' the leading proponents of this science."[412]

The output gap is designed to estimate how much the current actual level of production in an economy deviates from its potentially sustainable level.[413] If the actual level of production exceeds the potential level, the output gap is positive and the economy is considered to run above capacity (upswing). Conversely, if the potential level exceeds the actual level, the gap is negative and the economy runs below its capacity (downturn). With a negative output gap, an expansive fiscal policy is deemed appropriate and vice-versa for a positive output gap.

As such the metric *inter alia* serves the function of a steering mechanism or target for macroeconomic policies, which make use of both supply- and demand-side measures. The output gap in turn is composed of two components[414]: a demand-side component, which describes the level and type of demand (e.g., private and public consumption, private and public investment, as well as exports), thus the

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[411] HMT 2000a, p. 146, HMT 2005 p. 10, IFS 1993, pp. 16-17, IFS 2007, p. 36 and p. 64, NIESR 2007a, p. 41 and p. 50, IPPR 1996, p. 246.
[412] NIESR 1995d, p. 65.
[413] Where sustainable implies growth rates consistent with price stability.
[414] IFS 2007, pp. 69-76.

actual *current* level of production, and a supply-side component which estimates the potential capacity of the economy to serve this demand.[415]

10.3.1.2 Metrics of Competitiveness II: Growth Accounting

This latter component, which estimates the potential production capacity of the supply-side of the economy, is measured with another econometric technique: the technique of growth accounting. On a par with the output gap, this econometric methodology is applied in the annual economic reports published by HMT[416], IFS[417] and NIESR.[418] For instance NIESR explains the growth accounting technique as one which

> "Seeks to decompose the growth in output into that part which is due to growth of the quantities of factors of production (physical capital and labor), their quality (for example, labor skills) and the efficiency with which they are combined. Key results are that the quality of factors is an important influence on growth."[419]

The idea behind growth accounting is to decompose (the potential) growth rate into its underlying sources or components, and is as such particularly helpful for economic policymakers, as it allows a more nuanced differentiation and discrimination between different sources or sub-components of growth, which then in turn can be singled out for singular policy intervention. For example, in its pre-budget report published in 2000, the government claims that

> "The factors that influence trend growth can be grouped under those that determine trend population growth, the trend employment rate and those that determine trend labor productivity."[420]

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[415] That is, whether a given level of demand can be met with or without mounting inflationary pressures in the economy.
[416] HMT 2000a, p. 33, HMT 2007b, p. 8, HMT 2003, p. 9.
[417] IFS 2007, p. 59, IFS 2000, p. 8.
[418] NIESR 2007, p. 99.
[419] NIESR, 1995c, p. 73
[420] HMT, 2000a, p. 33

While several of these components might contribute to the potential growth of the economy, the attention of all PROs in the British knowledge regime gathers primarily around productivity. HMT in the pre-budget report from 2000 argues "productivity is the main driver of economic growth"[421] and "the key challenges now facing businesses and Government is to secure significantly stronger growth in productivity."[422] IFS in its Green Budget report from 2007 similarly claims that productivity constitutes a "key determinant of the potential growth rate of the economy."[423] Likewise IPPR in its commission report published 1996 states "the most desirable forms of growth maintain or increase the productivity of capital as increasing the productivity of labor."[424] And NIESR in 1994 follows suit:

> "In assessing a country's or a region's competitiveness, attention usually focuses on wages (or more broadly labor costs) on the one hand, and labor productivity on the other."[425]

10.3.1.3 Metric of Competitiveness III: Productivity Gap

That the task of increasing productivity is highly prioritized by PROs in the U.K. is further evidenced by the fact that a separate additional economic metric is invoked to provide a measure of the U.K.'s relative performance vis-à-vis the enhancement of its productivity. With clear inspiration from the output gap, in some reports a distinct *productivity gap* is discussed. In the pre-budget report of 2000, HMT devotes an entire chapter to "The Productivity Challenge" and finds that regardless of how productivity is measured, "the U.K. has long displayed lower productivity levels than its major competitor nations."[426] This shortcoming it dubs the "the productivity gap."[427] Where the output gap describes the estimated

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[421] Ibid. p. 3
[422] Ibid. p. 33. See also HMT, 1994, p. 9
[423] IFS, 2007, p. 57
[424] IPPR, 1996, p. 14
[425] NIESR, 1994b, p. 49; See also NIESR, 1995b, p. 85
[426] HMT 2000a, pp. 35-36.
[427] See also HMT 2007b, pp. 37-41.

difference between the actual and potential production of an economy, the productivity gap, however, constitutes a comparative cross-national metric which benchmarks U.K. productivity performance against other nations. As it seems, the concept of productivity gap "migrates" from the HMT reports to the publications of other PROs in the British knowledge regime. Thus both IFS[428] and NIESR[429] come to employ the concept.

Indeed, the British emphasis upon productivity is so deep-rooted that in some reports productivity is straightforwardly *equated* to competitiveness. This is the case in the white paper *U.K. Competitiveness: Moving to the Next Stage* published in 2003:

> "To understand competitiveness, the starting point must be the sources of a nation's prosperity. A nation's standard of living is determined by the productivity of its economy, which is measured by the value of goods and services produced per unit of the nation's human, capital and natural resources. … True competitiveness, then, is measured by productivity."[430]

And in the HMT pre-budget reports from 2000, a conceptual vocabulary of competition between "competitor nations"[431] is only invoked in the discussion of the U.K. productivity challenge.[432]

Hence, it is a reasonably fair and empirically supported claim to argue that all British PROs quite consistently emphasize the importance of raising the productivity of the U.K. economy. However, somewhat different arguments are advanced as to why increases in productivity ought to be pursued by economic policymakers. First, HMT in 2007 claims that reforms aimed to enhance productivity are far preferable to other types inasmuch as productivity is the only

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[428] IFS 2000, p. 125, IFS 2005, pp. 1-2.
[429] NIESR 1995a, p. 53.
[430] HMT 2003, p. 7. For a similar claim, see HMT 1994, p. 9.
[431] HMT 2000a, p. 35.
[432] And not in, say, the discussions of labor market policies etc. See HMT 2000a, pp. 67-90.

factor of the growth accounting equation which is perceived to be able to increase indefinitely. Other factors of the growth accounting equation are perceived as constrained by "natural" limits:

> "In terms of labor input, increases in the number of hours worked can be achieved by increasing the population, increasing the proportion of the population in work, or increasing the hours which people work. However, there is a constraint to the contribution of labor to long-run economic growth as there are obvious limits to the number of people of working age available to work, and to the hours that can physically be worked. … Alternatively growth can be achieved through raising the average amount produced for each hour worked or the amount produced per worker. … These mechanisms for increasing output are not limited in the way that employment and hours worked are."[433]

Second, IPPR argues that if one compares two economies with identical growth levels, then, all things equal, the economy in which the growth is due to higher rates of productivity is considered better off than the one where growth stems from higher working hours, as the "citizens of the second country would have more time for leisure and social activities."[434] Increases in productivity are more desirable *per se* compared to other means. In a somewhat similar vein, the 2003 white paper asserts that "productivity allows a state to support high wages, a strong currency and attractive returns to capital, and with them a high standard of living."[435]

To be sure, the point is *not* that PROs in the British knowledge regime only consider productivity and thus neglect other potential factors of growth (such as labor supply, employment rates and working hours). These are also discussed in the policy reports. The cautious point is rather that, all things considered, the challenge of increasing productivity in the U.K. appears to receive the lion's share of attention.

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[433] HMT 2007b, p. 8.
[434] IPPR 1996, p. 15.
[435] HMT 2003, p. 7. For a similar claim, see HMT 1994, p. 9.

Indeed all of the British PROs perceive productivity as standing in an inverse relationship with another factor of the growth equation: the level of employment. For instance HMT in its pre-budget report of 2000 asserts that

> "Strong employment gains in recent years have been accompanied by subdued productivity growth, which has been below its long-run rate since 1995. This mainly reflects the temporary impact of bringing large numbers of people back into employment, as those entering work tend to have lower than average productivity levels."[436]

IFS in its Green Budget from 2000 observes a similar relationship when it contends that "higher employment growth might be expected to curb productivity growth"[437], as do NIESR[438] and IPPR.[439] That is, just as some PROs perceive an inexorable "trade-off" between growth and inflation, they similarly perceive a trade-off between increases in productivity and increases in employment where improvements in one are obtained at the expense of the other. Thus, British PROs appear to perceive a policy choice confronting economic policymakers when faced with the (inverse) relation between productivity and employment but nonetheless appear to endorse policy measures intended to increase productivity.

To briefly summarize, macroeconomic stability is perceived to constitute a fundamental necessary condition of competitiveness. And though macroeconomic stability *is* emphasized, this however does not imply an outright denouncing of demand-side deficit spending *per se* in favor of a strict supply-side approach. Some PROs perceive the requirement of a balanced budget to be stretched across the economic cycle, implying that demand- and supply-side measures can go hand in hand and complement one another depending on the current stage of the

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[436] HMT 2000a, p. 147. See also HMT 2000d, p. 4, HMT 2007a, p. 49, HMT 2007b, p. 17, HMT, 2003, p. 10
[437] IFS 2000, p. 9.
[438] NIESR 2000 p. 22.
[439] IPPR 1994, p. 6.

business cycle. In turn, such an assessment depends upon whether the output gap (aided by the growth accounting metric) is negative or positive.

10.3.2 SOC II: Open Markets, Deregulation, Taxes and Labor Markets

However macroeconomic stability is not considered to constitute the only source of competitiveness. As argued by HMT in 2000, "Macroeconomic stability is a necessary condition for raising Britain's long-term growth potential, but it alone is not sufficient."[440] In 1994 it claims that competitiveness is "about more then pulling macroeconomic levers."[441] In the eyes of the PROs of the British knowledge regime, the list of sources of competitiveness is longer. They also variously emphasize the importance of open and competitive product, capital and labor markets and the structure of tax and regulatory regimes for the competitiveness of a nation.

For instance in its 1994 white paper, HMT first argues that "strong competition at home to satisfy customers also enhances the international competitiveness of our companies" and thus commits itself to introduce competition wherever possible, "including in industries once considered natural monopolies."[442] Second, while it finds that some degree of governmental regulation of markets is necessary, it maintains that "its scope and implementation can affect the competitiveness of business." Hence it proposes a policy to "minimise regulatory burdens on business."[443] Third, HMT finds that "a country's tax regime affects its competitiveness … a burdensome regime can stifle growth" and thus adopts a policy aimed at keeping "the overall tax burden as low as possible" through

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[440] HMT, 2000a, p. 3
[441] HMT, 1994, p. 23
[442] HMT 1994, p. 137; See also HMT 2000a, p. 41
[443] HMT 1994, p. 134

reduction of marginal tax rates.[444] Finally, it is not just product and capital markets which need to be open and unregulated. Likewise, HMT argues, "flexible labor markets play a key part in a competitive economy."[445]

Other PROs discuss the same sources of competitiveness. NIESR argues that both privatizations and the labor market liberalization policies since the 1970s have made a "favourable contribution" to the narrowing of what it terms the competitiveness gap of the U.K. For instance it finds that "privatised utilities have significantly raised productivity, particularly when exposed to competition"[446] and elsewhere contends that "another important factor in determining the attractiveness of a nation as a location for production is the rate at which profits are taxed."[447] IPPR finds that "for any developed economy, effective competition in the domestic product market is the lifeblood of competitiveness."[448] In its 2007 Green Budget, IFS analyzes the extent to which the British tax system can be considered "a competitive tax regime that will be attractive to international firms making location choices."[449]

10.4 Before and After the New Economy

However, there is even *more* to international competitiveness than macroeconomic policy liberalization and deregulation of markets, low taxes and flexible labor markets. That is, in their respective accounts of political economic history, the PROs in the British knowledge regime assert an *additional* temporal distinction to argue that around the turn of the century the competition of nations changed in character. In particular, several British PROs have come to distinguish between a

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[444] Ibid. p. 142
[445] Ibid. p. 50
[446] NIESR, 1995c, p. 77
[447] NIESR, 1994a, p. 44
[448] IPPR, 1996, p. 57
[449] IFS, 2007, p. 186

time *before* the late 1990s and a time *after* in which advanced political economies ostensibly came to take the form of "new"[450] or knowledge-based economies, and thus where a new stage or phase of globalization began implying a new set of competitive parameters for nations engaged in international competition.

The idea that the British economy has (somehow) transformed and permutated into a distinctly "new economy," implying fundamental alteration of the basic economic relationships within an economy is addressed and discussed, for example, by HMT. In its pre-budget report from 2000, it argues that during the 1990s the United States experienced a rapid acceleration of productivity and thus growth and further claims that "most economists agree" that the acceleration in productivity is ascribable to diffusion of ICT technologies in the production.[451] Elsewhere, HMT argues that "most commentators now believe that trend growth in the U.S. has increased, which has led some to describe the U.S. as a 'new economy.'"[452] Also NIESR ponders over the question of whether the U.K. economy has been "transformed by the Internet revolution, raising productivity growth rates above those experienced in the recent past"[453] and the extent to which the U.K. might emulate what is perceived as a "U.S. New-Economy labor productivity growth miracle."[454]

A core contention of the "new economy" thesis is the belief that the surge in U.S. productivity (associated with the ICT-led "growth miracle") has loosened or even dissolved the supposedly "inexorable" trade-off between growth and inflation, which some British PROs observe as discussed above.[455] That is, the U.S. is found

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[450] See, for example, NIESR 2001a, p. 79, NIESR 2002, pp. 38-39, HMT 2000a, p. 38.
[451] The Internet reduces search and transaction costs, lowers barriers to the entry of new firms and thus enhances competition in most spheres. HMT 2000a, p. 33; see also IPPR 1996, p. 36.
[452] HMT 2000c, p. 13.
[453] NIESR 2000, p. 6.
[454] NIESR 2001a, p. 75.
[455] See p. 178 above.

during the 1990s to have raised both growth and employment, while simultaneously keeping inflation in check, and the reason for this is often found to be the increase in productivity. For instance, HMT finds that the U.S. has experienced an "exceptional combination of high GDP growth and low inflation since the mid 1990s. This has been underpinned by strong productivity growth."[456] However, all PROs do not uncritically embrace the "new economy" and very diverging attitudes towards the concept can be discerned. For instance, in a NIESR publication from 2001 it is argued that "the new-economy phenomenon is as much a matter for social psychologists as for economists."[457]

Even so—and regardless of the relative intellectual cogency of the concept of a new economy—some PROs nonetheless still advance the argument that the character of the competition of nations has changed and thus new parameters of international competition have come to prevail. The white paper *Building the Knowledge-Driven Economy* published in 1998 is perhaps the document which most explicitly invokes this temporal dichotomy:

> "In the increasingly global economy of today, we cannot compete in the old way. Capital is mobile, technology can migrate quickly and goods can be made in low cost countries and shipped to developed markets. British markets must compete by exploiting capabilities, which its competitors cannot easily match or imitate. These distinctive capabilities are not raw materials, land or access to cheap labor. They must be knowledge, skills and creativity, which help create high productivity."[458]

Other PROs argue along similar lines, such as for instance IPPR and NIESR, which in 1995 suggest that "higher investment in physical capital alone is not the

[456] HMT 2000a, p. 38.
[457] NIESR 2001b, p. 67.
[458] HMT 1998, p. 10.

route to permanently higher growth. Investment in people and ideas are also important."[459]

This temporal dichotomy is by some PROs substantiated by invocation of two distinct competitive national modalities, of which only one is argued to be sufficient in the allegedly new stage of international competition. That is, in slightly different forms, PROs argue that what used to be sufficient for competitive performance in the past is in the new stage no longer sufficient but merely a necessary condition for competitive participation. For instance, in 1994 IPPR argued that "efficiency is necessary to win markets, but it is not in itself sufficient; innovation is the key ingredient,"[460] a proposition which it expands with the temporal assertion:

> "In the past, countries have prospered on the basis of their natural endowment of raw materials. These are still important … But they cannot be the basis of competitive strength on their own. … The companies and countries that prosper are those that can add value to the raw materials by combining them with skilled workers and the latest technology." [461]

And in 1996 IPPR maintained that "while market liberalisation and some deregulation were appropriate, even the strongest devotees of these policies do not claim that they alone, were, or are, sufficient to resolve Britain's economic problems."[462]

Also IFS in its 2007 Green Budget raises the question of how much "a competitive tax regime" matters to a firm's choice of location "given other factors that influence the attractiveness of the U.K. as a location for business investment."[463] Indeed the entire white paper *U.K. Competitiveness: Moving to the Next Stage*

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[459] NIESR 1995c, p. 73. See also IPPR 1994, p. 99.
[460] IPPR 1994, p. 102.
[461] IPPR 1994, p. 99.
[462] IPPR 1996, p. 19.
[463] IFS 2007, p. 186.

from 2003—as the title suggests—addresses the ostensible move to a new stage of competition. The "most valuable message" the white paper conveys is:

> "the U.K. needs a new conception of competitiveness. In the past the U.K. has been very successful in implementing key market-based reforms: deregulation, privatisation and competition. But these aspects of industrial policy are now running into diminishing returns."[464]

Moreover, some PROs claim that, whereas in earlier periods wage and price levels constituted central parameters of competitiveness, in the new stage of competition the ability to produce higher-value-added quality goods is becoming still more important. For instance, IPPR in 1994 programmatically proclaimed that "in the new world economy, success is increasingly based on raising the quality of what we produce, rather than on trying to cut the costs."[465] NIESR expanded further upon this discussion when it, in a 1999 paper on competitiveness, invoked and discussed the analytical distinction between "price-competitiveness" and "non-price competitiveness" in order to elucidate and distinguish important (generic) factors of competitiveness. It argued that back "in the 1960s and 1970s" the attention of economic researchers was drawn towards "data sets on relative prices or relative unit labor costs" when addressing the question of national competitiveness. In contrast

> "'Non-price' was a catch-all term to capture other dimensions of the ability to compete. … To say that the 'non-price' aspect was ignored would be wrong, but it was certainly the junior partner. Today the emphasis has subtly changed. Of course price or unit labor costs are still regarded as important. But … there is great stress on producing high-quality or high-spec goods and services."[466]

This shift in emphasis, NIESR argued, stems from the observation that countries competing on low price "by definition" are producing low-value-added products,

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[464] HMT 2003, p. 1, p. 5 and p. 43.
[465] IPPR 1994, p. 99.
[466] NIESR 1999, p. 71.

and thus that workers employed in the firms of such a nation would be required to "accept poor pay conditions." In 1994, NIESR with a somewhat similar argument suggested that in a new competitive context, new parameters will result in superior competitive performance and relativizes the importance of wage costs:

> "Clearly, high wages, ceteris paribus, reduce competitiveness, low wages enhance it. But in reality things are not usually equal: high wages are frequently accompanied by high productivity, so what matters is the balance between the two."[467]

According to NIESR, not only wage levels but also the relation between wage levels and productivity are decisive for national competitive performance.

10.4.1 SOC III: Education, Science, Innovation, Entrepreneurship

The point that more than free markets, low taxes and flexible labor markets is required for a knowledge economy to remain productive and thus competitive in a new stage of competition also permeates the pre-budget report published by HMT in 2000. Here the key causes for the U.K.'s long-standing productivity gap are diagnosed, and HMT argues that the shortcomings stem from "lack of domestic competition, insufficient incentives and opportunities for enterprise and innovation, poor skills and a history of under-investment."[468] Similarly, HMT in its productivity white paper from 2000 identifies the "areas of investment, skills, R&D and innovation, competition and enterprise" as the key areas for addressing and closing the productivity gap.[469] Also IFS discusses these "five drivers of productivity,"[470] as does IPPR. In its 1996 commission report the latter finds an "unprecedented consensus among politicians and business leaders, that Britain

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[467] NIESR 1994b, p. 49. See also NIESR, 1995b, p. 85
[468] HMT 2000a, p. 3.
[469] HMT 2000b, p. 37. See also pp. 32-33. The same framework is discussed in HMT, 2007b, pp. 19-29.
[470] IFS 2005, p. 4.

must make a significant effort to match up in the skills stakes, and that this is vital for future competitiveness"[471] and that "innovation is essential for success"[472] just as the contribution of entrepreneurs and SMEs to growth is recognized.[473]

10.4.2 SOC IV: Management, Migration, ICT and Infrastructure

However, the range of supply-side policies considered necessary in the British knowledge regime still goes beyond the productivity framework of the government (e.g., investments in education and skills, entrepreneurship, innovation, science and technology). One regularly encounters claims that sources such as the general uptake and utilization of ICT in the wider economy[474], the skills of managers (as opposed to the skill levels of employees), migration and the national ability to attract high-skilled workers as well as national infrastructure should be considered important sources of national competitiveness. For instance, in its pre-budget report from 2000, HMT expresses a commitment to engage in the competition to attract, not only FDI, but also migrants to ensure "U.K. competes for the best skilled workers in the world."[475] IPPR discusses the importance of management and systems of corporate governance to overall competitiveness and firm efficiency[476], just as HMT in 2000 argues that "growth in an economy relies heavily on investment in physical capital to augment the productivity of labor" and suggests that a "major part of the explanation" of the U.K.'s poor productivity

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[471] IPPR 1996, p. 28. See also p. 49, 155, 157. In IPPR 1994, the PRO claims "only lifelong learning can win us the prize of economic success." (p. 120)
[472] IPPR 1996, p. 24.
[473] IPPR 1996, pp. 119-152.
[474] HMT 2000a, p. 38.
[475] HMT 2000a, p. 61.
[476] IPPR 1996, p. 88-118.

performance can be explained by the fact that the "stock of public infrastructure in the U.K. has been well below that of its main competitors."[477]

10.4.2.1 Metrics of Competitiveness IV: Competitiveness Indicators

That a competitive nation constitutes a broad, complex and multifarious phenomenon and thus that competitiveness stems from more than one or a few sources in the eyes of British PROs is further evidenced by the *competitiveness indicators.* These documents have been published on an annual basis from 1998 onwards.

In contrast to the growth accounting and output-gap metrics—whose individual, mutually exclusive components are defined so as to constitute a collectively exhaustive description of a national economy (e.g., growth stems from either productivity, labor supply, employment rates and working hours but nothing more)—the competitiveness index in a accumulative, ad hoc manner (which according the report itself is "deliberately eclectic"[478]) combines and mixes a great host of econometric indicators in the construction of a more encompassing account of U.K. competitiveness. The index claims, "No single measure can capture all the dimensions of performance relevant to measuring the progress of the knowledge economy."[479] Hence the index includes no fewer than 80 econometric indicators of competitive performance. For instance, the index includes indicators for "the quality of management"[480] and the availability of labor with ICT skills[481] as well as the degree of digital connectivity of British firms.[482]

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[477] HMT 2000b, p. 9. See also HMT 2007a, p. 51.
[478] HMT 2000d, p. 6.
[479] HMT 2000d, p. 6.
[480] HMT 2000d, p. 36.
[481] HMT 2000d, p. 46
[482] HMT 2000d, p. 43

In the edition from 2000, the sources are classified in three main categories. The first, "Business Environment," covers macroeconomic stability, competition, the labor market, the institutional and political environment[483] and "the quality of life" of U.K. citizens. The second category, termed "Resources," includes human capital[484], physical capital[485], finance[486], and information and communication technology[487] as well as science and technology.[488] The third category is termed "Innovation Process"[489] and contains technology commercialization, knowledge transfer, receptiveness to foreign ideas and entrepreneurship.

Thus when examining the competitiveness index, it becomes clear that in these years the range of factors and sources deemed important for international competitiveness virtually "explodes." Over time it seems that growing sets of policies and economic indicators come to be perceived as important sources of international competitiveness. This perception is shared by the PROs themselves. For instance, in 1995 NIESR argues that "The search for improved economic performance is never ending."[490]

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[483] Which refers to "the institutional and legal framework, and the efficiency of the regulatory system." See p. 11.
[484] A fairly broad concept encompassing indicators for lifelong learning, adult literacy and numeracy, intermediate and higher-level skills and management skills. HMT 2000d, pp. 30-36.
[485] Measured by indicators of business investment and government investment. HMT 2000d, pp. 37-39.
[486] Measured by indicators of venture capital, parallel markets and main equity markets. HMT 2000d, pp. 40-42.
[487] Measured by indicators of "connecting to the digital marketplace," e-commerce and ICT skills. HMT 2000d, pp. 43-46.
[488] Measured by indicators of publications and citations of research in academic journals, government spend on R&D, business spend on R&D. HMT 2000d, pp. 47-50.
[489] HMT 2000d, p. 51.
[490] NIESR 1995c, p. 71.

10.4.3 Competitive Advantages of the United Kingdom?

Given this variety of sources of competitiveness, the distinct competitive advantages of the United Kingdom are at times recounted. For instance, HMT's publications at times contain summary paragraphs where the competitive strengths of the U.K. are enumerated.[491] And in the eyes of the ministry, the competitive strengths of the U.K. remain much the same from 1995 to 2007. In a 1995 white paper on competitiveness it is asserted that the U.K.

> "Offers a competitive environment with an open market and stable economy, a world-class science base, low taxes, superior international communications, a skilled work force and excellent labor relations, a regulatory regime which encourages innovation, making the U.K. a world-class center for high technology industries such as telecommunications, pharmaceuticals and bio-technology; and a cultural heritage which helps to make the U.K. an attractive place in which to live and work."[492]

In 2007, it is claimed, that the U.K. possesses a number of strengths:

> "Open and competitive markets; strengths in science; a transparent and well-respected regulatory regime; world-class universities; a sophisticated credit market; and the use of English as the international language of business. The benefits are underpinned by the U.K.'s high quality institutions, such as an open and transparent legal system for contesting commercial disputes and for the protection of property rights."[493]

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[491] See, for example, HMT, 2005, p.1
[492] HMT, 2007b, p. 36
[493] HMT, 1995, paragraph 6.18; see also HMT, 1998, p. 10

10.4.4 SOC V: Environmental Protection and Social Inclusion?

However, despite the encompassing range of factors included, not everything constitutes a source of competitiveness in the eyes of British PROs.

10.4.4.1 Environmental Protection

First of all, it appears as if the PROs are split (and somewhat divided) in their perception of whether measures to protect the environment constitute a source or an impediment to competitiveness. That is, on the one hand whether the challenge of environmental deprivation confronts economic policymakers with yet another policy choice and "inexorable trade-off" where increased environmental protection can only come at the expense of competitiveness. Or on the other whether measures to further environmental protection and more energy-efficient production instead might further competitiveness and thus involve, as it were, a *trade-in* for policymakers (policies furthering environmental protection and energy-efficient production simultaneously further competitiveness).

Consider, for example, HMT's position on this question. In 1995 it argued that the way firms respond to environmental challenges

> "Will be of increasing importance to their competitiveness. Firms which understand the impact of their business on the environment, including the impact of their products at every stage of their life cycle, will be best placed to seize the opportunities offered by new technologies, management techniques, procurement strategies and so on. Such far-sighted companies will secure competitive advantage by managing their impact on the environment and by minimizing their use of resources."[494]

However, in its later reports published in 2000 and onwards, HMT appears to argue that competitiveness and environmental protection exclude each other. In the pre-budget report from 2000, HMT insists that "environmental policies must

[494] HMT, 1995, paragraph 6.18; See also HMT, 1998, p. 10

not threaten the competitiveness of U.K. business."[495] Here, HMT not only appears to assume a trade-off between measures to protect the environment and competitiveness but also prioritizes the latter over the former.

The PROs in the British knowledge regime appear equally divided on this question. IFS, in its 2007 Green Budget, expresses skepticism with regard to the competitive benefits of government regulation to further environmental and energy-efficient production:

> "One concern over any business carbon tax would be the impact on national competitiveness, since it would clearly raise the production costs for domestic firms."[496]

Conversely IPPR in 1994 subscribes to the view that efforts towards increased environmental protection and energy efficiency might constitute a source of competitiveness:

> "There is ample evidence that companies and countries which lead the way in raising environmental standards gain a competitive advantage in increasingly environmentally-aware markets."[497]

Moreover, IPPR in continuation hereof finds that the relationship implies a responsibility for governments to regulate the economy and that intelligent regulation can generate "markets that work better" by providing firms with incentives to discover new, more energy-efficient production and less-polluting production technologies.[498]

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[495] HMT, 2000a, p. 120. In 2007 HMT claims that "climate change policies need to be designed to complement wider government objectives. (…) These include energy security of supply and international development, as well as productivity and competitiveness," See HMT 2007b, p. 36. Also the HMT in its 1995 white paper maintains that when "considering tax changes to meet environmental objectives, the Government seeks to avoid damaging competitiveness." see HMT, 1995, Paragraph 2.24

[496] IFS 2007, p. 211.

[497] IPPR 1994, p. 67.

[498] IPPR, p. 98.

10.4.4.2 Social Cohesion, Inclusion and Equality

Second, not many British PROs explicitly argue that political measures furthering social cohesion, inclusion and equality constitute a source of competitiveness. Consider, for example, the discussion of labor markets as a source of competitiveness, where the emphasis is upon deregulated and more flexible labor markets. [499] For instance in its pre-budget report from 2000, HMT claims, that for labor market policies, the

> "aim is employment opportunity for all—the modern definition of full employment. … Achieving the Government's aim requires … microeconomic reforms to improve the functioning of the labor market—helping people to compete effectively for jobs, increasing work incentives and addressing the specific labor market problems of particular groups of people or local areas."[500]

Thus, in short, the emphasis is on providing the incentives for labor market participation by making "work pay." Complementary measures aimed at social protection and inclusion are not explicitly referred to as elements conducive to a nation's competitiveness. While these workfare measures are perceived to be the best means of mitigating "social exclusion of which worklessness is often a key cause,"[501] the prevention of social exclusion itself is not argued to improve U.K. competitiveness.

To be sure, in the 2000 edition of the competitiveness index, the quality of life of the British population *is in fact* included as a distinct source of competitiveness:

> "Quality of life can be an important determinant of economic performance as well as being a key goal of economic activity. It can be an important influence on firms' location decisions and retain key knowledge workers."[502]

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[499] See, for example, HMT 2000d, p. 11, HMT 2000b, p. 29.
[500] HMT 2000a, p. 67.
[501] Ibid. p. 67
[502] HMT, 2000d p. 26

In the competitiveness index, "quality of life" is measured by an additional arsenal of socioeconomic indicators on poverty, social exclusion, population health, crime levels, housing stock, air and water pollution, traffic and congestion, waste management and more. These indicators are aggregated into one single indicator, which then in turn is included as a source of competitiveness.

However, when one compares the competitiveness index published in 2000 with the one published in 2007, one finds that not only have the number of indicators been significantly reduced (from 80 to 26) but also that the "quality of life" indicator has disappeared. In short, in 2000 the quality of life (absence of poverty, social inclusion, low crime etc.) is considered a source of competitiveness. In 2007 it is not. It is not even discussed. Thus for a brief period, social inclusion, cohesion and equality were considered to constitute a source of competitiveness, but only for a brief period.

IPPR, however, contests this view. In its 1994 commission report, it asks how far a "vision of social justice can coexist with economic success, or even with economic survival, in a competitive world"[503] and then claims that these goals are co-constitutive.[504] While it accepts that the United Kingdom "cannot have social justice without a decent measure of economic success,"[505] it also contends that the "economic success of our country requires a greater measure of social justice."[506] The rationale behind this contention is also laid out by IPPR:

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[503] IPPR 1994, p. 18.
[504] IPPR maintains that position in its commission report from 1996. Here it claims that a social "drag anchor" of persistent long-term unemployment and high levels of welfare dependency constitutes an impediment to business, that is, "unemployment is everyone's problem. The apparent short-term advantages for business—an excess supply of labor and low wages—are illusory; in the long run every business pays, through higher taxes, reduced government investment, shortage of skilled workers and problems of social disturbance such as higher crime." See IPPR 1996, p. 184.
[505] IPPR, 1994, p. 18
[506] See also IPPR, 1994, p. 6, 17 and 22

> "Social inequality—low educational levels, unemployment, poor health, high crime—holds back economic growth. It does so directly through the costs to government (higher spending on benefits, low revenue from taxes) and also to business (higher spending on security, and on training workers in basic English."[507]

However, and somewhat curiously, this line of argument is not pursued further in IPPR's subsequent commission report published in 1996.

10.4.5 The Role of Government in a Knowledge-Driven Economy

Just as the temporal dichotomy distinguishing history before and after Bretton Woods, is by PROs perceived to alter the scope for governmental intervention in the economy, similarly the observation of a change to a new, knowledge-based economy and stage of competition is by some PROs understood to have implications for the appropriate and legitimate stance of the state (and other actors) vis-à-vis markets in three ways.

10.4.5.1 Correction of Market Failures

First, HMT, IFS and IPPR address the concept of market failures. HMT, for example, discusses market failures in its white paper on productivity from 2000 and lays out the theoretical rationale for government intervention to correct such failures[508]:

> "Many markets are subject to imperfections or failures. Market failure exists when the competitive outcome of markets us not efficient from the point of view of the economy as a whole. … markets fail when the private returns which an individual or firm receives from carrying out a particular action diverge from the returns to the society as a whole—resulting in a sub-optimal amount of it being done."[509]

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[507] IPPR, 1994, p. 98
[508] HMT, 1994, p. 16
[509] HMT, 2000, p. 30

HMT argues that that microeconomic reform agenda of the government "is based on a strategy to correct market failures that obstruct productivity growth in the key areas of investment, skills, R&D and innovation, competition and enterprise."[510] In this line, it distinguishes between "four generic categories" of market failures.[511] The first is negative externalities or spillover effects, signifying costs that do not befall either of the participants in a market transaction and which the price mechanism will not price correctly. The second is positive externalities (public goods), where benefits befall non-involved third parties to an economic transaction. R&D activities, training and infrastructure are cited as examples of public goods, which a market would tend to underprovide if left alone.

Third is "market power" or monopolies, where the predominance of one or a few firms within a sector raises the entry barriers for potential new market entrants to such an artificially high level that effective competition is disabled and the price mechanism impaired. This allows monopolies to evade competition, set higher prices and thus obtain supernormal profits. Fourth is information asymmetries, which likewise distort the price mechanisms as the necessary information is not equally available to parties to an economic transaction.

Market failures are discussed as well by other PROs in the U.K. In its Green Budgets, IFS addresses the market failures pertaining to insufficient investment in education[512] and insufficient conditions for entrepreneurship[513], as well as the negative externalities stemming from pollution.[514] And IPPR bases most of its policy recommendations upon claims of market failures in the economy.[515] Thus through various means of taxation and regulation, the government has a legitimate

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[510] HMT, 2000b, pp. 29-31
[511] Ibid. pp. 30-31
[512] IFS 2000, p. 61.
[513] IFS 2000, pp. 120-123.
[514] IFS 2007, p. 189.
[515] IPPR 1996, p. 40, pp. 50-51, p. 58, pp. 159-160, p. 206 and p. 210.

role in intervening in the economy to alter the incentive structures facing market participants and thus to facilitate a behavioral change. As it argues in 1994,

> "markets (for labor, for finance, for goods and services) are not created by natural or divine forces. They are the product of the values, institutions, regulations, and political decisions that govern them. Markets are political—their structure determines their outcome. A minimum wage, for instance, raises the costs of the lowest-paying employers … but it also gives employers a powerful incentive to increase their productivity in order to justify the wages."[516]

10.4.5.2 Conversion of Mindsets

Second, some PROs argue that beyond getting incentives structures right, a government also has a role in nurturing a particular mindset, set of values or culture within and among market participants. Again HMT is representative. In its white paper from 1998, for example, it argues that success in the knowledge-driven economy is about more than "strengthening the science base and raising the education and the skills levels of the workforce." More is required. Thus HMT claims that "success in the knowledge-driven economy requires a shift in mindset."[517] As an example, HMT notes that U.K. businesses need to become more outward oriented, receptive and able to learn from global best practices but that "many businesses do not recognize the need for best practice. … A sustained effort is needed to spread the culture of benchmarking and best practice throughout the U.K."[518] Elsewhere it claims that "without changes in cultural attitudes, it will be difficult to achieve significant improvements in the levels of innovation and overall economic performance."[519] In 2007, HMT stated that

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[516] IPPR 1994, p. 98.
[517] HMT 1998, p. 10.
[518] HMT 1998, p. 39.
[519] HMT, 2000d, p. 69.

"employers are being encouraged and supported to develop the skills and qualifications of their workforce by making a Skills Pledge."[520]

10.4.5.3 Coordination of Market Activities

Third, in the British knowledge regime some PROs also assert the claim that the challenge of preparing the U.K. for increasing competition is not something which can be handled solely by the government but a task which involves the active involvement of a greater range of social actors and organizations such as unions and employer organizations. For instance, in a discussion of the challenge to raise U.K. productivity, HMT, in its pre-budget report from 2000, asserts that

> "The challenge—for business, unions, educationalists and other organisations across the regions—is together to tackle the productivity issues. … Closing the productivity gap cannot be achieved without a broader drive from workforces and managers across the country."[521]

A similar call for broader, cross-societal coordination of activities is made by IPPR in its 1996 commission report.[522]

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[520] HMT 2007a, p. 53.
[521] HMT 2000a, pp. 35-36. See also HMT 2000b, p. 27, HMT 1995, paragraphs 4.54-4.57.
[522] IPPR 1996, pp. 46-47.

11. How Germany Came to Compete

11.1 Before and After the Collapse of Bretton Woods

As seen in the British case, PROs in the German knowledge regime likewise identify a temporal shift by which they distinguish between a period before the late 1970s and a period after.

For instance, the commission paper published by FES in 1998 extensively discusses this temporal shift in its opening paragraphs. It argues that Germany's political economy—termed "Modell Deutschland" due to its particular institutional setup, in which a cooperative political system, a social state with broad social security system and a traditional division of labor between genders[523]—fit well with post-war capitalism as it provided good conditions for German firms to differentiate and specialize in technology-intensive, high-value-added production in markets such as mechanical engineering, chemical production and automotive engineering. For many years this model yielded economic growth, strong export performance, full employment and security of jobs and a stable development of the currency.[524]

However, from the late 1970s the ostensible model came under pressure. The collapse of Bretton Woods, two oil crises and the ensuing global recession with unemployment soaring posed significant challenges. With the Cold War grinding to a sudden stop in 1989, reopening Eastern Europe simultaneously with the completion of the European Internal Market, the pressure on the model from international competition only increased further.

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[523] FES 1998, p. 44. See also p. 14 and 46 (*author's own translation* (AOT)).
[524] FES 1998, p. 47 (AOT).

11.1.1 Role of Government after the Collapse of Bretton Woods

The international economic context facing Germany after the collapse of Bretton Woods is, in turn, by some PROs perceived to imply a diminished scope for tenable governmental policy vis-à-vis markets, particularly in terms of macroeconomic policy.

SACH, in its 1993 report, engages in a lengthy discussion of the scope for tenable and expedient macroeconomic policy. The new international economic context imposes two constraints on economic policymakers. First economic policymakers are confronted with the choice between what it terms a "defensive" or "offensive" competitive strategy:

> "Basically there are two possible ways to react to the continual challenge of international competition among nations ("Standortwettbewerb"). The first possibility—which the Sachverständigensrat in earlier years has termed 'defensive adjustment strategy'—boils down to trust in the adaptability of the exchange rate. Excessive domestic costs, a productivity growth slower than abroad, the falling behind in international competition on innovation could all be compensated … by real depreciation of the D-mark."[525]

However, SACH warns against the defensive strategy, since gains in competitiveness are merely nominal and come at the expense of stagnating real incomes. Hence,

> "The goal of also in the future ensuring high real incomes cannot be achieved by a 'defensive adjustment strategy.' We therefore reiterate our plea for a reorientation of economic policy in the sense of an "offensive adjustment strategy" … this aims at meeting the challenges of the international structural changes ("Strukturwandel") primarily by improving the conditions for growth in the economy."[526]

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[525] SACH 1993, p. 177 (AOT).
[526] SACH 1993, p. 177 (AOT).

SACH discuss two such approaches. On the one hand, growth can be enhanced through demand-side fiscal stimuli; on the other, through structural improvements of the supply side of the economy. Yet again, only one of these paths is deemed viable for economic policymakers. SACH insists that

> "The possibilities for conventional demand management policies have been exhausted, inasmuch as fiscal policy is soon overdrawn in face of the high deficit. The attempt again to intensively field it would be counterproductive. Economic policy must aim at improving the conditions for firms' preparedness to invest with a view to calculable profits in the light of future demand. This is the fundamental idea behind the supply-oriented policy in many years favored by the Sachverständigensrat."[527]

Thus, likewise the scope for interventionist *fiscal* policy is seen as significantly constrained. Hence, to SACH the task of enhancing growth and competitiveness can only be accomplished by reforms of the supply-side. It finds that

> "The question of the quality of German competitiveness ("Investitionsstandortes Deutschland") is posed against the backdrop of the medium-term supply conditions in other countries, which in a still more interdependent world economy compete with Germany for internationally mobile resources. In other Western industrial countries economic policy face the same challenge. [528]

It is not only in Germany that such approaches have become more prevalent. In a comparison of economic policy approaches in the U.S., the U.K. and France, SACH finds that a shift towards being less interventionist and more stability and competitiveness oriented. The "focal points of American economic policy have been displaced" away from demand-side stimulus through government spending to "the improvement of the competitiveness of the U.S. economy and consolidation of the federal budget."[529]

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[527] SACH 1993, p. 17 (AOT).
[528] SACH 1993, p. 250 (AOT).
[529] SACH, 1993, p. 46 (AOT).

FES argues that German economic policymakers first attempted to apply conventional instruments of fiscal stimulus and industrial subsides which had earlier served Modell Deutschland well. But with the liberalization of global financial markets, these remained largely ineffective and exacerbated problems more than solving them. Complicating things further, the unification revealed a "construction flaw"' in Germany's contribution–based social security system, gradually leading to federal fiscal overreach in efforts to extend social transfers to Eastern Germany.[530] Hence

> "In the 1990s the advanced Modell Deutschland lost capability ("leistungsfähigkeit"). Socio-economic structural change, changes in the international economic conditions, social-structural developments, the long-lasting employment crisis and ecological limitations began to impose new conditions upon and required processes of adaptation and reform in economy and society."[531]

Likewise BS in its commission report argues that a "paradigm change" occurred in the late 1980s and hence concurrently with the temporal shift. According to BS, this implied a fundamental shift in the basic macroeconomic theories and assumptions informing the policies favored by German economic policymakers:

> "A paradigm shift has occurred in the two major subfields of macro-policy, monetary and fiscal policy, completed. Where fiscal policy in the 1980s attempted to stimulate economic activity, through the expansion of public demand, acquiescing increasing public deficits and debt ("Deficit Spending"), then lately the insights of neo-Keynesian theory has gained attention since the beginning of the 1990's. … In the course of this development fiscal policy has removed from direct demand steering and concentrated stronger on the establishment of incentives in the tax and duty policy."[532]

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[530] SACH 1993, p. 16 (AOT).
[531] FES 1998, p. 45 (AOT).
[532] BS 2007a, p. 91(AOT).

11.1.2 A Competition of Nations

Also some German PROs interpret and present the new international economic context after Bretton Woods as an increasing competition among nations.

Indeed, SACH often invokes this image in its reports. In its annual economic report from 1993 it observes that the question of "Germany as an attractive site of investment ("Investitionsstandort") has been discussed lively and controversially in the public."[533] Accordingly it devotes an entire chapter to a discussion of the competitiveness of Germany's export sector.[534] Also SACH finds that the debate about competitiveness recently has changed:

> "Today the question of German competitiveness ("das Standortproblem") addresses a completely different dimension: the Globalization of markets is highly advanced, the European Single Market is in most aspects completed, the international price- and product competition has become more intensive, the Middle- and Eastern European countries consequently pursue their integration in the global division of labor, the competition between national economies ("Volkswirtschaften") is increasing."[535]

In particular SACH finds that, due to global capital markets' liberalizations as well as advances in ICT, both investment and human capital have become more mobile and open for a "transnational diversification of production."[536]

In much the same vein the BmWI in all of its annual economic reports, as well as its white papers, considers the challenge of international competition.[537] In its annual economic report from 1993, it, in a characteristic paragraph, contends that

> "all decisions must take into account, how to strengthen 'Standort Deutschland' in light of the on-going integration and increasing international competition."[538]

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[533] SACH 1993, p. 249 (AOT).
[534] SACH 1993, pp. 163-178 (AOT).
[535] SACH 1993, p. 250 (AOT).
[536] Ibid. p. 250 (AOT)
[537] BMWI 2000a, pp. 6-8; BmWI, 2007, p. 15 (AOT)

11.2 How Competitiveness Is Revealed: Outcomes

As in the U.K., the German PROs also engage in discussions of what the competitiveness of a nation at all can be perceived to consist of. And they similarly address the concept in terms of a production function. With regards to competitive outcomes, PROs both embrace perceptions of competitiveness as revealed by relative export performance and as revealed by growth.

Some PROs perceive competitiveness to be revealed by export performance measured by indicators of export rates, trade balance and international market shares. SACH in all of its reports discusses competitiveness in relation to Germany's exports.[539] In 1993 it claims that the "strength of the German economy … decisively reside[s] in its competitiveness in international trade"[540] and elsewhere observes that the "international competitiveness of German industry is in all respects strong" inasmuch as Germany has "been able to defend its frontline position in world markets."[541]

Also BmWI subscribes to the view that competitiveness consists of export performance. In the very opening paragraph of the 2007 report, the ministry claims that

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[538] BMWI, 1993, p. 12, The same year, BmWI finds that this increased competition stems from: "The Globalization of markets (which) does not only imply a worldwide change of supply and demand, but also an intensification of the international competition among sites of company locations. (…) With increasing integration of the world economy, improved information capabilities and greater flexibility of investors, parts of the value chain can easier be relocated." BMWI, 1993b, p. 9. For a similar account of the challenges posed by increased globalization and international competition see BMWI, 1994, p. 2 (AOT)

[539] SACH 1993, p. 4; pp. 163-177 and p. 250; SACH 2000, p. 2, SACH 2004, p. 467 and SACH, 2007, p. 8

[540] SACH, 1993, p. 202 (AOT)

[541] SACH 1993, p. 250. See also p. 26 and p. 163-164, where SACH argues that the public debate about competitiveness in Germany revolves around the question of relative export performance (AOT).

> "The high competitiveness of German firms should bring gains in market shares of world trade. The good business conditions Germany offers are increasingly bearing fruit. This is evident in a clear improvement in the competitiveness of German firms."[542]

11.2.1.1 World Trade Champion and Domestic Growth Laggard

However, for some PROs, this view of international competitiveness (i.e., as revealed by export) is questioned and even criticized. In the report *Benchmarking Deutschland*, BS emphasizes growth at the expense of export performance as a proper measure of competitive performance. It argues that "GDP per capita is the lead indicator of the economic prosperity of a nation"[543] and considers growth all the more important since increasing growth frequently carries increasing employment with it. [544] With regard to export performance, BS does provide a comparison of national trade balances[545], but it quickly dismiss trade-balance figures as appropriate indicators of competitiveness since it finds that

> "the level and change in the balance of trade provide no clear indication of the growth and employment success of a nation."[546]

FES also questions whether what it terms the "ability to sell" is the proper way to understand competitiveness and provides a comprehensive argument as to why. First, according to FES, world market shares are inappropriate for measuring competitiveness since declining or stagnating market shares do not necessarily imply its decline in the context of a growing world market.[547]

Second, FES echoes BS in its assertion that strong exports do not necessarily translate into growth and jobs. It finds that

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[542] BmWI 2007, p. 7 (AOT).
[543] BS 2007a, p. 98 (AOT).
[544] BS 2007a, p. 95 (AOT).
[545] Where it finds that Germany is performing mildly well and above the average.
[546] BS 2007a, p. 119 (AOT).
[547] FES, 1998, p. 83 (AOT).

> "despite high competitiveness, in the sense of extremely positive trade data, the German growth dynamics of the 1980s was too weak."[548]

It provides two potential explanations for this weakness. On the one hand, insufficiencies of the supply-side of the economy might drive up wage costs and public spending and "crowd out" private investments and thus the prospects for growth.[549] On the other, and conversely, insufficient demand might hold back growth where too low domestic wages, while improving exports, prevent domestic consumption from taking hold. Thus FES concludes that competitiveness is more appropriately measured as an "ability to earn," i.e., a nation's relative ability to increase the real incomes of its citizens.

SACH also questions export performance as an outcome indicator of competitiveness. For example, in its annual economic report from 2000 it observes that

> "for a long time German economic policy has not taken up the challenge of international competition, not seldom reassured by the export success of the German economy, by which the balance of trade year for year has exhibited a considerable surplus with an upward trend. The Sachsverständigensrat has repeatedly ... pointed out that the competitiveness of an economy ("Standortqualität einer Volkwirtschaft") is not merely determined by the development of exports."[550]

It expands upon this discussion in its annual economic report from 2004[551], where it finds that a tenacious question has begun to puzzle German economists: Germany's combination of strong export performance simultaneously with weak

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[548] FES, 1998, p. 109 (AOT).
[549] FES, 1998, p. 109 (AOT).
[550] SACH 2000, p. 181 (AOT).
[551] In this annual economic report, it devotes two full chapters to address the question "what is international competitiveness" head on. In fact, this is one of the most comprehensive discussions of the concept of competitiveness found in the dataset. See SACH 2004, pp. 461-511 (AOT).

domestic growth and job creation. And it asks whether Germany is "world trade champion but domestic growth laggard?"[552]

To answer SACH, we present a three-fold typology of ways to understand international competitiveness. The first type simply claims the concept to be meaningless. Competitiveness is a feature of firms, not nations.[553] The second understanding equates national competitiveness with the ability to sell products in international competition. With this definition, "it is emphasized, that the absolute price advantages relevant for export, are not only determined by firm-specific but also macro-economic variables."[554] Finally, a third understanding emphasizes that beyond macroeconomic indicators a range of microeconomic factors affects export and growth potential.

> "As part of this third concept, international competitiveness is equated with a country's ability to sustainably maximize its income or achieve an increase in living standard."

These are measured by economic indicators such GDP per capita, growth rates of GDP or unemployment.[555] Hence, according to SACH, one does not simply once and for all have strong competitiveness or not. "Things are slightly more complicated."[556] With these concepts, SACH reassesses the issue of simultaneous high exports and low growth and contends that Germany does *not* have a problem of competitiveness in the second sense[557] but has in the third:

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[552] SACH 2004, p. 472-473. See also p. 499 (AOT).
[553] SACH 2004, p. 461 (AOT). This position perceives an inherent danger in the very application of the term to nations, since this might suggest that international trade is a zero-sum game with winners and losers, which might prompt domestic protectionist responses to globalization, international competition and free trade. Recall Paul Krugman's criticism of competitiveness applied to nations. See p. 63.
[554] SACH 2004, p. 464 (AOT).
[555] SACH 2004, p. 464 (AOT).
[556] SACH 2004, p. 467 (AOT).
[557] SACH 2004, pp. 499-500 (AOT).

> "Germany is internationally competitive, but competitiveness as the ability to increase domestic living standards has only very limited to do with international competitiveness. Here, domestic determinants are far more important even for an economy as open as Germany's, and it is also here that the main causes of Germany's difficulties are.[558]

To recapitulate briefly, while several German PROs discuss competitiveness in terms of a nation's ability to export, they also question this as the most appropriate indicator and instead direct attention to competitiveness understood as the ability to grow as well as the herewith associated problems present in the German economy.

11.2.1.2 Metrics of Competitiveness I: From RCA to Output Gaps

This is further supported by the shift in types of macroeconomic metrics. For instance, in its report from 1993 SACH employs a particular economic metric termed RCA analysis (the acronym stands for Revealed Comparative Advantage). On a par with the growth accounting technique[559], the RCA analysis seeks to separate the aggregate export performance of an economy into its underlying subcomponents to achieve a more fine-grained picture of a nation's pattern of specialization and relative cost advantages.[560] However, what is most notable about this metric is that it apparently disappears in SACH's subsequent annual economic reports. Nor does it appear in any other of the documents analyzed in this study.[561] Instead, the PROs of the German knowledge regime, on a par with their British counterparts, adopt and apply the dual economic metrics of output gaps and growth accounting. For instance, SACH invokes the output gap in its

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[558] SACH 2004, p. 501 (AOT).
[559] See p. 188 above.
[560] SACH 1993, pp. 170-172 (AOT).
[561] A caveat is in order here. Obviously, in discourse analysis one should be very careful not to generalize too extensively from the observation of the absence of a particular instance or unit of meaning, as for instance the RCA analysis. It might very well be the case, for example, that the Sachsverständigensrat (or other organizations) employ the econometric technique elsewhere in documents not analyzed in this study.

2000[562], 2004[563] and 2007[564] annual economic reports, just as it also begins to apply the growth accounting methodology in this period.[565] Likewise BS addresses the output gap.[566] And in 2007, BmWi employs the methodology of growth accounting to isolate those variables perceived to be primarily responsible for what it terms Germany's "prosperity gap" compared to the U.S.[567]

11.2.2 Is Competitiveness about More than Growth?

Some PROs, however, even question competitiveness understood as growth. In its annual economic report from 2000, SACH invokes a uniquely German concept when it argues that success in exports *and* growth is not sufficient for national "zukunftsfähigkeit," a largely untranslatable wordplay on the German term for competitiveness ("wettbewerbsfähigkeit").

> "Germany's oft-cited 'zukunftsfähigkeit' is not secured by the fact that the economy presently exhibits export, increasing investment and production and decreasing unemployment. This does not automatically eliminate the structural weaknesses, which have burdened Germany's economy for years. … Sustainability in the economic development is needed so that people can realize their interests and visions with regards to solid social security, a good education system and an environmental quality of high level."[568]

Similarly FES considers the appropriateness of measuring competitiveness in terms of growth. Although it contends competitiveness is best measured by GDP per capita, it holds that this is an incomplete picture. It is also necessary to include

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[562] SACH 2000, p. XIV. See also the discussion at p. 174, which addresses the underlying productive potential of the German economy without explicitly invoking the output-gap concept (AOT).
[563] SACH 2004, p. 152, p. 176, and p. 439 (AOT).
[564] SACH 2007, p. 3, pp. 63-68. See also the extensive discussion on pp. 439-455 (AOT).
[565] SACH 2000, p. 68. See also SACH 2007, pp. 439-455. But also see for instance Sachsverständigensrat Annual Economic Report 2002, Chapter 4, p. 205, for a very thorough account of the use of growth accounting in economic forecasting.
[566] BS 2007a, p. 19 and p. 100 (AOT).
[567] BmWI 2007, p. 20 (AOT).
[568] SACH 2000, p. 174 (AOT).

factors of the quality of life, which include "social and ecological factors."[569] It finds that one-sided strategies to enhance growth might come at the expense of the ecological environment as well as the social balance, integration and cohesion of the economy.[570] Thus FES concludes that the

> "challenges of the German economy and society can only be overcome by strategies able to balance economic efficiency, social cohesion and ecologic sustainability."[571]

11.3 How Competitiveness Is Created: Sources

As seen in the U.K., a long list of factors is perceived to constitute sources of competitiveness by German PROs. But where PROs in the U.K. at times analyze competitiveness as a neat, finite and clear set of sources[572], in the German knowledge regime SACH is explicitly more hesitant and cautious (and sometimes even reluctant) to reduce competitiveness to simple formulas. In its annual economic report from 1993, it argues that

> "despite a big palette of imaginable indicators, the empirical ascertainability of international competitiveness is too fuzzy."[573]

Competitive strengths and weaknesses, it suggests, are "elusive categories. The determining factors are manifold and carry different weight and are occasionally not quantifiable."[574] And in a white paper addressing Germany's competitiveness since 1994, it is claimed that it is impossible to obtain an "only halfway complete" account of the many aspects conducive to competitiveness. The question of competitiveness is not sufficiently answered by the examination of one indicator

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[569] FES 1998, p. 95 (AOT).
[570] FES 1998, p. 151, p. 21, p. 134 and p. 149 (AOT).
[571] FES 1998, p. 21. See also p. 122 (AOT).
[572] See p. 199 above.
[573] SACH 1993, p. 40 (AOT).
[574] SACH 1993, p. 249(AOT).

and "it is important to have an overall view of all the essential economic and societal factors which determine a country's competitiveness."[575]

11.3.1 SOC I: Macroeconomic Stability

German PROs also address a range of sources of competitiveness. First and foremost macroeconomic stability is treated as important SOC.[576] BS, for instance, argues that

> "macro policies aimed at stable, low inflation and consolidation of public finances in international comparisons makes a contribution to growth which should not be underestimated."[577]

Yet, exactly what macroeconomic stability should be interpreted to mean and achieve is also debated within the German knowledge regime. As already seen, the shift to a internationalized and increasingly competitive international economy following the collapse of the Bretton Woods system is by some PROs believed to entail a necessary shift in macroeconomic policy orientation of governments vis-à-vis economic policy.[578]

However, not all PROs in the German knowledge regime find this to imply a complete reversion to supply-side economic policy. Most notably, BmWI in 2000 explicitly contests SACH's claim that only supply-side reforms constitute a viable economic policy in conditions of increasing international competition. In direct opposition, it makes clear that it

> "does not share the opinion of the Council, that the current employment crisis in Germany exclusively is attributable to dysfunctions in the market economic adjustment, and thus that supply-side policy consequently is the only effective policy. … Hence, the policy of the federal government focuses on both the supply and the demand side, as

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[575] BmWI 1994, p. 2 (AOT).
[576] BmWI 2007, p. 13, SACH 1993, pp. 17-18, SACH 2004, pp. 734-794 (AOT).
[577] BS 2007a, p. 95 (AOT).
[578] See p. 214 above.

> does the policy in the countries with successful employment tendencies."[579]

Thus, while German PROs perceive macroeconomic stability to constitute a necessary condition for competitiveness, some also discuss whether that is best achieved through supply-side reforms only.

11.3.2 SOC II: Open Markets, Deregulation, Privatization and Taxes

Thus, among the additional sources considered important for competitiveness is the tax regime. BmWI continuously makes reference to the importance of ensuring tax levels attractive enough to attract investments. In its annual economic report from 1993, it observes that other industrial nations have been improving their tax framework conditions at the expense of Germany[580] and in 2007 it maintains this emphasis:

> "On Global markets with mobile production factors the tax burden on an investment is increasingly also determining the attractiveness of a location and the competitiveness of companies."[581]

BS argues that private investments constitute the key driver of growth and that an investment-friendly environment in particular characterized by low corporate taxes secures this.[582] Also SACH discusses tax levels as a competitive factor in all of its annual economic reports.[583]

However, SACH contends that low tax levels alone do not secure competitiveness. In its 2000, it states that

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[579] BmWI, 2000a, p. 83. The ministry repeats the commitment when it states that the government addresses unemployment with an approach that "reciprocally improves the supply- and the demand-side of the economy." See p. 17 (AOT).
[580] BmWI 1993, p. 16. See also 1993b, p. 13 and p. 41 (AOT).
[581] BmWI 2007, p. 31; see also p. 9 (AOT).
[582] BS 2007a, p. 95 (AOT).
[583] SACH 1993, p. 252, SACH 2000, p. 172, SACH 2004, pp. 748-767, SACH 2007, p. 270 (AOT).

> "the Sachsverständigensrat has always pointed out that the investment conditions of an economy relevant to international competition involves more than just the tax system. Again it must be emphasized how counterproductive it would be to leave labor markets too rigid, educational systems inefficient and the regulatory density too high."[584]

Also, BS points out that taxes do not solely have detrimental effects upon investments and competitiveness as, for example, the taxes are used to finance public investments in infrastructure which will benefit firms. [585]

Liberalized, deregulated and privatized markets are also discussed as sources of competitiveness. SACH, in its 1993 annual report, states that it for a long time has advocated a "policy of opening markets,"[586] underlining that

> "all markets as far as possible are opened to competition, that market regulations constraining competition, apart from a few justified cases, disappears, that the states' own economic activity in all respects is rolled back through privatization, by which more can be enacted through dynamic competition."[587]

Also BmWI recognizes the need for increased deregulation of markets and privatization of former public enterprises in all of its annual economic reports.[588]

11.3.3 SOC III: Flexible Labor Market

In the German knowledge regime, PROs also discuss the relative flexibility of the domestic labor market as a significant factor of competitiveness. For instance, BmWI in its annual economic report from 2000 argues that a wage policy governed by reliability and predictability "constitutes an indispensable

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[584] SACH 2000, p. 182 (AOT).
[585] BS 2007a, p. 41 (AOT).
[586] SACH 1993, p. 253 (AOT).
[587] SACH 1993, pp. 201-202 (AOT).
[588] BmWI 1993, p. 21, BmWI 2000, p. 42, and BmWI 2007, p. 29. In 1993, BmWI moreover argues that "experience home and abroad reveals" that public enterprises are less efficient, less economic and slower than private enterprises. That is, competitive markets are considered to be more economically efficient than public bureaucracies, to the advantage of consumers, just as state intervention in the form of price regulations or subsidies are described as introducing "false incentives" into the market. See BmWI 1993b, p. 35 (AOT).

precondition for the securement of competitiveness."[589] SACH continuously refers to the labor market as an important source of competitiveness[590], just as labor markets stand in the center of the BS report *Benchmarking Deutschland*.[591]

Indeed, all German PROs allude to Germany's poor employment record as a central economic challenge. In 2000, BmWI contended that low growth and high unemployment remains the main challenge.[592] In the same year, SACH applauds the government for elevating unemployment to the central economic policy task.[593]

BS observes that the problem of unemployment is worse in Germany than elsewhere[594] and engages in a detailed, comprehensive discussion of the current travails of Germany's labor market. The poor employment performance, according to BS, stems from a too densely regulated labor market, one with too high direct as well as indirect labor costs[595] as well as low level of wage differentiation, too generous opportunities for workers to withdraw from the labor market and too low average annual working hours as well as insufficient opportunities to organize working hours more flexibly.

In particular the dense regulation of the German labor market is perceived as barrier to job creation as it mitigates against unemployed gaining foothold and thus generates a dualized labor market of "insiders" and "outsiders."[596] Thus the report observes "an unambiguous relation" between densities of labor market regulation and employment, where higher regulation reduces employment

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[589] BmWI 2000a, p. 14 (AOT).
[590] SACH 2004, p. 467 (AOT).
[591] BS 2007a, p. 15 (AOT).
[592] BmWI 2000a, p. 10. See also BmWI, 1993, p. 2 (AOT).
[593] SACH 2000, pp. 174-175 (AOT).
[594] BS 2007a, pp. 11-12 (AOT).
[595] BS 2007a, p. 42 (AOT).
[596] BS 2007a, p. 26 (AOT).

prospects.[597] BS likewise considers average wage levels as well as the level of wage dispersion prevailing in Germany problematic. The comparably higher German average wage levels[598] and the compressed wage structure[599] are blamed for the bleak employment prospects of the lesser qualified.[600] Again BS observes a positive relation between high degrees of wage dispersion and employment growth.[601]

Other PROs observe similar relationships. BmWI and SACH both observe an inverse relation between average wage levels, relative wage dispersion and job creation. This implies that wage growth in excess of productivity can only come at the expense of additional jobs. In 1993, the BmWI called for responsibility on behalf of the social partners for achieving wage growth in alignment with productivity growth to allow for job creation.[602]

Likewise SACH argues that the social partners—in particular the unions—are confronted with a policy choice between job creation and wages increases. Therefore SACH encourages wage negotiators to steer a course where "average increases in wages remain below the productivity growth in the medium term."[603]

11.3.3.1 Metrics of Competitiveness II: Growth Accounting

The importance ascribed to labor markets by German PROs becomes further evident by the way the economic metric of growth accounting is applied. Where in

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[597] BS 2007a, p. 27. To bolster this point, the relative regulatory density in Germany is compared to that of the Netherlands, Denmark and the U.S., which all, albeit due to different institutional features, are examples of less-regulated labor markets and stronger employment records. For example, it is argued, that the high share of SMEs in Denmark might explain the greater need for more flexible regulation of employments and dismissals (AOT).
[598] BS 2007a, pp. 54-56 (AOT).
[599] BS 2007a, p. 42(AOT).
[600] BS 2007a, p. 13 (AOT).
[601] BS 2007a, p. 24 (AOT).
[602] BmWI 1993a p. 17, BmWI 1993b, p. 13, BmWI, 2000, p. 14 (AOT).
[603] SACH 1993, p. 23, SACH, 2000, p. 177, as well as pp. 213-217 for similar statements (AOT).

the British knowledge regime the main growth challenge was perceived to be a comparatively poor domestic performance in terms productivity growth[604], this is *not* perceived to trouble Germany. The high productivity of German firms is, on the contrary, believed to be a distinct national competitive advantage. In 1993 SACH observed that Germany was outperforming other nations in terms of productivity: "Measured as GDP per employed only a few countries display a higher productivity level."[605]

Germany's challenge is different. In its annual economic report from 2007, SACH devotes an entire analytical appendix to growth accounting. SACH suggests that Germany's *potential* growth rate can be decomposed into six components: capital stock, "technological improvements," share of population of working age ("Bevölkerung im erwerbsfähigen Alter"), labor force participation rate ("Partizipationsquote"), employment rate ("Beschäftigungs-quote) and working hours per employed ("Stunde je Erwerbstätigen").[606] SACH finds that capital stock, technological progress and the labor force participation rate contribute to the growth potential, while the share of the population of working age and annual average working hours per employed have reduced it. The employment rate reduces growth potential from 1991 to 2000 but then increases it.

In 2007, BmWI also applied the growth accounting methodology, if in a less fine-grained form. It argues that growth stems from the

> "combination of labor, capital and technical progress. The more work is performed, and the more efficiently it is done, the greater will be the result. In Germany the total number of hours worked since 1991 has

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[604] See p. 188 above.

[605] SACH 1993, p. 250 (AOT). Similarly BS observes that, despite the structural problems, Germany is still among the richest countries in the world, due to its highly adaptable industrial basis, which delivers competitive goods and services with high levels of productivity. See BS 2007a, p. 7.

[606] SACH, 2007, p 451, See pp. 439-455 for the full discussion of how the production potential is estimated by SACH (AOT).

> fallen continuously. Too few people are integrated in working life. Too many of those who are looking for work remain unemployed for a long time or even permanently. The prosperity gap to other industrial countries in past years is mainly due to this lower input of labor."[607]

Again the potential growth rate of Germany is perceived to fall behind comparable countries due to a lower labor supply, lower employment rate and lower average annual working hours.

In fact German PROs regularly direct attention to the challenge of declining average working hours as well as an aging population. BmWI, in its 1993 white paper, suggests that the weekly and lifetime working hours are low compared to other nations.[608] SACH similarly emphasizes this issue in its annual economic reports from 1993[609] and in 2004 it observes that, while Germany has kept pace in terms of productivity, it has from a comparative perspective fallen behind in terms of working hours.[610]

BS introduces an additional temporal distinction by which it discerns two distinct approaches to labor market policies. The two approaches, it is claimed, have been predominant in two different periods. "In the past," BS argues, several countries (including Germany) have addressed unemployment problems "through various labor market and social-political instruments which reduce the labor supply" such as overly generous early retirement policies.[611] By this, unemployment rates fell but not as a result of increases in employment. But such an approach BS believes has lost viability "for the present" due to the dire fiscal consequences of transferring an increasing share of the population out of the labor market.[612] Hence

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[607] BmWI 2007, p. 20 (AOT).
[608] BmWI 1993b, p. 5, p. 10, pp. 32-33 and p. 45. In the U.S., annual working hours are found to be 15% higher (AOT).
[609] SACH 1993, p. 245 (AOT).
[610] SACH 2004 (English edition), pp. 48-49.
[611] BS 2007a, p. 5 (AOT).
[612] See p. 227 above.

BS instead favors an approach based on instruments that make it less attractive for workers to withdraw from the labor markets and which increase the opportunities for firms to increase working hours as well as plan working time more flexibly.[613]

11.4 Before and After the New Economy

As in the U.K., in Germany competitiveness is perceived to be about more than taxes, open markets and flexible labor markets. And similarly, the German PROs assert another temporal distinction by which they distinguish between different stages in the international competition of nations.

In 2000, BmWI found the U.S. economy to "have led many observers to speak of a new economy." The U.S., it claims, has demonstrated a "high dynamic" and "practically full employment" due to flexible labor and product markets as well innovation within ICT.[614]

Also SACH in 2000 pays "special attention" to the new economy[615] and devotes an entire chapter to the topic. The council suggests economic policy faces a "new challenge" in the "deep-rooted economic and technical transformation" associated with "the concept new economy,"[616] which it explains as follows:

> "The new results from the fact that now, due to the availability of cross-cutting technology through digital networks, market participants … in principle are allowed to simultaneously communicate with each other without temporal or spatial restrictions at extremely low costs. … The transparency of the market is thus heightened enormously. … The competition thus approaches the model of perfect competition."[617]

SACH also observes that "new economy" also is invoked in the public debate to express "hope and expectations" that the aggregate productive potential of

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[613] BS 2007a, p. 42 (AOT).
[614] BmWI, 2000a, pp. 11-12 (AOT).
[615] SACH 2000, p. XV. See also pp. 127-145 and pp. 182-186 (AOT).
[616] SACH, 2000, p. 1 (AOT)
[617] Ibid. p. 182 (AOT)

advanced economies has increased *permanently* given the emergence and diffusion of ICT.[618] SACH observes that the "increasing efficiency and productivity" of the U.S. economy "improves the chances for a steady development of production and employment with high capacity utilization without inflationary tensions."[619] In particular the latter effect—that productivity increases apparently curb inflationary pressures—has the interest of SACH, as it finds that

> "beneath the productivity increase the peculiarity of the New Economy seems to be that the traditional conflict between the goal of stability and the goal of employment can be disarmed ("Entschärft").[620]

German PROs, also on a par with their U.K. counterparts, present the shift as a change in international competition, in particular with regard to the necessary and sufficient conditions for competitiveness.

Several PROs point out how international competition in human-capital, knowledge-intensive production has intensified.[621] FES claims that

> "for a research economy ("Forschungsstandort") the presence of a qualified workforce is of paramount importance. Of ever greater concern is that the willingness of German firms to invest in education decrease. … With the growing mobility of research and human capital knowledge acquisition, an efficient educational system and lead markets become still more important."[622]

Similarly SACH in 2000 finds the competition in markets for technology-intensive products has intensified.[623]

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[618] I.e. the contention, that due to its inherent competition-enhancing and market-correcting features (i.e. by levelling out information-asymmetries in markets to allegedly near-perfect equal distribution of market knowledge) the economy will experience a permanent boost in growth potential from the emergence of IC-technology – not only from that sector itself (hard- and software production) but from that technologies transference to all other sectors of the economy (AOT)
[619] Ibid. p. 183 (AOT)
[620] Ibid. P. 143 (AOT)
[621] BMWI, 2007, p. 16. See also p. 10, 27 and 37 (AOT)
[622] FES, 1998, p. 104, see also p. 119 (AOT)
[623] SACH, 2000, p. 181 (AOT)

11.4.1 SOC III: Education, Science, Innovation, Entrepreneurship and Infrastructure

Thus German PROs address an additional set of sources of competitiveness First, a highly skilled workforce and well-functioning educational institutions are by all PROs considered important. BmWI, in all of its annual economic reports, stresses how a high level of education of the workforce counts among the competitive advantages of an economy.[624] And in its white paper published in 2000, it is characteristically claimed "that Germany's most important raw material is the competences and skills of its people."[625] SACH in 2004 noted that

> "Human capital is a key factor for future growth in Germany and the welfare of every individual. To ensure that it is available of sufficient quantity, a high-performing education system is indispensable."[626]

Similarly FES[627] and BS emphasize the importance of the education system to competitiveness. In particular BS stresses how a highly educated workforce can increase average productivity, growth and competitiveness and furthermore how Germany's dual educational system serves as "an international role model"[628]

Also science, technology and innovation are considered important.[629] For instance, BmWI in 2000 claimed that "the conditions for innovation and technological progress must be improved, if the process of globalization and path to the knowledge society is to be mastered."[630] Likewise BS emphasizes that

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[624] BMWI, 1993a, p. 20, BMWI, 2000a, p. 49-52; BMWI, 2007 p. 53. BMWI 1993b p. 17 (AOT)
[625] BMWI, 2000b, p. 34, see also p. 47
[626] SACH 2004, p. 35 (AOT)
[627] FES, 1998, p. 130. (AOT)
[628] BS, 2007a, pp. 47-49 (AOT)
[629] BmWI 1993a, p. 32, BmWI 1993b, p. 16, BmWI 2000b, p. 17, BmWI 2007, p. XX, SACH, 1993, p. 261, SACH 2000, p. 181, SACH, 2004, p. 464, FES, 1998, pp. 97-105.
[630] BmWI 2000a, p. 50 (AOT).

> "the system of innovation as an important precondition for international competitiveness and sustained economic growth."[631]

Small and medium-sized enterprises ("Mittelstand") are also considered important.[632] BmWI finds that such firms contribute to the competitiveness of Germany through their high levels of innovation and flexibility.[633] And likewise physical infrastructure is discussed as an important parameter of competitiveness.[634]

11.4.1.1 Price Competitiveness and Quality Competitiveness

Not only has price-sensitive competition in labor-intensive production increased, quality-sensitive competition has also gained in strength and thus a new set of economic factors comes across as increasingly important. SACH contends that "human capital is the pacemaker ("Schrittmacher") in the knowledge and information society"[635] and that "new economy first and foremost poses new challenges in terms of education and the adaptability of employees."[636]

As observed in the British knowledge regime, PROs in the German knowledge regime likewise invoke a distinction between price and nonprice competitiveness. On the one hand the general price level (as determined by direct and indirect wage costs, tax levels) of the factors of production is deemed important. BS claims that

> "The costs of the different production factors, which firms employ, are a significant competitive factor. To these in first line belong costs of the factor work and the tax burden for firms."[637]

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[631] Bertelsmann, p. 46 (AOT).
[632] SACH 2000, p. 135 (AOT).
[633] BmWI 1993, p. 29, BmWI 2000b, p. 15, BS 2007a, pp. 44-45 (AOT).
[634] SACH 1993, p. 18, SACH 2004, p. 464, FES 1998, p. 130, BS 2007a, p. 7, p. 41, BmWI 2000, p. 53 (AOT).
[635] SACH 2000, p. 7(AOT).
[636] SACH 2000, p. 1 (AOT).
[637] BS 2007a, p. 41(AOT).

SACH in 1993 argued that price competitiveness stems from the exchange rate and unit labor costs.[638] In 1994, BmWI considered unit labor costs and the size of the public budget to be important determinants of competitiveness.[639]

However, besides this emphasis on prices and labor costs, BmWI in a white paper from 1993 urges economic policymakers to take more than "*hard*" quantitative economic factors into account:

> "Beneath these cost-relevant figures qualitative factors ("Standortfaktoren") play a still more important role for firms' decisions on where to locate. These include a positive climate for the establishment and the expansion of industrial production, openness to technology and appropriate support from the public administration, in particular fast administrative decisions."[640]

Also SACH prompts caution not solely to emphasize factor prices since the structure of the German export sector is concentrated in investment goods:

> "The majority of German exports belongs to high technology goods, in which price is the not the decisive purchase criterion; crucial for these goods are rather factors such as the features and quality of the manufactured product."[641]

FES is the most vocal critic of reducing competitiveness to a question of price. It distinguishes between two "pathways to growth" as a response to "the problem of globalization and competition." It terms these a "cost reduction strategy and a "consistent growth strategy," respectively. The former, FES argues, constitutes

> "the position of firms and associations as well as individual politicians, which emphasize the imperative to reduce social benefits, reductions of wages and diminishment of public expenditure. As increasing globalization leads to a direct comparability of different economies production conditions, an adaptation at a lower cost level is required."[642]

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[638] SACH 1993, p. 166 (AOT).
[639] BmWI 1994, p. 2 (AOT).
[640] BmWI 1993b, p. 11 (AOT).
[641] SACH 1993, p. 168 and p. 261(AOT).
[642] FES 1998, p. 76 (AOT).

FES, however, opposes such a strategy. First, reminiscent of SACH, it suggests that costs are not the most important indicator for German firms inasmuch as "the majority of German firms are not engaged in price but in quality competition."[643] Rather than costs, the "competitiveness of an economy is largely determined by its technological prowess," which allows firms to compete in markets for high-priced quality goods as well increase their productivity.[644] Second, a cost-based growth strategy can only be successful in the short term, since in a market as integrated as the European Inner Market, other nations follows suit and re-level their costs. Third, wage restraints more likely constrain domestic consumption and demand, hence inhibiting growth as well as a firm's expectations of future growth.[645]

Hence, FES deems the cost-reduction strategy "mistaken,"[646] labeling it a "false truth" in public debate.[647] Instead, FES proposes a "consistent growth strategy,"[648] which builds upon, modifies and extends the traditional "advantages of the Modell Deutschland." [649] In particular, it would aim to "remove all obstacles to investment"[650] through the "renewal and further development of the institutional and material infrastructure," [651] where "the state assumes a role in the modernization of the production site."[652]

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[643] FES 1998, p. 125 (AOT).
[644] FES 1998, p. 98 (AOT).
[645] FES 1998, p. 126. See also p. 98. Specifically, it argues that it is in no sense clear that the positive effects of increased investments and export gains will fully outweigh and supersede the negative impulses to aggregate demand from a reduction of costs and wages. (AOT).
[646] FES 1998, p. 127 (AOT).
[647] FES 1998, p. 76 (AOT).
[648] FES 1998, pp. 129-134 (AOT).
[649] FES 1998, p. 118 (AOT).
[650] FES 1998, p. 20 (AOT).
[651] FES 1998, p. 129 (AOT).
[652] FES 1998, P. 130 (AOT).

But this is not the last word. In its 2007 annual economic report, BmWI claims that countries formerly characterized by low-cost, low-productivity and labor-intensive production begin to engage in high-value-added production.

> "China, India and other emerging economies are successfully penetrating international markets. They are increasingly offering higher quality goods at attractive prices, and they have developed into major participants in the world economy and in international trade and capital transactions. International competition has become more intense and fierce."[653]

In fact SACH already in 1993 observed that "still more competitors enhance their supply range with products of high-quality standards."[654] FES shares the view of BmWI and SACH. Having first denounced the idea of price competition, it nonetheless argues that if a nation falls behind in terms of innovation and human capital formation, price competition might eventually catch up with quality competition with the advent of the new economy and the herewith-associated ease with which knowledge, human capital and technology can move between countries:

> "Price competitiveness can play a big role in the growth phase of various innovation goods. With decreasing technological competitiveness due to lack of innovation, price competition prevails."[655]

Thus, price might "again" become a decisive competitive factor if investments are not made in innovation and education, and if the German economy does not adapt to a new form of competition, then price competition might catch up with quality.

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[653] BmWI 2007, p. 15 (AOT).
[654] SACH 1993, p. 250, SACH 2000, p. 181 (AOT).
[655] FES 1998, p. 91 (AOT).

11.4.2 SOC IV: Migration, ICT and Public Sector

Yet, as in the U.K., the list of sources perceived as important to competitiveness grows in the German knowledge regime. Some PROs draw attention to the positive contribution of increased migration to Germany.[656] BmWI in 2007 argued that

> "The immigration of skilled labor from abroad can also help to ease the shortage of skilled workers in certain areas and reduce the decline in the number in employment due to demographic causes. Immigrant highly qualified personnel can stimulate economic growth. … An active integration policy is essential. It serves both to increase social cohesion and strengthen Germany economically."[657]

In the same line, SACH in 2000 suggested that a part of a "future-oriented" labor-market policy consists of modern immigration policy to enhance labor supply.[658]

At times PROs suggest that the quality of the public sector is becoming a factor of competitiveness. Again BmWI serves as an example.

> "An efficient and well-functioning public sector combined with sound public finances is essential for growth, innovation and employment. … The organizational structure of our state and the processes in the public administration need to be made more flexible to be able to react in time to changes. In a rapidly changing internationalized economy that is increasingly becoming the decisive factor in business decisions."[659]

Likewise the general uptake of ICT in skills and production processes is, in light of the shift to a new economy, likewise argued to be important to international competitiveness by PROs such as SACH and BmWI.[660]

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[656] BmWI 1993, p. 8 (AOT).
[657] BmWI 2007, p. 44 (AOT).
[658] SACH 2000, p. 7 and p. 186 (AOT).
[659] BmWI 2007, p. 23 (AOT).
[660] SACH 2000, pp. 180- 186, BmWI 2007, p. 39.

11.4.2.1 Metrics of Competitiveness III: Competitiveness Indicators

Hence in Germany the number of sources also enhances over time, rendering the picture of competitiveness increasingly complex. However, where the economic ministry in the U.K. engages with such complexity through its competitiveness index[661], the BmWI in Germany abstains from such a practice. This does not imply, however, that no indexes emerge in the German knowledge regime. In 2004, BS commenced the publication of its *Internationales Standort Ranking*.[662] In the introduction, the PRO motivates the publication:

> "International comparisons become still more important for the political discussion of structural reforms of the labor market and social state. … The international comparative analysis of different labor market models and welfare systems encourages national decision makers to domestic structural reforms in two ways. First, by the success of particular countries the public perceives a pressure to level differences, enhance strengths and eliminate weaknesses. Furthermore, the solution space ("Lösungsraum") for reforms is extended by the international comparative perspective, by feeding additional approaches already proven abroad into the policy debate, which can be used in the design of reforms in a domestic context."[663]

Thus in this index Germany is compared with 20 OECD countries on a range of benchmarks. As with its U.K. counterpart, the German index is composed of a set of outcome indicators and a set of input indicators. The outcome indicators measure GDP per capita, growth potential, and unemployment rate and employment growth.[664] The input indicators consist of 12 economic indicators categorized in three groups[665]: "*labor market*," containing indicators of long-term unemployment, youth unemployment, old age unemployment and labor market participation rate; "*business cycle and state*," containing indicators of the public

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[661] See p. 201 above.
[662] A second edition was published in 2007.
[663] BS 2007b, p. 7 (AOT).
[664] BS 2004, p. 14 (AOT).
[665] BS 2004, pp. 19-20 (AOT).

budget's share of GDP, state debt, marginal tax and social contribution rate ("Grenzabgabenbelastung")[666]; and "*business cycle and economy and wage negotiation partners*," containing indicators of total investments as a share of GDP, part-time employment, wage restraints and strike quote.

Thus when compared with the U.K. index, this German variety puts much more emphasis upon labor market indicators and macroeconomic indicators but omits indicators of, for example, education, science and migration.

Yet, the absence of a competitiveness index published by a public (or for that matter semi-public) PRO does not mean that this type of publication has slipped their attention. Quite the contrary. SACH extensively discusses the accuracy and utility of these indexes. In its annual economic report from 2004, the council expressed a highly skeptical attitude to their value as knowledge basis for economic policymaking:

> "In relation to these indicator-based approaches some fundamental methodological difficulties should be pointed out. That is, the selection of indicators applied in these studies is not theory-free and not divorced from subjective and normative considerations. Therefore, the position of a country in an index depends significantly upon the way individual indicators have been aggregated. In sum, skepticism is well placed against such studies."[667]

11.4.3 SOC V: Environmental and Social Inclusion

Nor in the case of Germany does everything come to be counted as a source of competitiveness. As in the U.K., PROs address whether policy measures to increase environmental protection or social inclusion, equality, protection and cohesion constitute an impediment to or an improvement of international competitiveness.

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[666] BS 2004, p. 39 (AOT).
[667] SACH, 2004, p. 466 (AOT)

11.4.3.1 Environmental Protection as Source of Competitiveness?

First the case of environmental protection. BmWI in all of its annual economic reports addresses the relationship between competitiveness and environmental protection. In its annual economic report from 1993, it argued that a social market economy requires stronger attention to "the interdependence of climate and economic politics,"[668] but also that environmental problems ought to be addressed at the international level to "mitigate too strong disturbances to competition."

The Zukunftssicherung white paper suggests that in the "long-run" firms and the economy might benefit from a transition to a more environmentally friendly mode of production:

> "In the social market economy environmental protection provides an opportunity for developing an efficient, future-oriented economy. ... In the long run a preventive environmental policy saves state and firms the costs caused by the use and damage to the environment, creates competitive advantages in the field of environmental technology and promotes the necessary long-term transition to a more environmentally friendly and resource-saving circuit economy ("Kreislaufwirtchaft").[669]

Subsequently the federal government urges policymakers as well as market participants not to consider environmental protection strictly as "zero-sum game" between the environment and competitiveness.

Even so in the white paper it is nonetheless contended that measures to protect the environment

> "should, however, simultaneously be designed as environmentally effective and economically efficient, so that it does not overreach the economy. Important measures to protect the environment should be pursued through international coordination and take conditions of competition into account."[670]

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[668] BMWI, 1993a, p. 33 (AOT)
[669] BMWI, 1993b, p. 59 (AOT)
[670] BmWI 1993b, p. 19 and p. 28 (AOT).

One and a half decades later, the BmWI changes position. Now it finds that measures to protect the environment through more energy-efficient production processes constitute a source of competitiveness. In a discussion of globalization in 2007, BmWI furthermore suggested that the

> "global thrust in industrialization and growth are causing rising demand for resources and rising raw material prices. German firms must adjust to this. For a country poor in raw materials like Germany that is an opportunity. Production using fewer resources will help to increase industrial competitiveness. Moreover, German industry is best placed to strengthen its traditional lead in environmental technology even further."[671]

But the issue is also addressed outside the pages of the BmWI's annual economic reports and white papers. As seen above, FES also addresses different pathways to growth. In contrast to BmWI, FES considers environmental sustainability as a distinct and inherently desirable policy outcome and moreover that improvement in terms of one comes at the detriment to the other.[672] Indeed, what is most notable is FES's view that the goals of social cohesion and environmental sustainability are perceived to be in conflict with the goals of achieving growth. In particular it claims that

> "It is clear that the rigorous pursuit of one goal without regard for the others impedes that goal itself. … In reality and in the political weighting trade-offs between these components are normal."[673]

On this basis, FES proposes a policy approach which takes into account and balances these three apparently irreconcilable policy goals. This is reflected in the very title of the report: "Drei Ziele, Ein Weg" ("Three Goals, One Way").

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[671] BmWI 2007 p. 20 (AOT). See also BmWI 2007 p. 11, pp. 44-45, BmWI 2000a, p. 30.
[672] FES 1998, p. 21, p. 95, p. 134 and p. 151.
[673] FES 1998, p. 21, p. 122 and p. 146 (AOT).

11.4.3.2 Social Inclusion as a Source of Competitiveness?

Also the relation between social protection, inclusion, cohesion and equality and international competitiveness is addressed. For instance BS considers the extent to which measures to ensure social inclusion and security as well as a degree of equality and welfare impedes or improves growth prospects. It finds that such measures have an "ambivalent character." On the one hand, these ensure that lesser successful market participants do not "immediately fall into a bottomless pit" and thus consolidates public acceptance of a market economic system. On the other hand, social welfare and inclusion comes at a cost, and thus economic policy ought to balance social justice and economic efficiency:

> "Financing through taxes and duties, depending on their configuration, reduces the incentives to save, to invest or to work. This effect dampens growth (Okun 1975). The goal of economic policy must be to achieve the societally desired level of justice with the greatest possible efficiency."[674]

In the Zukunftssichering white paper, a social market economy is perceived to be the "most successful socioeconomic order"[675] due to the high degree of coordination and collaboration between labor and capital. This builds social peace and is considered a "wichtiger Bestimmungsfaktor für die Standortattraktivität."[676] As such, "market economic efficiency and social balance stand in a complementary relationship ("Wechselverhältnis").[677] BmWI nuances this view somewhat in its annual economic report from 2007, which also addresses the concept of a social market economy:

> "In a social market economy growth, innovation and employment are interrelated with social and environmental policy aims. On the one side economic success provides the financial basis of environmental

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[674] BS 2007a, pp. 24-25 (AOT).
[675] BmWI 1993b, p. 11 (AOT).
[676] BmWI 1993b, p. 10 and p. 38 (AOT).
[677] BmWI 1993b, p. 10 (AOT).

> protection and social security. On the other secure supply of existential goods—like energy, raw materials and a clean environment—contributes to social security and individual commitment, helping people to identify with the economic and social system. They are at the same time important factors in sustained economic growth."[678]

Thus, even if the government stops short of explicitly suggesting that social inclusion and security also might be perceived as a source of competitiveness and economic efficiency, it nonetheless goes halfway with an argument for the mutuality and compatibility of the three policy goals of growth, environmental protection and social cohesion.

Even so, BmWI in the same report nonetheless observes limits to distribution and maintains that

> "Even when competitiveness is increasing, earning must precede distribution. Germany's competitiveness by international comparison must be increased and the dynamic of the domestic market strengthened to increase the chances of work and prosperity for each and every individual."[679]

And the white paper makes clear that "limits of social politics are drawn" where social policies and income distribution come to endanger macroeconomic performance.[680]

Similarly, SACH often discusses the economic efficiency of the social market economy. In its annual economic report from 2000, it discusses different inequality indicators to assess whether Germany has become a less-social social market economy. SACH finds inequality to have risen but not substantially. Even so SACH reminds critics of growing inequality, that too much redistribution distorts economic efficiency:

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[678] BmWI 2007, p. 19 (AOT).
[679] BmWI 2007, p. 13 (AOT).
[680] BmWI 1993, p. 11 (AOT).

> "An excessive redistributive policy stands in conflict with the goal of growth because the driving forces of economy and society become paralyzed. The Sachsverstädigensrat in these findings sees no indication of the erosion of the social in our market economy."[681]

Thus neither SACH, BS nor BmWI find that competitiveness and social protection can be enhanced simultaneously and constitute mutually reinforcing factors. [682]

11.4.4 The Role of Government in the New Economy

11.4.4.1 Correction of Market Failures

As in the U.K., the PROs in Germany perceive the new economy and herewith-associated new stage of international competition to entail changes in the role of states vis-à-vis markets.

BS notes the market failures in education, science and infrastructure:

> "The creation of new knowledge, which primarily depends on basic research, is associated with the difficulty, that such knowledge in principle can be freely transferred. Hence, the social returns on new knowledge are greater than private returns. Absent corrections by the state, this would lead to an undersupply of new knowledge. … A similar situation applies in the formation of human capital. Positive external effects emerge particularly in the case of school education but also vocational training."[683]

BmWI also recognizes that market failures (negative externalities[684]) are likely to be present in the sphere of environmental policy and on this basis suggests that strong regulation ("Ordnungsrecht") might be utilized to engender the necessary behavioral change in market participants.[685]

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[681] SACH 2000, p. 176 (AOT).
[682] Recall also that FES found social cohesion and growth to constitute two independent, mutually incompatible goals.
[683] BS 2007a, p. 95 (AOT).
[684] Understood as instances of market transactions in which the parties to a transaction do not adequately price and take into account the adverse effects of that transaction on the surrounding environment and third parties.
[685] BmWI 1993a, p. 33 (AOT).

But all PROs do not uncritically embrace the idea of market failures. In particular SACH discusses the theoretical possibility of market failures but quickly dismisses the option. While SACH believes it to be "shortsighted, if firms with reference to a high cost pressure, decreased their training activities,"[686] and thus does perceive a role for the state to intervene in the market to finance basic science and facilitate knowledge transfer from scientific institutions to SMEs and investments in education.[687] It however questions whether the state should do more than that. SACH finds it rare that market failures in fact are present.

> "The Sachverständigensrat has repeatedly argued in favor of a policy of market opening. ... We maintain this view. Most market regulations are not economically well justified. Strictly speaking, if one ignores redistributive goals, there is only need for statist regulation when the market or the competition fails, that is, when no efficient steering of supply and demand and the use of productive factors can take place. Examples of this are natural monopolies, external effects that could ensue from production or consumption, problems of unequal distribution of information between market participants or the risks of contract-violating, opportunistic behavior by one party to a contract. However, as numerous studies have shown, there are only a few cases in which such special market conditions obtain."[688]

Thus, SACH accepts market failures in theory but remains skeptical as to whether market failures in fact occur in practice.[689]

11.4.4.2 Conversion of Mindsets

Moreover the new competitive conditions are by some PROs perceived as a broadening of government's approach to markets. Where the state in its effort to liberalize markets and correct market failures intervenes in the market to establish expedient frameworks of incentives for market participants, with the new

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[686] SACH 1993, p. 251(AOT).
[687] SACH 1993, p. 261 (AOT).
[688] SACH 1993, p. 253 (AOT).
[689] SACH 2000, p. 183 (AOT).

economy PROs also perceive the role of the state to entail the inducement of certain attitudes, culture, values and inclinations in market actors.

In the Zukunftssicherung white paper from 1994, the quality of Germany's Standort is found to rely on more than macro and microeconomic framework conditions:

> "Standort Deutschland is not only about designing the macroeconomic framework conditions, about costs and prices, about expenditure and incomes of firms, citizens and state, but also about the openness and adaptability of society to new developments and challenges. The economy is embedded in the society. It creates the material basis for human beings. These in turn are the actors of all economic activity. Their attitude, their motivation, their qualification, their customs and virtues, their traditions and expectations have an immeasurable long-term impact upon economic activity."[690]

With a similar emphasis, BmWI in its annual economic report from 2000 underlines the importance of inducing particular mindsets into market participants:

> "People's attitude towards entrepreneurship as vocation is changing. Today, every second a German school leaver takes self-employment into consideration. The Federal Government supports the process not only through the promotion of start-ups, but also by anchoring entrepreneurship stronger in the education and training system."[691]

And also in 2007, BmWI claims that "in a constantly changing world, and with an ageing population" education must take the form of lifelong learning. But such an approach, it argues, "requires a change in attitudes, especially in compatnies."[692]

SACH in 2000 contends that if Germany is to seize the opportunities of the new economy, more new German high-tech firms must be established. But this in turn depends upon the cognitive predispositions, in particular the attitude toward risk, in the population:

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[690] BmWI, 1993b, p. 22 (AOT).
[691] BmWI 2000a, p. 46 (AOT).
[692] BmWI 2007, p. 53 (AOT).

> "Whether companies are founded and innovative projects invested in depend primarily on the risk appetite of market participants. This is ... in this country lower than in the United States. The degree of risk appetite in a country is on the one hand culturally determined, but can on the other hand be influenced by legal and other conditions."[693]

11.4.4.3 Coordination of Market Activities

The task of improving competitiveness is not perceived to be the state's responsibility alone. Other political, market and societal actors are considered to have a role as well.

FES considers whether states have lost the ability to maneuver as a consequence of increasing international competition globalization.[694] But it denies that states have lost "Steurerungsfähigkeit" with the advent of globalization and to the contrary argues that the scope for government intervention in the economy remains. And while it acknowledges that societal actors and movements taken in isolation have been weakened, FES suggests that these—that is, "unions, employers, political parties, churches, academia, federal and state governments"—when taken together have retained collective capacity for political action.[695]

Likewise BmWI and SACH make continuous references to a broader host of actors co-responsible for competitiveness.[696] Not only are the social partners/peak organizations are considered responsible for achieving a productivity consistent aggregate wage formation[697], but also other actors are ascribed responsibility for securing Germany in the future.[698] The Zukunftssicherung white paper claims that

> "All societal forces are encouraged, now in their respective area of responsibility, to do what is necessary and pave the way for necessary changes: families, schools and universities, churches, cultural

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[693] SACH 2000, p. 135 (AOT).
[694] FES 1998, p. 112 (AOT).
[695] FES 1998, p. 114 and p. 120 (AOT).
[696] SACH 1993, p. 261.
[697] SACH 1993, p. 20 (AOT). See p. 229 above.
[698] BmWI 1993a, pp. 11-13, BmWI 1993b, pp. 15-16.

> institutions, including the media, associations, companies, workers, political parties and all state departments."[699]

In 2000 BmWI argued that the challenge associated with "ecological modernization" requires active involvement and participation of more than just state and market participants:

> "The necessary offensive of environmental innovation is not only limited to the design of political framework conditions, but must also include non-state actors. Decision makers in politics, economy, science and societal groups are all equally required to act."[700]

Thus also in the German knowledge regime, PROs ascribe responsibility for securing competitiveness to a whole range of actors beyond state and market participants.

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[699] BmWI 1993b, p. 8 (AOT).
[700] BmWI 2000a, p. 36 and p. 44 (AOT).

12. How Denmark Came to Compete

12.1 Before and After the Collapse of Bretton Woods

Also in the Danish knowledge regime, as in both the U.K. and German knowledge regimes, several PROs invoke a temporal distinction between a phase *before* the collapse of Bretton Woods system and a *phase* after it in which a more competitive and internationalized global environment emerged and began to face firms, states and economic policymakers.

For instance DØR in its annual economic report from 1993 devotes a 20-page analysis to an elaborate account of this shift. Here the council takes a retrospective view on post-war economic policy and argues that history "naturally" can be divided in two parts.[701] A first period stretching from the end of the war up until 1980, characterized by relative macroeconomic stability, steady growth rates and "long spells of expansion" as well as regulated international financial and product markets. A central feature of this was the Bretton Woods system, according to which most industrial countries from 1944 had committed themselves to a fixed but adjustable exchange rate policy with the U.S. dollar serving as anchor. However this system, according to the council, from the 1960s and onwards, increasingly came under strain due to mounting inflationary pressures which spilt over from country to country and led to growing imbalances between domestic balance of payments as well as diminishing trust in the dollar as reserve currency. Thus the first period is contrasted with a second—*after* the abolishment of Bretton Woods in 1973—characterized by unstable, fluctuating business cycles,

[701] DØR 1993, p. 23. (AOT)

accelerating inflation and interest rates, soaring unemployment and stagnant growth.

Similarly, the Danish Ministry of Economics observes a shift in the international political economy. It devotes an entire chapter of its annual economic report from 1993 to the analysis of the increased mobility of international capital and investment flows. And it suggests that history can be separated in two periods. First it recalls that

> "The growing internationalization and integration of the economies is one of the most significant features of the Post War period. The process began in the 1950s and 1960s, first with the phasing out of restrictions on trade and reduction of tariff rates. Later a liberalization of capital movement began. Following some standstill in the 1970s the remaining capital restrictions in the OECD countries were abandoned in the 1980s."[702]

Also MM in 1993 observes a shift in the international political economy beginning in the 1980s. That is,

> "During the 80s governments of the world have shown an increasing interest in free market economy and demonstrated greater political will to deregulation, privatization and liberalization, which all have provided freer conditions for firms. On the global level the frames of the GATT-agreement have for instance been significantly expanded to create better conditions for investment and trade, while groups of countries have gone even further on the regional level and introduced free trade agreements, e.g., the EC's internal market and the North American NAFTA."[703]

Thus the PRO finds that FDI in the Danish economy increased from 48 billion dollars in 1981 to 210 billion dollars in 1990.[704] Also it observes that the possibilities for firms to diversify their production chains and outsource production to the most advantageous sites have increased[705] just as the emergence

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[702] ØEM, 1993, pp. 90-91 (AOT)
[703] MM, 1993, p. 23 (AOT)
[704] Ibid. p. 9 (AOT)
[705] Ibid. p. 10, p. 19 and pp. 24-25 (AOT)

of new market economies in China, East Asia and South America alters trade and production patterns.[706]

12.1.1 The Role of Government after Bretton Woods

This new and more globalized external environment is also perceived to entail an alteration in the scope for economic policy and change in the role of states vis-à-vis markets.

The Ministry of Economics in 1993 argued that one can generally distinguish between two basic approaches to economic policy: "a rule-based" as opposed to an "active (discretionary) economic policy."[707] And while it admits, that in practice "there is no clear dividing line between the two,"[708] it finds that after the 1980s a shift towards more rule-based approaches to economic policy occurs. Thus, *after* the 1980s, the emphasis is laid on "stable economic frameworks," the determination of medium-term targets for the central macroeconomic variables money supply, inflation and GDP to ensure stability and predictability for firms and consumers' investment decisions and reforms of the economy's supply-side (what it terms "structural policy") to achieve these medium-term targets.[709]

This shift is explained by the "unfortunate experiences" of active economic policies *before* the 1980s leading to high inflation, low growth and high unemployment.[710] Following these experiences, active and discretionary macroeconomic policies came to be perceived as decreasingly viable, and the scope for domestic policy autonomy in macroeconomic matters was significantly reduced. With regard to monetary policy, the ministry argues that "fixed-exchange-rate policy within the EMS in combination with free capital

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[706] Ibid. P. 35 (AOT)
[707] ØEM 1993, p. 91. See also DØR 2007, p. 110. (AOT)
[708] ØEM 1993, p. 91. (AOT)
[709] ØEM 1993, p. 92. (AOT)
[710] ØEM 1993, p. 91. (AOT)

movements"[711] implied that de facto only Germany possessed monetary policy autonomy[712] and also that fiscal policy has lost potency. First because with increasingly open economies, a growing share of an eventual demand-side fiscal stimulus will tend to spill over to neighboring trading partners leading to increasing imports and an impaired balance of payments. Second, because this in turn will lead to increased levels of sovereign debt, which financial markets will require higher interest rates to finance.[713]

However, while the ministry observes a general "shift" towards rule-based supply-side policies (or what it terms structural policies) it also claims that

> "It is a challenging task to decide on a strategy for increased, growth, employment and competitiveness … because of differences in … perceptions of what measures to employ and what the effects of these will be."[714]

It contrasts and compares the various policy measures employed by Germany, France, Italy, United Kingdom, the Netherlands, Belgium, Sweden and Spain as a response to the European white paper on competitiveness published in 1993. Among these it recounts restrictions on wage increases for the publicly employed, modifications of unemployment benefits, higher charges on gas and oil, increased privatization, health-care sector reform, more flexible planning of working hours, pension system reforms, reduction of employers' social contributions and measures to increase the independence of central banks.[715] And it finds that different countries applied different measures.

Likewise DØR argues that the new period implies a change in economic policy orientation among most OECD-countries. Following a thorough review of past

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[711] ØEM 1993, p. 92. (AOT)
[712] AE 2000, p. 21, DØR 2007, p. 110. (AOT)
[713] ØEM 1993, p. 114. (AOT)
[714] ØEM 1993, p. 97. (AOT)
[715] ØEM 1993, p. 98. (AOT)

macroeconomic policies in the U.S., the U.K. and Germany[716], it contends that "two very different concepts of economic policy"[717] have been applied in the foregoing four decades. In the first half of the period, the overarching policy goal was full employment, which was to be achieved by countercyclical fiscal and monetary policies. The main emphasis was put on fiscal stimulus but monetary policy played a supportive role by aiming to maintain low interest rates. Yet in, the second half, from the 1980s onward, policies designed to regulate the business cycle were abandoned and policy priorities reversed. Monetary policy took the driver's seat, and fiscal policy was relegated to a support role.

In particular, the DØR finds the above-mentioned collapse of Bretton Woods spurred growing public aversion to inflation, which in turn paved the way for the advent of more monetarist and supply-side policies among policymaking elites. Now the aim of fiscal policy was balanced public budgets in the long term (as opposed to full employment), monetary policy targeted stable and non-inflationary growth of the money supply (as opposed to low interest rates), and growth and employment was to be secured through reforms of the supply side of the economy (product and labor markets) through the improvement incentive structures (as opposed to discretionary, countercyclical fiscal demand-side stimuli). [718] According to DØR, "the main emphasis beyond tight monetary policy was put upon stimulus of labor supply, savings, improvements of infrastructure etc."[719]

While the challenges pertaining to demand-side policy *are* recognized, DØR nonetheless maintains that the main principal disagreement dividing economists is the question of whether

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[716] DØR 1993, pp. 23-44. (AOT)
[717] DØR 1993, p. 23. (AOT)
[718] DØR 1993, p. 28. (AOT)
[719] DØR 1993, p. 42. (AOT)

> "supply-side policies should be perceived as a supplement to demand-regulating policies or as a means, which can entirely replace that policy."[720]

DØR itself, however, rejects wholesale abandonment of demand-side policies. Rather it proposes a more pragmatic policy mix combining both structural and demand-side policies.

> "The experience has thus shown that none of the two main types of economic policy alone manages to solve the economic problems of balance. Simultaneously the contradictions, which historically have been expressed between different theory and policy conceptions, have in many instances shown themselves to rely upon wrong assumptions. This goes for instance for the assumption that fiscal policy in all situations should have lost its efficiency as an instrument to regulate, including stimulate demand and activity."[721]

And it moreover argues that ideological differences have in many instances blocked more pragmatic solutions to macroeconomic problems. Thus where most OECD countries, according to DØR, perceive the shift to a new, more globalized and competitive international economic order to imply a turn to supply-side policies at the expense of demand-side policies, the DØR itself argues that the shift does not necessarily need to imply the wholesale abandonment of demand-side policy as such.[722]

That DØR appears to have a favorable view of the beneficial macroeconomic effects of demand-side interventions is further underlined by its emphasis upon the "strong automatic stabilizers" of the Danish economy.[723] That is, with the progression of the Danish tax system as well the comparatively generous social security benefits, the Danish economy has a set of automatic countercyclical

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[720] DØR 1993, 29. (AOT)
[721] DØR 1993, p. 43. However the council does emphasize that this does not imply a return to a demand-side policy of an intensity equivalent to that following the Second World War, both due to the risk of overheating as well as the growing budget deficits and debt.
[722] DØR 2007, p. 111. (AOT)
[723] DØR 2007, p. 110. See also p. 9, pp. 117-118 and p. 121. (AOT)

elements built into it. In an economic upswing, the tax system will curb fiscal overreach, just as aggregate demand will be supported in recessions given the generous social security system. And when DØR discusses fiscal policy, it is typically posed as a question of the appropriateness of additional fiscal (non-discretionary) stimulus *beyond* that already implied by the automatic stabilizers.[724]

Similarly in 2007, AE introduced a concept to describe the potential *macro*economic benefits of increased *public* investments in the supply-side of the economy. For economists it is a commonplace assertion that tax-reductions exhibit "dynamic effects" (i.e., that tax decreases are (partly) self-financing, since the change of incentive structures herewith implied spurs additional (taxable) productive activities in the economy). Along this line, AE argues that a range of public investments similarly is self-financed and thus also exhibits "dynamic effects."[725] That is,

> "The effect of increased service can in several cases fully match the effect of lower tax on income. For instance will increased education and elimination of closing days in daycare institutions increase employment, because education leads to more active years in the labor market and elimination of closing days releases the labor of parents. A series of public expenditures on service, investments and transfers on a par with taxes affects the population's opportunities for and desire to work more or less."[726]

12.1.2 A Competition of Nations

And as in the case of the U.K. and Germany, in Denmark these new international conditions—floating currencies, liberalized international capital markets, advances in production, communication and transportation technologies etc.—are understood as putting increased competitive pressure on nations. For instance, in its annual economic report from 2000, ØEM suggests that

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[724] DØR 2007, p. 9. (AOT)
[725] AE 2007, p. 7. (AOT)
[726] AE 2007, p. 60 and pp. 63-77. (AOT)

> "international mobility of capital implies, a certain pressure upon Danish capital tax, particularly the corporation tax … the increased globalization additionally makes demands upon the ability of firms to adapt." [727]

In the white paper *"Denmark and Globalization*" published in 2004, it is similarly argued that the increasing globalization first and foremost is characterized by growing international competition. That is,

> "The result of the economic globalization and technological development is first and foremost stronger competition. Stronger competition between firms in all countries about having the best goods at the right price. Competition about knowing the most and best utilize, what we know. Competition about attracting the best heads."[728]

In 2007, globalization is addressed as one of the two "central challenges" facing Denmark. Globalization "provides new opportunities to expand prosperity, but the growing international competition also puts great demands on the competitiveness of Danish firms."[729] In 2000, ØEM moreover published a white paper entitled "*DK.21*: *En Ny Strategi for Danmarks Erhvervspolitik*" ("A New Strategy for Denmark's Industrial Policy") and specifically designed to present the government's "vision and strategy for a competitive business community."[730] In this publication a vivid picture of the competition of nations is drawn:

> "The international market conditions are changing rapidly. Globalization implies increased competition both at home and on international markets, a competition which has not only increased but also changed in character. On the global market, it becomes still more difficult to attach national labels on goods. They are not produced in one single country. Production is split up, and tasks handled where they can be done best for the least expense."[731]

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[727] ØEM 2000a, p. 24. (AOT)
[728] ØEM 2004, p. 9. (AOT)
[729] ØEM 2007b, p. 8. (The other challenge is future demographic shifts.)
[730] ØEM 2000b, p. 5. (AOT)
[731] ØEM 2000b, p, 63. (AOT)

In 1993, MM, in characteristic colorful language, argued that the new political economic environment—characterized by "bulging production capacity," low demand, high unemployment and enduring stagnant growth rates—entails a "brutal elimination race" between wage earners, employers, firms and nations.[732] It also argued that the cold war has been followed by a "Cold Peace"[733] and asserted the following:

> "In other words we speak of a global economically structural transformation of a format and significance, which without exaggeration can be compared to the transition from an agrarian society to an industrial society in the last century. This time it is a transition to a high-technological service society."[734]

In particular, the impact of globalization is discussed in relation to the Danish labor market.

In its annual economic report from 2007, the DØR similarly address the consequences of increased international competition:

> "Increased international integration affects the Danish labor market through changed competitive conditions on the product market, as well as better opportunities for the outsourcing of tasks and the general displacement of economic activity across borders. These conditions pull in the direction of increasing the wage sensitivity of the labor demand, which in a higher degree ties domestic wages to follow the wages among the trade partners."[735]

The council discusses several international studies of this relationship and, while noting that an unambiguous view of the consequences of globalization on labor markets does not exist, nonetheless concludes that "globalization to a certain extent has disciplined wage formation in recent years."[736]

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[732] MM 1993, p. 33. See also p. 9, pp. 24-25, p. 35, pp. 48-49 and p. 171. (AOT)
[733] MM 1993, p. 50. (AOT)
[734] MM 1993, p. 29. (AOT)
[735] DØR 2007, p. 275. (AOT)
[736] DØR 2007, p. 277. (AOT)

12.2 How Competitiveness Is Revealed: Outcomes

Also in the Danish knowledge regime, the appropriate way to measure the outcome of a competitive nation is discussed. While the Ministry of Economics only addresses this question implicitly in its annual economic report from 1993[737], in a subsequent economic report (1996) it explicitly discusses in what particular way the concept of competitiveness could be applied to a nation. In a chapter entitled "Competitiveness and Market Shares of Industrial Export," the ministry compares and contrasts the competitiveness of a firm with that of a nation and suggests that

> "The concept of competitiveness describes the ability to accomplish a profitable production and selling of goods and services in a market subject to competition. For the individual firm good competitiveness will reveal itself in high revenue and probably also growth in production and employment through new investments in increased production capacity."[738]

But the ministry contends that when competitiveness is discussed at a "societal level it becomes more difficult to provide a unequivocal determination of the concept."[739] However, as the title of the chapter suggests, ØEM apparently leans towards a perception of competitiveness in which its outcome is measured as export performance (market shares). Thus in 1996 the ministry argued that

> "Socioeconomic symptoms of unsatisfactory competitiveness vis-à-vis foreign countries will be problems with the simultaneous maintenance of high employment (…) healthy public finances and a satisfactory balance on the balance of payments."[740]

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[737] ØEM 1993, p. 53. (AOT)
[738] ØEM 1996, Chapter 5. (AOT)
[739] Ibid.
[740] Ibid.

The same emphasis upon exports as appropriate outcome indicator of competitiveness is expressed in the ministry's annual economic report from 2000. In this report, it is, for example, argued that

> "Despite the significant export growth, Danish industrial firms are still losing market shares on export markets. This is connected with the deterioration of wage competitiveness."[741]

Similarly, DØR in its 1993, 2000 and 2007 annual economic reports addresses the international competitiveness of Denmark's political economy in terms of its ability to export as measured by indicators such as international market shares and rates of export growth.[742]

However, the ØEM also expresses a different view of how the competitiveness of nations should be measured. In the white paper "Dk.21," the ministry first observes that "the ability of firms to compete on international markets is reflected in the Danish market shares."[743] Yet, it is also claimed that "a fall in the market share is not necessarily indicative of poor competitiveness" since older industrial nations will "naturally" cede some of their market shares to new, emerging and industrializing countries in Asia, Southern America and Eastern Europe. Thus second, the report examines alternative measures to assess competitiveness and proceeds to examine growth as the proper outcome of a competitive nation. That is,

> "The economic capacity of nation is normally assessed as the total production (GDP) per capita. Here Denmark is among the best nations. It is a position, which Denmark must maintain."[744]

Also MM in its commission report published in 2007 finds that

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[741] ØEM 2000a, p. 123. (AOT)
[742] DØR 1993 p. 47 and p. 52, DØR 2000, p. 23, DØR 2007, p. 63. (AOT)
[743] ØEM 2000b, p. 29. (AOT)
[744] ØEM 2000b, p. 14. (AOT)

> "Denmark is one of the world's ten richest countries measured in purchasing power per capita, and in later years Denmark has bathed in good positions upon the international rankings in the Global Competitiveness Report."[745]

Thus this PRO also appears to associate a relation between competitive nations and growth rates.

12.2.1 Is Competitiveness about More than Growth?

But besides growth, as in the German knowledge regime, some Danish PROs also ponder over the question of whether competitiveness perhaps consists of even more than good growth performance. Most notably, ØEM on several occasions addresses this issue. In a lengthy passage of the white paper "DK.21," for instance, the ministry explicitly addresses and challenges that perspective, which elevates economic growth to the end-all-be-all goal of economic policy and political striving in general:

> "For more than 100 years, the most important goal for all nations has been steady material progress. … There is a clear risk that a society which one-eyed gambles on material growth will do irreversible damage to the environment and jeopardize the social cohesiveness. Thus there is good reason to consider whether material prosperity still should be the most important goal?"[746]

The report itself provides a clear answer to this rhetorical question. The ministry emphasizes that the central goal of economic policy still is

> "A competitive business sector which can compare with the best in the world. But the economic progress shall not just be turned over in higher material consumption. We shall also utilize the progress to create a society with lifelong education for all, work for all, good public health care, social justice and a good environment. In short, a sustainable welfare society."[747]

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[745] MM 2007, p. 17. See also p. 9. (AOT)
[746] ØEM 2000b, p. 12. (AOT)
[747] ØEM 2000b, p. 12. (AOT)

Similarly, in the white paper "Denmark and Globalization" from 2004, it observes the risk that

> "Globalization will divide the Danish society, because not all possess the education and ability to adapt as necessary to make it well on the labor market, especially the unskilled risk being left behind by the development. Therefore we must strengthen our competitiveness and our cohesiveness."[748]

12.3 How Competitiveness Is Created: Sources

12.3.1 SoC I: Macro-Economic Stability

In terms of sources of competitiveness, as in the other knowledge regimes, the Danish PROs also emphasize macroeconomic stability as an important precondition for competitiveness.

For instance, in 2000 ØEM finds that countries which have exhibited strong growth performance in the prior years also are those which have "conducted a sound macroeconomic policy."[749] According to the annual economic report from 2007, a "responsible fiscal policy" is required if competitiveness is not to be impaired[750], just as ØEM in 2007 argued that a "stable macroeconomic framework is essential for incentives to investment."[751] In the "DK.21" white paper it is claimed that

> "The platform for good business conditions is a healthy and stabile macro economy. It gives firms the required security to invest and make long term decisions."[752]

However, the interpretations of Danish PROs vary as to just how such macroeconomic stability is to be achieved, both in terms of the appropriate mix of

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[748] ØEM 2004, p. 5. (AOT)
[749] ØEM 2000a, p. 122. (AOT)
[750] ØEM 2007a, preface. (AOT)
[751] ØEM 2007b, p. 53. (AOT)
[752] ØEM 2000b, p. 16. (AOT) See also ØEM 2007c, p. 8 and pp. 221-230, for a more detailed account.

demand and supply-side policies as well as the *type* of supply-side measures required.[753]

12.3.1.1 Metrics of Competitiveness I: Output Gaps and Growth Accounting

In the Danish knowledge regime, attention is devoted to the question of how policymakers can ensure sound macroeconomic steering of the economy and achieve low inflation and steady growth rates. Here the PROs also employ the metrics of output gap and growth accounting.

In both its annual economic reports from 2000 and 2007[754], ØEM employs the output gap. Both DØR[755] and AE[756] follow suit and invoke this economic indicator in their respective annual economic reports from 2007. In its annual economic report, DØR explains the function of the output gap in the following way:

> "To describe the current cyclical position, the output gap is often used, which is calculated as the relationship between actual GDP and the 'normal GDP' level, the so-called structural GDP. ... A negative output gap implies that actual GDP is lower than structural GDP and thus that the economies is in a slump with available production capacity in the form of available labor and incomplete utilization of the capital stock."[757]

Danish PROs also apply the growth accounting methodology. For example, DØR argues that

> "An increase in the effective workforce can happen through a greater number of people in the workforce, higher working hours, or through higher productivity."[758]

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[753] See p. 253 above.
[754] ØEM, 2000a, pp. 103-104 (AOT)
[755] DØR, 2007, p. 92 (AOT)
[756] AE, 2007, p. 16 (AOT)
[757] DØR, 2007, pp. 113-116 (AOT)
[758] Ibid. 2007, p. 6 (AOT)

Similarly AE addresses the various sources of growth in its annual economic report from 2007, arguing that growth basically ensues from increases in employment, increases in productivity and demographically caused changes in the labor supply.[759]

Finally ØEM, in its annual economic report from 1993, analyzes growth and argues that it stems from increases in productivity, employment and the size of the labor force.[760] In its annual economic report from 2000, it claims that

> "it is not merely interesting, how high the economic growth is now, but to a higher degree what factors lie behind it today. Basically one can attempt to break down growth in GDP per capita into contributions from the share of persons in the able-bodied ("arbejdsdygtige") age, the participation rate, the productivity."[761]

In its annual growth report ("*Vækstredegørelse*") from 2007, ØEM presents a diamond-shaped diagram in which the growth performance of Denmark first is broken into four parameters—structural unemployment, labor market participation rate, working hours per employed and productivity—and then compared to the best-performing OECD countries.[762]

--- See Figure 10.1 p. 422 ---

As seen in the other knowledge regimes, in the Danish case several PROs also discuss the potential relationships between components of the growth account, just as the methodology is used to contrast and compare domestic growth performance with other national economies in order to highlight particular domestic challenges.

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[759] AE, 2007, p. 5. See also, pp. 15-16 (AOT)
[760] ØEM, 1993, p. 56 (AOT)
[761] ØEM, 2000a, p. 118 (AOT)
[762] ØEM 2007b, p. 44. (AOT)

However, while the U.K. PROs, as seen[763], put much emphasis upon the challenge of raising productivity, in Denmark things are somewhat different. Consider the discussion by ØEM throughout its annual economic reports. In its annual economic report from 1996, for example, the ministry argues that

> "For the sake of the future development of competitiveness—and thus employment and unemployment—it is therefore important, that the domestic wage increases remains short of those abroad. … Besides the stability-oriented economic policy, a long-term structural policy particularly aimed at the labor market, including education, is today perceived to be the most essential means to secure high employment and prosperity without harming the competitiveness."[764]

Thus, labor supply—understood to be the share of the population of working age available for employment in the labor market—should be increased through labor market reforms to mitigate inflationary pressures in the economy and by bringing more employable labor into the labor force. Curbing wage demands through increases in the labor supply in the medium term, wage levels come to be aligned with underlying productivity. The same concern is voiced in the annual economic report from 2000. Here ØEM again argues that "it is important, that the labor supply is increased"[765] since there still is "a certain pressure on the labor market" [766] and

> "it is crucial, that wage and price development again are aligned with foreign countries if Danish competitiveness is not to deteriorate."[767]

And in its annual growth report from 2007, ØEM claims that "here and now labor shortages are the main challenge."[768] MM mirrors this sentiment when, in its

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[763] See p. 188 above.
[764] ØEM 1996, Chapter 5. (AOT)
[765] ØEM 2000a, p. 8. (AOT)
[766] ØEM 2000a, p. 7. (AOT)
[767] ØEM 2000a, p. 7. (AOT)
[768] ØEM 2007b, preface. ØEM, 2007a, p. 2. See also p. 10. (AOT)

commission report from 2007, it also highlights the challenge of increasing labor supply:

> "Denmark's growth today lies in the worst end in the field of Western economies, and Danish economy is hit by the largest shortage of labor and knowledge workers in a decade. ... the shortage of qualified labor represents a serious barrier to Denmark's competitiveness." [769]

Similarly DØR in all of its annual economic reports[770] ascribes great importance to the task of increasing the labor supply, by making more people available for employment. For instance in 2000 it claims that:

> "The retention of the labor force comprises henceforth a great challenge of Danish economy, not least in the light of the demographic development. Increased focus on structural improvements, e.g., by making the labor market more flexible and thereby curbing marginalization and exclusion, will therefore be beneficial."[771]

And in 2007, it states that

> "the continued shortage of labor is a significant risk factor in Danish economy. Therefore there is a need for measures … which quickly can enhance the labor supply."[772]

DØR, in its annual economic report for 1993, also briefly touches on the question of whether the employment component of the growth account—and hence growth—could be increased through measures which *reduce* rather than enhance labor supply (through measures such a temporary or permanent leave arrangements, early retirement benefits, longer holidays, reduced work week etc.). While DØR contends that such measures might reduce the number of long-term unemployed, it however urges policymakers to observe that such an arrangement

> "By itself does not increase the demand for labor. … Regards for competitiveness, however, set narrow limits for permanent solutions to

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[769] MM 2007, p. 9, p. 24. (AOT)
[770] DØR 1993, p. 5. (AOT)
[771] DØR 2000, p. 69. (AOT)
[772] DØR 2007, p. 92. (AOT)

> employment problems through arrangements, which for a large part will be equivalent to an increased public or publicly financed employment. To the extent that the public sector through subsidies retains a share of the work force in a form of protected employment, it will simultaneously reduce the flexibility of the labor and ability to solve long-term competitiveness problems.“ [773]

In its annual economic report published the year after (1994), DØR in fact expands further upon this discussion. In this report, the organization reviews Danish labor market policy from 1970 to 1994 and schematically summarizes that

> “Measures to fight unemployment can coarsely be classified in three categories: i) increased demand for labor, ii) reduced supply of labor, and iii) structural improvements in the labor market.”[774]

Before 1994, it argues, the second category of labor market policies took “central position.” However, DØR also argues that this class of measures directed towards ensuring high employment rates in the long run will turn out to be counterproductive, since permanent leave arrangements will lead to wage increases due to increased pressures in the labor markets and impaired public finances, which must be financed either by increasing taxes or increased debt. Thus while such arrangements are intended to reduce unemployment—and might do so in the short term—in the long term they will instead lead to “reduced employment as a consequence of loss of competitiveness.”[775]

Thus, clearly the enhancement and retention of a large supply of labor is continuously emphasized in the Danish knowledge regime. However, this does not mean that other factors of the growth account such as productivity and working hours are ignored. With regard to productivity, in the early reports this growth component does not appear to be granted much attention. Again consider ØEM. In one of its early annual economic reports, while attentive to productivity it clearly

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[773] DØR 1993, pp. 78-79. (AOT)
[774] DØR 1994, p. 53. (AOT)
[775] DØR 1994, p. 57. (AOT)

prioritizes the task of enhancing the labor supply over the task of raising productivity:

> "To the future development of market shares of the industry, it will be essential that the tendency to somewhat faster wage increases than abroad is brought to an end, since in the longer term a positive contribution from developments of the exchange rate can be expected. Nor can it be expected that the long-term development in the productivity at home can be faster than that of our trading partners."[776]

It deemed unlikely that productivity can be increased comparatively more than Denmark's trading partners. ØEM in its annual economic report from 2000 gazes back into history and recalls that

> "In the 1990s there has been a far larger contribution from productivity. There has been a negative contribution from the participation rate but a better utilization of the labor force in the form of lower unemployment."[777]

However, from around the middle of the period, the perception of the primary Danish growth challenge appears to change somewhat. For example, ØEM in its annual growth report from 2007 reaches a different conclusion as to which sources account for Denmark's growth performance:

> "The current position of Denmark among the 10 richest OECD-countries is particularly due to the fact that a very large proportion of the population of working-age is active on the labor market. Denmark also has low unemployment when compared internationally. In return Denmark is quite far behind the best OECD countries when it comes to productivity and working hours per employed.[778]

Whereas Denmark, according to ØEM in 1993 and 2000, was performing reasonably well in terms of productivity, in 2007 the claim was that Denmark was performing well in terms of increasing the labor supply and employment but comparatively poorly in both productivity and working hours.

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[776] ØEM 1997, Chapter 4, ØEM 1996, Chapter 5. See also ØEM 1993, p. 56. (AOT)
[777] ØEM 2000a, p. 118. (AOT)
[778] ØEM 2007c, p. 4. (AOT)

In fact, the 2004 white paper appears a little vexed with regard to Denmark's productivity performance. On the one hand, it ascribes the current high level of Danish wealth to the fact that "we have been good at creating greater and greater value for each hour we have worked. We have had a high productivity"[779] and thus been able command a higher price of exports than for imports. Yet on the other hand, the government also, despite the observation of high Danish productivity, asserts that

> "We should become better at increasing productivity. In the last 15 years we have not been increasing productivity as well as other countries. The productivity in Denmark has grown slower than the EU-countries and the U.S."[780]

MM mirrors this in 2007 when claiming that "Denmark in later years has exhibited too low growth, and the productivity has not been world class."[781] Also AE in 2007 begins to highlight productivity as a pathway to higher Danish growth:

> "Growth can also be enhanced by productivity. Increased productivity implies greater wealth per employed, and can be achieved by, e.g., investments in education, science and development, better utilization of new technology, investments in infrastructure."[782]

Yet, where AE contends that productivity increases might enhance the potential growth rate of the Danish economy, it conversely contests ØEM's assertion that Denmark's subdued potential growth stems from low working hours:

> "It is a myth that Danes are among those who work the least in the OECD. When one considers working hours, one does not take into account the division of labor and how many participate in production. If one takes into account that both men and women, young and old, strong and weak etc. are employed in Denmark, the comparative picture of working hours is changed. The annual working hours per capita of

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[779] ØEM 2004, p. 16. (AOT)
[780] Ibid.
[781] MM 2007, p. 16. (AOT)
[782] AE 2007, p. 22. (AOT)

> working age is approximately eight hours higher in Denmark than on average in the OECD countries. Among the old EU countries, we are one of the countries in which people work most."[783]

Similarly, as observed in the U.K. and Germany, Danish PROs also invoke a particular set of arguments as to why policymakers should focus their efforts upon increasing one component of the growth account and not another. First, ØEM in its annual growth report from 2007 asserts that while former efforts increased the labor supply,

> "In a global world with increasing international competition that is not enough. If Danish competitiveness is to be maintained, we must be become still better at increasing the value-added per hour worked."[784]

Thus the report emphasizes the need to direct economic policy towards enhancing productivity, as further increases in labor supply are perceived to be unlikely:

> "There are no prospects for growth in the working effort per capita in the coming decades. The economic growth per capita will therefore solely have to be drawn from growth in productivity in contrast to the development since the middle of the 1990s."[785]

In the same discussion, it is similarly claimed that increases in working hours "should not be abandoned as an opportunity to increase the prosperity."[786] However, ØEM deems this strategy less likely and observes that

> "There are probably limits to how much working hours can be increased. In this way, historically there has been a general tendency to, that working hours decrease concurrently with, we become richer."[787]

And in a footnote ØEM argues that in the long run, it is *only* increases in productivity which might enhance growth, as economic theory assumes some

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[783] AE 2007, p. 35. (AOT)
[784] ØEM 2007b, p. 9. (AOT)
[785] ØEM 2007b, p. 8. (AOT)
[786] ØEM 2007b, p. 46. (AOT)
[787] ØEM 2007b, p. 46. (AOT)

natural limits to the other sources of growth (employment, labor supply and working hours.)[788]

Second, also in the Danish knowledge regime, some PROs claim that growth components stand in an inverse relationship. For instance, in the competitiveness index ØEM argues that productivity and employment might have a non-complementary relationship. In a comparison of the growth performance of the U.S. economy with other OECD countries, ØEM finds that most countries "fall behind" the U.S. due to slower productivity growth. It, however, also notes that it is only in few countries

> "where both productivity and work effort have developed more favorably than in the U.S. There appears in other words to be a "trade-off" between productivity and work effort. … In the case of Denmark, the marked fall in unemployment since 1994 has contributed to the raise in work effort per capita but has probably curbed productivity growth since more with relatively weak qualifications have been employed."[789]

The same inverse relationship is observed by DØR in its annual economic report from 2007. Here the organization observes that Danish performance in terms of productivity growth was subdued in 2006, and it points to the simultaneous strong increase in employment and fall in unemployment as the explanation for this:

> "The increase in hourly productivity was merely ¾ pct. in 2006 and in 2007 the hourly productivity is expected to stagnate. A contributing cause to the poor development of hourly productivity might be that there exist groups with lower qualifications which have gained employment in later years."[790]

Also AE observes an inverse relationship between productivity and employment. Furthermore, it sees this relation as a policy choice facing economic policymakers:

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[788] ØEM 2000a. See the footnote at p. 120. (AOT)
[789] ØEM 2007c, p. 33. (AOT)A similar argument is advanced in the 2007 growth report, where it is claimed that "*an* increased participation rate, where for instance more on the edge of the labor market are drawn into the labor force, probably affects both productivity, unemployment and working hours, all things being equal." See ØEM 2007b, p. 44 and p. 9.
[790] DØR 2007, p. 30. (AOT) See also p. 70.

> "It is natural that those who are last employed have a lower productivity. In Denmark we have chosen that we would rather want that a larger share of the population is employed rather than merely a small high-productive share of the population is employed. The price for that choice is that we have a somewhat small growth in productivity per employed."[791]

12.3.1.2 Metrics of Competitiveness II: Competitiveness Index

As observed in other knowledge regimes, policy research organizations also direct attention to the international ranking and benchmarking publications designed to compare and contrast the relative competitive performance of nations. For instance MM in 1993 notes that WEF has ranked Denmark as the 2nd most competitive economy.[792] In 2007, it similarly argues that Denmark in later years has been

> "showered in great rankings upon the international ranking lists of the Global Competitiveness Report, IMD's World Competitiveness Yearbook and the European Innovation Scoreboard."[793]

Moreover, as in the British and German cases, a distinct Danish competitiveness index also emerges. In 2006, the ØEM commenced the annual publication of its competitiveness report ("Konkurrenceevneredegørelsen"). In the first of edition of the index, ØEM motivates its publication in the following way:

> "In a world with increasing international competition Denmark's competitiveness must be in the top ... to achieve these goals, the government has prepared a strategy for Denmark in the global economy. ... The government will continuously follow the implementation of the strategy and each year present a competitiveness report, which provides a picture of whether Denmark's position is strengthened and the goals met. The competitiveness report for 2006 describes the baseline for the strategy. Where does Denmark lie compared to other countries in the areas, which are decisive for Denmark's competitiveness and cohesiveness? What are strengths? What are weaknesses?"[794]

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[791] AE 2007, p. 20. (AOT)
[792] MM 1993, p. 31. (AOT)
[793] MM 2007, p. 17. (AOT)
[794] ØEM 2006, p. 7. (AOT)

In this Danish version of the competitiveness index, Denmark's competitive performance is decomposed into 12 underlying source of competitiveness[795] measured by no fewer than 66 econometric indicators.[796]

12.3.2 SoC II: Open and Competitive Markets, Low Taxes

Besides macroeconomic stability, other factors are counted as sources of competitiveness. First, open and well-functioning markets characterized by sufficient degrees of competition are considered an important precondition for competitiveness. In its annual report from 2000, ØEM suggests that "countries with well-functioning markets, in which a high degree of competition prevails," exhibited the best growth performance in the 1990s. The "DK.21" white paper similarly emphasizes the importance of well-functioning markets and proper regulation,[797] as does the 2007 growth report and the 2004 white paper. In the latter document, it is claimed that

> "Competition in itself creates competitiveness, because competition furthers quality, efficiency and renewal. Increased competition in our business community is hence one of the paths to enhance the dynamic and our ability to compete."[798]

Second, the tax system is perceived as a source of competitiveness. For instance, ØEM in 2007 argues that "incentives to continually improve and make an extra effort … is of fundamental importance to competitiveness and productivity."[799]

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[795] Primary, secondary and tertiary educational institutions, public science and universities, private science and R&D, competition, openness to the outside world, entrepreneurs, flexible labor market, well-functioning financial markets, efficient public service, and sound macro economy. ØEM 2007c, p.7. (AOT)
[796] ØEM 2007c, p. 9. (AOT)
[797] ØEM 2000b, pp. 20-21. See also pp. 93-117. (AOT)
[798] ØEM 2004, p. 40. (AOT)
[799] ØEM 2007b, p. 11, p. 22 and pp. 53-55. See also ØEM 2007a, p. 161, ØEM 2004, p. 34. (AOT)

In 1993 DØR engages in a longer discussion of what it terms a "special, if somewhat populist variety of supply-side-theories"[800] which assert that tax cuts are fully self-financing.[801] And it argues that the Reagan administration from its inception in 1981 built its fiscal policy upon just such an hypothesis, leading to a very expansionary fiscal policy. However, the results were not what the "populist variety of supply-side theory" had predicted. Instead DØR observes, that the U.S.

> "from its fiscal expansion had to draw the lesson that unfinanced tax cuts to increasing extent generated higher imports and lower exports. The positive effect of the tax breaks thus gradually benefitted abroad; thus the U.S. in addition to the problem of an unbalanced federal budget, obtained a growing balance of payments problem. Within a short time the U.S. changed its status from the world's largest creditor nation to a great debtor nation."[802]

A development which came to threaten the competitiveness of the "U.S. balance-of-payments business."[803] Hence the DØR argues that the above "theory only holds true given completely implausible circumstances."[804] MM in 2007 argues that Denmark's

> "historically high tax burden has not prevented us from developing one of the world's most competitive economies."[805]

12.3.3 SoC III: Labor Markets

Also in Denmark, a great emphasis is put upon the organization of the labor market as a source of competitiveness. ØEM, in its annual economic report from 2000, emphasizes the importance of a flexible and well-functioning labor market for the expedient alignment of wages, prices and productivity levels so as not to

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[800] DØR 1993, p. 29. (AOT)
[801] That is, the view that the positive effects on incentive structures of product and labor markets fully outweighs or even supersedes the fiscal drag caused by such tax cuts as expressed by the Laffer curve.
[802] DØR 1993, p. 33. (AOT)
[803] DØR 1993, p. 33. (AOT)
[804] DØR 1993, p.29. (AOT)
[805] MM 2007, p. 35. (AOT)

impair Danish competitiveness.[806] In the "DK.21" white paper, the ØEM claims that

> "The supply of labor, the qualifications of labor and the flexibility of the labor market have great significance for how fast and precisely the business sector can adapt to new conditions on the market. … The Danish labor force is among the three biggest in the world in proportion to the number of adults. International statistics also reveal that Danes' qualifications can match the competitors."[807]

In 1993, the DØR argued that solutions to improve competitiveness must be sought in "functionality of the traditional labor market."[808] In fact DØR in its annual economic report from 2007 engages in a lengthy discussion and comparison of the relative merits of different "labor market systems."[809] Here it distinguishes between "flexicurity" systems characterized by generous unemployment benefits and liberal rules for employment and dismissal, continental European systems with restrictive rules of dismissals but low levels of compensation, and the Anglo-Saxon systems which have neither. DØR finds that in terms of job creation, employment performance and productivity increases, the latter model is superior "since there are few restrictions upon the reallocation of labor."[810] But it also observes the drawback, that unemployment insurance in such a regime is comparatively limited. Thus DØR ultimately concludes that

> "It is not obvious which model is optimal in socioeconomic terms. The Anglo-Saxon model yields the highest efficiency in the labor market, but it is not given that it provides the highest welfare, since a private system of insurance not necessarily includes weak workers."[811]

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[806] ØEM 2000a, p. 7. (AOT)See also p. 122.
[807] ØEM 2000b, p. 23. See also ØEM 2004, p. 6, p.11, ØEM 2007a, p. 119, ØEM 2007c, pp. 179-195. (AOT)
[808] DØR 1993, p. 5 and p. 79. (AOT) See also DØR 2007, p. 91, for a similar emphasis upon the impact of the functionality of the Danish labor market upon competitiveness.
[809] DØR 2007, pp. 194-198. (AOT)
[810] DØR 2007, p. 196. (AOT)
[811] DØR 2007, p. 197. (AOT)

However, other PROs are less reticent, and without much hesitation proclaim the Danish flexicurity model a successful contribution to Danish competitiveness. For instance, AE in its annual economic report suggests "the Danish labor market model is revered around in Europe for its contribution to a well-functioning labor market." In a no less self-celebratory tenor, MM agrees that "the unique Danish flexicurity welfare model is an international story of success"[812] and goes on to argue that as a consequence Denmark in 2007

> "ranks number three on World Economic Forum's global ranking of national competitiveness. The Danish model, which builds upon a unique combination of flexibility and social security, has shown itself able of increasing prosperity concurrently with increased globalization."[813]

12.4 Before and After the New Economy

Danish PROs also address the new economy. ØEM in its annual economic report from 2000—in light of the perceived strong macroeconomic performance of the U.S. in the 1990s—addresses the question of the emergence of a new economy understood as the "hypothesis of permanent higher economic growth without increasing inflation."[814] It argues that discussions of a potential new economy center on the question of whether it is possible for economies to achieve a permanently higher productivity growth. Yet, ØEM cautiously concludes that "it is yet too early to pass a judgment" on whether new economies in fact have emerged.[815]

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[812] MM 2007, p. 7. (AOT)
[813] MM 2007, p. 15-16. See also pp. 31-32. (AOT)
[814] ØEM 2000a, p. 117. (AOT)
[815] ØEM 2000a, p. 122. (AOT)

Also DØR in its annual economic report from 1998 addresses head on the question of whether the advanced political economies of the world have transformed into "new economies."[816] It observes that

> "Within recent years the hypothesis of "New Economy" has emerged. The hypothesis entails that essential economic relationships have changed qualitatively as well as quantitatively."[817]

In the chapter, the organization examines whether seven significant political-economic developments—the transition to a service society, the digital revolution, globalization, changes in the financial sector, market liberalizations, changes in labor markets and changes in macroeconomic policies[818]—have caused fundamental changes to the functionality of the macro economy in the U.S., the U.K., Denmark and Germany. In particular DØR examines whether such developments have caused a permanent increase in productivity growth and thus potential growth rates in these economies, and relatedly, whether it with the emergence of the (allegedly) new economies now has become possible to maintain high growth and employment rates without the evil twin of inflation. However, following a series of analyses, DØR dismisses such optimism and rejects the hypothesis of a new economy with the following conclusion:

> "The productivity does not appear to increase extraordinarily in the 1990s. ... Overall, there is thus no reason to believe that one can maintain high growth in a long period without it having in impact through accelerating wage and price increases."[819]

Even if the new economy hypothesis is rejected by ØEM and DØR, some PROs (including ØEM) nonetheless argue that the competition of nations has entered a new stage and that what is needed for a nation to remain competitive has changed.

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[816] DØR 1998, pp. 95-174. (AOT)
[817] DØR 1998, p. 95. (AOT)
[818] DØR 1998, p. 100. (AOT)
[819] DØR 1998, p. 167. (AOT)

In the white paper "DK.21" published in 2000, ØEM asserts that

> "we are heading into a new kind of society which functions in a different way than the industrial society we know."[820]

It further argues that in the old "industrial society" all advanced economies have "concentrated on aligning a range of fundamental framework conditions for business,"[821] that is, macroeconomic stability, competitive cost levels, a tax system which incentivizes work effort and investments, flexible labor markets and good infrastructure. Denmark has performed well on these parameters but now what is required to stay ahead in the competition has changed:

> "Exactly because all western nations have focused upon the same, it is not sufficient to give Danish business a national lead in the long run. More is needed."[822]

ØEM claims that the decisive competitive factor in the "competition of the new world"

> "is not so much the access to raw materials or capital, which sort out the sheep from the goats. It is the human competences, knowledge and creativity, which determine what firms and what societies perform the best."[823]

The white paper from 2004, "Denmark and Globalization," maintains the view when it suggests that

> "In the global knowledge economy our competitiveness and cohesiveness to a high degree depends upon our level of knowledge—upon education and science. We compete upon knowledge and upon new ideas. We compete upon our ability to use new knowledge and new ideas to create production and new jobs."[824]

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[820] ØEM 2000b, p. 10. (AOT)
[821] ØEM 2000b, p. 17. (AOT)
[822] ØEM 2000b, p. 17. (AOT)
[823] ØEM 2000b, p. 10. (AOT)
[824] ØEM 2004, p. 38. (AOT)

Along the same line, MM in 1993 also finds that the "traditional political-economic strategies" are less successful in the 1990s than they used to be in the 1980s and observes the emergence of a new generation of "political growth strategies," according to which

> "Now more emphasis is put upon stationary, structural conditions, because capital and firms easily locate across borders. Therefore competitiveness is no longer perceived as a question of having the largest natural resources, most capital or the cheapest labor, about having the skills, the knowledge and the infrastructure, which contributes most value to firms' production. In other words, good macroeconomic conditions are no longer perceived as sufficient for ensuring a strong competitiveness in the global market economy."[825]

12.4.1 Price or Quality Competitiveness

As seen, Danish PROs, on a par with their British and German counterparts, tend to vacillate between export performance on the one hand and growth performance and increases in living standards on the other as the most appropriate outcome indicator of a competitive nation.

In the cases where an organization equates competitiveness with export performance, it tends to argue that comparative wage levels and increases, the exchange rate and (at times) rates of productivity constitute the decisive factors of competitiveness. For instance, ØEM in 1993 estimates Danish competitiveness on the basis of relative wage costs and the exchange rate.[826] In 2000 ØEM similarly claims that there is "no doubt, that there is a clear connection between wage competitiveness and how industrial firms perform on export markets"[827] and urges that "wage and price alignment is again aligned with abroad, if Danish

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[825] MM 1993, p. 47. See also p. 9, p. 12, p. 19, p. 26, p. 51 and p. 61. (AOT)
[826] ØEM 1993, pp. 52-53. See ØEM 1996, Chapter 5, for an account where productivity is included. (AOT)
[827] ØEM 2000a, p. 130. (AOT)

competitiveness is not to deteriorate."[828] In the same line, DØR in its early annual economic reports (1993 and 2000) deems relative wage developments as well as the exchange rate as central determinants of national export performance.[829] However, in 2007 DØR argues that relative wage costs, exchange rates *and* rates of productivity constitute decisive determinants of competitive performance.[830] AE, also in its annual economic report from 1993, equates competitiveness with relative wage levels and the terms of trade[831] (i.e., the relative price difference between national exports and imports).

However, contrasting claims as to the decisive factors of competitiveness are also made. In the white paper "DK.21" from 2000, ØEM explicitly contests whether wages are decisive in this new competition:

> "What will seriously distinguish the rich countries in the future global competition is not low costs or low taxes. Nations who are good at creating high productivity and renewal will perform best."[832]

It maintained this view in 2004:

> "We cannot—and we shall not—compete upon wages alone. … It will only make us poorer. We can—and we shall—compete upon knowledge and skills. When others get cheaper, we get better."[833]

MM in 1993 contends that

> "it is not the price of labor which constitutes a fundamental competitive parameter for Denmark, but instead the quality of that labor—and its mobility, understood as, the right labor being present where it is needed."[834]

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[828] ØEM 2000a, p. 7. See also 2007a, p. 104. (AOT)
[829] DØR 2000, p. 46, DØR 1993, pp. 50-51. (AOT)
[830] DØR 2007 p. 63. (AOT)
[831] AE 1993, pp. 87-88. See also p. 7. (AOT)
[832] ØEM 2000b, p. 17. (AOT)
[833] ØEM 2004, p. 17. See also p. 6. See also ØEM 2007b, p. 9. (AOT)
[834] MM 1993, p. 70. See also p. 9, p. 13, p. 27 and p. 51. (AOT)

And in 2007, the organization cited Michael Porter's *The Competitive Advantage of Nations* for its demonstration that the ability to compete in spite of high wages and high costs is more preferable for nations which intend to increase their prosperity. It finds that "Denmark is one of those countries which in a historical perspective has shown that it is possible."[835]

12.4.2 SoC IV: Education, Science, Innovation, Entrepreneurship

The emphasis upon the ability to compete upon knowledge and quality production is mirrored in the range of sources perceived by Danish PROs.

First and foremost education policies are continuously alluded to as important sources of competitiveness. For instance, AE in its annual economic report from 1993 contends that the main task for policymakers consists of the improvement of the structures of the economy through supply-side measures. But this, it argues,

> "happens best first be betting on investments in education and infrastructure rather than tax cuts and secondly generally be strengthening competition as much as possible."[836]

In fact, AE continuously makes reference to the positive correlation between increased investments in education, employment and thus macroeconomic stability as it claims investments in human capital, on a par with tax reductions, exhibits dynamic effects.[837] For instance, it argues the "Denmark's success with high prosperity and small inequality is mainly due to our high supply of competences."[838]

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[835] MM 2007, p. 18. (AOT)
[836] AE 1993, p. 13. (AOT)
[837] AE, 2007, p. 6, p. 22 and p. 63(AOT)
[838] Ibid. p. 77 (AOT)

ØEM, in its annual economic report from 2000, considers education "extremely important"[839]; in the 2007 growth report it finds that "educated labor is an important competitive parameter for Danish firms and decisive for high-quality public services."[840] In its white paper published the same year, it argues

> "The raw material in the new global economy is the 'ability to learn.' That is the ability to acquire new knowledge and to improve those products and services which did well on the market last year. Hence, firms will come to compete upon human resources and their ability to create innovation."[841]

Similarly MM with reference to the Danish educational system finds that Denmark possesses a "cultural strength" in that

> "Danes belong to the most independent-minded peoples in world, and the Danish labor force thus fits exceptionally well with the new decentralized organizations and production systems, in which flexibility and productivity are keywords."[842]

Second, science, R&D and innovation are claimed to constitute sources of international competitiveness. For instance, in the 2007 competitiveness index, ØEM claims that "research and development is one of the keys to continued growth and prosperity,"[843] just as it argues that "the ability of firms to innovate and apply new knowledge is a decisive international competitive parameter."[844] MM in 1993 argues that "advanced and specialized knowledge resources are decisive for attracting investments,"[845] which is echoed in 2007 where it claims

> "Denmark is confronted with a new phase of globalization, where the ability to build innovative networks across national boundaries and build

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[839] ØEM, 2000a, p. 122; See also ØEM, 2007b, p. 10 (AOT)
[840] ØEM, 2007b, p. 14, see also p. 10, p. 52 and pp. 65-67 (AOT)
[841] ØEM, 2000b, p.35, see also p. 31, p. 37, p. 40. See also ØEM, 2004 pp. 14-16 and p. 38; and ØEM, 2007c, pp. 59-107 (AOT)
[842] MM, 1993, p. 63. See also pp. 70-73 (AOT)
[843] ØEM, 2007c, p. 107 (AOT)
[844] ØEM, Ibid. p. 117. See also ØEM, 2000a, p.120 and ØEM 2000b p. 17 (AOT)
[845] MM 1993, p. 75. (AOT)

> a new generation of Innovative Globals becomes decisive for success."[846]

Third, good conditions for small and medium-sized firms and entrepreneurship are also argued to be a potential source of competitiveness. In the annual growth report from 2007, ØEM argues that

> "entrepreneurs play an important role for the dynamism and growth in the economy. Continuous testing of new ideas occurs through new firms. At the same time entrepreneurs strengthen competition in the economy."[847]

In fact ØEM in its annual growth report from 2007 neatly summarizes the discussion: "Education, knowledge, innovation and entrepreneurship are key to maintaining the competitiveness of Danish firms."[848]

12.4.3 SoC V: Management, Migration, Public Sector, ICT, Finance

However, there appears to be more to international competitiveness than education, innovation and entrepreneurship in the eyes of Danish policy research organizations.

First, the general uptake and utilization of ICT is deemed of high importance for the enhancement of productivity and growth potential and hence competitiveness by organizations such as ØEM[849] and MM.[850]

Second, PROs argue that the ability to attract labor from abroad and further migration increase Danish labor supply and thus its growth potential and competitiveness. ØEM, in its growth report[851], the government white paper[852] and

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[846] MM 2007, p. 7. (AOT)
[847] ØEM 2007b, p. 30. See also ØEM 2000b, p. 59, and ØEM 2007c, pp. 167-179. (AOT)
[848] ØEM 2007b, preface. (AOT)
[849] ØEM 2007b, p. 51, ØEM 2004, p. 34, ØEM 2000b, p. 26, ØEM 2007c, pp. 215-219. (AOT)
[850] MM 2007, p. 9 and p. 31. (AOT)
[851] ØEM 2007b, p. 26. (AOT)
[852] ØEM 2004, pp. 16-17. (AOT)

its competitiveness index points to the competitive benefits of increased migration. For instance in the competitiveness index it suggests that

> "Sufficient labor is a decisive precondition if Denmark is still to remain one of the world's richest countries. Thus it is important that we are able to attract and retain labor in competition from abroad."[853]

Also DØR is attentive to how increased migration might contribute to increase the Danish supply of labor when it observes that a "relative new dimension of globalization is that the labor force is extended with pendlers and migrants"[854] and expresses the need to examine whether there exist "inappropriate restrictions" for the opportunity of foreigners to come to Denmark.[855] MM in 2007 finds that "targeted import of competences" is needed to sustain Denmark's innovative capabilities.[856] AE in 2006 suggests

> "new Danes should be given a special focus in the discussion of Danish competitiveness and cohesiveness. It is this part of the population, which to a high degree is the key to the challenges, we are faced with."[857]

Third, an efficient public sector is considered an important source of competitiveness, just as efficient health-care provision also is considered to constitute a potential positive contribution to the enhancement of labor supply. ØEM's competitiveness index from 2007, for instance, devotes an entire chapter to "efficient public service,"[858] while the issue is discussed more briefly in its other publications.[859] In the white paper "Denmark and Globalization," it is claimed that

> "The public sector is large in Denmark and has an important role to play in value creation. In many cases the public sector constitutes a link in

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[853] ØEM 2007c, p. 158. (AOT)
[854] DØR 2007, p. 282. See also p. 290. (AOT)
[855] DØR 2007, p. 304. (AOT)
[856] MM 2007, p. 31. (AOT)
[857] AE 2006, p. 3. (AOT)
[858] ØEM 2007c, pp. 209-221. (AOT)
[859] ØEM 2007b, p. 64, ØEM 2004, p. 34 and p. 40. (AOT)

> the chain from when an idea emerges until it is visible on the bottom line in the bank account of a firm or employee."[860]

MM already in 1993 claimed that the public sector constitutes a potential competitive advantage for Denmark:

> "Denmark differs from other countries by having a more service-heavy public sector, which exactly concentrates on welfare. Many of these services are produced by the private sector in other countries—often much cheaper due to lower quality. A high quality of public service is however not just a good for the citizen. It is an important precondition for many Danish firms' competitiveness."[861]

With regard to health care, for instance, AE in its 2007 report argues that health-care costs exhibit "dynamic effects through prevention of absenteeism as well as faster returns to the labor market following sick leaves."[862] (In fact AE argues that similar effects accrue to public spending upon childcare.[863]) DØR in 2007 argues that average annual time worked per employee "besides weekly working hours also depends upon illness and other absence."[864]

Fourth, the relative skill and quality of managers is also addressed as a potential source of competitiveness. For instance, ØEM in 2000 argues that

> "It requires a skillful and determined management to navigate a firm through changes to technology and markets in the coming years. For the Danish business community as a whole it is important to have access to relevant methods of management."[865]

Similar claims can be discerned in the commission report published by MM in 1993.[866]

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[860] ØEM 2004, p. 34. See also ØEM 2007c, pp. 209-219. (AOT)
[861] MM 1993, p. 157. See also p. 17 and. p. 163. (AOT)
[862] AE 2007, p. 68. (AOT)
[863] AE 2007, p. 66. (AOT) Also ØEM asserts that sufficient childcare provision is a necessary condition for increasing the labor supply. See ØEM 2007b, p. 111.
[864] DØR 2007, p. 282. (AOT)
[865] ØEM 2000, p. 45. (AOT)
[866] MM 1993, pp. 73-73. (AOT)

Finally, the importance of well-functioning financial markets to competitiveness is likewise emphasized. Again, ØEM constitutes an example. In its annual economic report from 2000 it claims that

> "Well-functioning financial markets are of great importance for business, investors, households as well as the public sector. … The financial sector thus plays a substantial role for growth and prosperity in a modern society."[867]

12.4.4 SoC VI: Environmental Protection and Social Inclusion

12.4.4.1 Environmental Protection vs. Competitiveness?

As observed in the other knowledge regimes, PROs in Denmark also discuss the relationship between policy measures to protect the environment and international competitiveness. And as seen elsewhere, basically two different perceptions flourish: on the one hand the view that environmental protection impedes competitiveness and on the other the view that environmental protection in the long run improves competitiveness. For instance, DØR in its annual economic report from 1993 addresses this question and subscribes to the former view when it finds that environmental protection has an inverse relationship with competitiveness:

> "The environmental policy ought ideally to reflect a balancing of costs and advantages by the concerned measures and simultaneously be subjected to the consideration to coordinate with other policies ... to realize the goals of environmental policy costly dispositions are imposed upon households and especially the business community, which can deteriorate Danish competitiveness."[868]

Thus, here DØR clearly envisions a trade-off between the two and that policy measures for increasing competitiveness and policy measures to protect the environment should be counterbalanced. Yet, DØR later in the same report

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[867] ØEM 2000a, p. 66 and p. 120. See also ØEM 2000b, p. 31. (AOT)
[868] DØR 1993, p. 134. (AOT)

suggests that "environmental efforts can at least in some areas also improve the prospects for economic activity"[869] and claims that in some cases strict governmental environmental regulation might in fact be beneficial to the competitiveness of firms:

> "High or rather early introduced environmental regulation does not necessarily only have a negative influence on competitiveness in the longer term. Strict national environmental regulation can further new niche productions and provide firms with a technological head start."[870]

However, DØR maintains that such forms of regulation should only be implemented gradually over the long term to allow for the piecemeal adaptation to the stricter demands; otherwise such efforts would hurt unemployment.[871]

AE also addresses this question. In its annual economic report from 1993 it first claims that for a small country it is "relatively disadvantageous" to take the lead in relation to problems of trans-boundary pollution. Mirroring DØR, it finds that "the environmental advantages will only marginally benefit the country, and besides that problems with competitiveness can emerge."[872] However, AE also recounts two reasons for why the implementation of strict governmental regulation might nonetheless prove beneficial and "achieve advantages" in the medium and longer term. First, it advances a transformation of the industrial structure which according to AE will occur anyway:

> "To take the lead in environmental regulation is in itself a way to obtain a head start in the technological and thus industrial development. Thus, there are several examples of the emergence of successful Danish firms in the aftermath of farsighted environmental policy because the stricter

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[869] DØR 1993, p. 85. (AOT)
[870] DØR 1993, p. 130. (AOT)
[871] DØR 1993, p. 134. (AOT) Yet DØR also maintains that trans-boundary pollution should be regulated internationally and observes limits to what individual countries can achieve on their own. It finds that "isolated national initiatives against trans-boundary pollution will impair competitiveness without being offset by sufficient national environmental advantages." See p. 136.
[872] AE 1993, p. 89. (AOT)

> Danish environmental regulations later have been followed internationally. As examples, one could mention district heating, smoke cleaning, cement production and water purification."[873]

However, AE follows the line of DØR when it contends that such regulation ought to be phased in over the long term to allow for the gradual adaptation of firms. Yet it differs from DØR when it asserts that

> "One should however not let short-term considerations for competitiveness dominate to the extent that one blocks for a market economic—and environmentally—appropriate displacement in the industrial structure in the long term. ... The problem of balancing between short-term considerations for firms' competitiveness and the long-term renewal of industrial structure is perhaps greater then most will admit. This is because existing industries' points of view (e.g., farming), due to natural reasons, are far more strongly represented in the actual political game than the firms of tomorrow."[874]

Also ØEM in 2000 argues that consumers as well as the society increasingly will come to emphasize how firms relate to the environment. These aspects, it asserts, constitute the "new competitive parameters in the global knowledge economy."[875]

12.4.4.2 Social Cohesion vs. Competitiveness?

Similarly PROs also addres the relation between societal cohesion and international competitiveness in the Danish knowledge regime. As seen already[876], the white papers as well as the competitiveness index published by ØEM include various indicators for social cohesion as a measure of the *outcome* of a competitive nation. However, social inclusion, cohesion and equality is at times also addressed as an impediment and source of competitiveness.

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[873] AE 1993, p. 91. (AOT)
[874] AE 1993, p. 90. (AOT)
[875] ØEM 2000b, p. 17. (AOT)
[876] See p. 262 above.

In its annual economic report from 2007, DØR undertakes a thorough review and comparison of the Anglo-American, continental European and Scandinavian labor market models. With regard to the latter kind, it finds problems. Specifically,

> "The disadvantage of this arrangement of the labor market is the tax financing, which decreases labor supply and wage formation. High unemployment compensation in addition increases minimum wages, which might marginalize weak groups on the labor market and put high demands on the distribution of qualifications in the work force and thus the educational system."[877]

That is, the "security part" of the flexicurity system is seen to have a potential negative impact upon labor supply and wage formation to the detriment of competitiveness (understood as growth and/or export performance) as well as employment and jobs creation.

However, DØR apparently took a different position seven years before in its annual economic report from 2000. There it adopted a somewhat different perspective of the nexus between social cohesion and competitiveness:

> "A reinforced and reoriented effort against marginalization and exclusion will possibly overload the costs and competitiveness of firms in the short term. However, the economic advantages in the form of lower public expenses and increased labor supply will benefit firms in the long term. Add to this the major personal and social gains from reduced marginalization and exclusion."[878]

Indeed, the argument that social cohesion, equality and inclusion constitute a source of the competitiveness of the Danish political economy can be found in the publications of several organizations. For instance, ØEM in its white paper "DK.21" published in 2000 asserts such a claim when it, in a prolongation of the observation that the conditions of international competition of nations has changed, suggests the following:

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[877] DØR 2007, p. 195. (AOT)
[878] DØR 2000, p. 212. (AOT)

> "To create a sustainable ("holdbart") society is not in contrast to the challenges from the global knowledge economy. On the contrary, a sustainable society will contribute to secure that the business community also in the long term can stand strong in the global competition because such a society utilizes the resources of all citizens, not just the elite's and because firms in global competition will locate in nations and regions which provide the best framework conditions. They do not only encompass hard economics but also values. That applies to, for example, equal opportunities for education, equality among men and women, great social security, low crime, human rights, sustainable environment and the ability of society to solve conflicts."[879]

In fact this contention is maintained in the commission white paper published in 2004:

> "Competitiveness and cohesiveness are not mutual contradictions. On the contrary, both competitiveness and cohesiveness will contribute to secure that the business community also in the future can maintain a strong position in the still fiercer global competition. Dedicated and creative people thrive best in societies which simultaneously provide security and good conditions for innovation and expression. And dedicated and creative people are a decisive resource in the global knowledge economy."[880]

Similarly in the competitiveness report from 2007, ØEM argues that the Danish labor market, characterized by a "combination of flexibility, relative high social benefits and active labor market policy," constitutes a source of competitiveness which also leads to "relatively equal distribution of income."

In fact, the same set of considerations appears to have informed the construction of the Danish competitiveness index published in 2007. This index measures the outcome of a competitive nation in terms of prosperity *and* cohesiveness. Thus the index finds that

> "Danish cohesiveness is supported by a generally high living standard, a high labor market participation rate and high educational levels. There are many circumstances which have influence upon cohesiveness,

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[879] ØEM 2000b, p. 13. (AOT)
[880] ØEM 2004, p. 37. (AOT)

> including participation in the democratic process, tolerance and respect for other persons and cultures, as well as equal access to education."[881]

AE in its annual economic report from 2007 also addresses this relationship when it observes that

> "The development in Denmark has just shown that it is possible to combine social security, equality and economic growth. Danish economy has thus by many been likened to the bumblebee, which should not be able to fly, but nonetheless does it."[882]

In fact, in 2006 AE published an independent policy brief directly addressing the relation between cohesiveness and competitiveness entitled "Cohesiveness and Competitiveness" ("Sammenhængskraft og Konkurrenceevne"). In this brief policy paper, the AE first reasserts the common claim that the Danish flexicurity-model is "one of the explanations of the competitiveness of Danish business."[883] This assertion is supported by the following argument, which in its essence constitutes a claim about the complementarity between social equality and international competitiveness:

> "Danes are relatively equal; not just because we redistribute through taxes and transfers, but also because competences are not as unequally distributed in Denmark. This form of equality should be expanded because equality through subsequent redistribution is expensive but also because a population with good qualifications creates cohesiveness and competitiveness."[884]

MM in 1993 on the one hand argues that the perceived "brutal elimination race" between both firms and nations "raise a debate … about the price of welfare

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[881] ØEM 2007c, p. 47. (AOT) In the index, the outcome of competitiveness understood as social cohesiveness is measured with five different econometric indicators: unemployment for less educated, (low) level of wage dispersion among educational groups, small proportion with relatively low incomes, low risk of continuous low income and integration on the labor market.
[882] AE 2007, p. 22. (AOT)
[883] AE 2006, p. 1. (AOT)
[884] AE 2006, p. 1. (AOT)

societies"[885] and recognizes that more competitive international conditions imply a "colossal challenge" for the public sector since governments, not without further ado, can raise taxes due to heightened capital mobility.[886] But it on the other hand also argues that a well-functioning public sector for the provision of welfare constitutes a competitive advantage. A view it maintains 15 years later when it in 2007 contends that Denmark has always achieved the best results when "free markets, communities and competences" work together[887] and asserts

> "effective and well-functioning welfare institutions are simultanously contributing to the securement of Denmark's institutional competitiveness."[888]

12.4.5 The Role of Government in a New Economy?

12.4.5.1 Correction of Market Failures

As in the case of Germany and the U.K., the temporal shift is by some PROs also perceived to imply a shift in the legitimate role of the state vis-à-vis the market. First, the Danish organizations also argue that the potential presence of market failures (in particular positive and negative externalities) might warrant intervention by the state in the market through the means of regulation. ØEM in its white paper "DK.21" from 2000 implicitly embraces the concept of the market's failure in its ability to supply public goods such as sufficient levels of investment in education:

> "The government shall not intervene in the decisions of firms. But we should contribute to create those framework conditions which make markets function effectively and decent. And we shall invest in skills and resources which markets do not build up themselves."[889]

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[885] MM 1993, p. 33. See also p. 9, pp. 24-25, p. 29, p. 35 and pp. 48-49. (AOT)
[886] MM 1993, p. 157. (AOT)
[887] MM 2007, p. 33. (AOT)
[888] MM 2007, p. 10 and p. 35. (AOT)
[889] ØEM 2000b, p. 16. (AOT)

Also DØR in 1993 argues that there persist negative externalities with regard to environmental politics:

> "The normal market mechanism cannot without certain measures solve problems of pollution. This is because many environmental goods in greater or lesser degree are public goods, thus no clearly defined property right exists for the goods, which, e.g., applies to clean air and water. In such cases external effects (externalities) will occur in connection to the environmental goods, so that the activity of a producer or consumer impairs (negative externality) or improves (positive externality) the environment for others."[890]

AE in 1993 addresses the presence of negative externalities, arguing that if the economy is to function efficiently in the long term firms must carry the full costs of their production. Hence it finds it "illogical" if society

> "On the one hand accepts that firms must close if they can't carry wage and interest costs, but on the other hand will not accept closures because they can't carry the environmental costs. If society indemnifies firms for environmental costs, it will cement an industrial structure with environmentally harmful firms."[891]

Finally, MM in 1993 also posits a claim in favor of state intervention in markets to secure the provision of public goods such as health care for the elderly and education, which are claimed to enhance both social stability and carry a "range of positive external effects."[892]

12.4.5.2 Conversion of Mindsets

Second, it is likewise argued that supply-side reforms might consist of more of the state than the creation and maintenance of the right set of incentives for market participants through various measures of (de)regulation and reform. In the Danish case, one also observes claims of the need to affect the culture, values, mindsets and the like of various groups of actors. Again ØEM is a case in point. In its

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[890] DØR 1993, p. 86. (AOT)
[891] AE 1993, p. 90. (AOT)
[892] MM 1993, p. 163. (AOT)

annual growth account from 2007, it for instance argues that the problems of a diminishing labor supply could be mitigated if the "employed put in an extra effort." This, ØEM argues, could be done if the individual employee

> "created higher quality by continually improving oneself, assuming greater responsibility or in other ways displaying initiative and dedication."[893]

In the white paper "DK.21" from 2000, ØEM expresses the need to "stimulate an entrepreneurial culture, which furthers risk appetite" through reforms of the primary school. And in 2004, the Danish government argues that

> "We should be "sneaky" ("snedige") and not be afraid to experiment and take new paths. In a rapidly changing world we should be open to new opportunities and ourselves contribute to their creation. We cannot rely on doing things "as we used to." Thus our educations should further creativity."[894]

MM shares the view that certain cultural traits and dispositions of a workforce might constitute a generic competitive advantage:

> "Culture will ... inevitably come to uphold a central role within organization and management in the coming years. ... Therewith the demand for everyone in a firm to agree about what values, norms and goals one is working towards grows—in other words the business culture must be strong. Otherwise the measures might end in chaos and impaired competitiveness. In the light of this development the Danish cultural particularities—especially the pronounced autonomy—might give Danish firms a competitive advantage."[895]

12.4.5.3 Coordination of Market Activities

Third, some Danish PROs also hold that more societal actors, organizations and groups besides the state ought to play a role in furthering competitiveness of the nation. As the 2004 white paper argues, "the government alone" cannot achieve

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[893] ØEM 2007b, p. 22. (AOT)
[894] ØEM 2004, p. 38. (AOT)
[895] MM 1993, p. 75. (AOT)

the securement of Danish competitiveness. Instead this constitutes a responsibility for

> "young and old, employees and managers, private firms and public institutions. All shall contribute to secure the future of Denmark as a prosperous and cohesive society."[896]

In its annual economic report from 2000, DØR, in relation to labor market issues, claims that to build an "inclusive labor market" requires the "active participation of the social partners," and it asserts that

> "the development of the inclusive labor market in future years can be perceived as a test of the social responsibility of private and public employers as well as the unions."[897]

MM in 2007 expresses the belief that

> "Strong trust and knowledge sharing among the different partners—between firms, unions and public decision makers—have historically given Denmark a position of strength within social innovation, which can be further developed."[898]

12.5 Before and After Knowledge Competition?

Some Danish PROs even invoke a third temporal distinction. While it is frequently claimed that national decisive competitive advantages will come to consist of a nation's relative investments in education, R&D and innovation so as to strengthen the preconditions for knowledge- and skill-intensive quality production, later in the period assertions such as these begin to be questioned. ØEM in its 2004 commission white paper, observes that

> "The outsourcing of production to low wage countries has occurred for many years. But the speed of the outsourcing might increase in the future. And as something new service tasks and knowledge intensive

[896] ØEM 2004, p. 7, ØEM 2000b, p. 35. (AOT)
[897] DØR 2000, p. 211. (AOT)
[898] MM 2007, p. 16. (AOT)

> jobs can also be outsourced, especially because communication across borders can occur quickly, safely and cheaply."[899]

And in 2007 MM again argues that "globalization has entered a new phase which makes growing demands upon the ability to innovate."[900] In this, once again, new phase

> "The Chinese and Indians will no longer settle with fabricating our cheap shirts, toys and computers, and as they ascend in the global value chain ... China and India will educate millions of scientists, designers, and engineers and establish new growth centers in the Silicon Valley class."[901]

[899] ØEM 2004, p. 10. (AOT)
[900] MM 2007, p. 3. (AOT)
[901] MM 2007, p. 8. (AOT)

13. SUMMARY OF ANALYSIS

In light of the three analyses above it should by now be clear, that PRO's in both the British, German and Danish knowledge regime participated in a common discourse of an "international competition of nations". As seen, the PRO's applied the three discursive dichotomies of temporality, subjectivity/objectivity and functionality with a reasonable degree of similarity, to "carve out" generically similar, if nonetheless distinctly different national narratives of competitiveness, sufficiently comparable to allow one as a social scientist to argue for the presence of a discourse.

--- See Figure 2.1 p. 413 ---

13.1 National Similarities

13.1.1 Dichotomies of Temporality

First of all, PRO's in the three knowledge regimes asserted sufficiently similar *temporal* dichotomies to carve out narratives of political economic history. As seen 10 out of 12 PRO's[902] assert a temporal distinction between a period *before* the late 1970's and a period *after*. And the collapse of the Bretton Woods system is by some PRO's invoked as an important temporal differentiating the two periods.[903]

The period *before* the late 1970's is perceived to consist in a long initial spell of economic expansion, growth and increasing (if not full) employment (brought

[902] IPPR, NIESR, IFS and HMT in the British knowledge regime (see p. 175 above); FES, SACH and BmWI in the German knowledge regime (see p. 213 above) and DØR, ØEM and MM in the Danish knowledge regime (See p. 251 above)
[903] See e.g. FES or DØR

about by a.o. Keynesian-inspired expansionary fiscal policies accompanied by accommodative monetary policies.) The period *after* the late 1970s, on the contrary, is perceived as a macro-economically more turbulent time, with mounting inflation, stagnating growth rates and increasing unemployment. The new international context following the late 1970's is variously found to be characterized by liberalizations of the rules for international capital movement; abolishment of restrictions and barriers on trade and establishment of common markets such as the European single market or NAFTA; the appearance of newly industrialized, developing and emerging economies in Eastern Europe, Asia and Southern America as well as technological improvements allowing for increased global differentiation and location of production. [904]

Moreover, these arguably new international politico-economic conditions, are by several PRO's interpreted as implying an increasing competitive pressure upon nations.[905] For instance, this ostensibly intensifying competition is with a colorful, almost belligerent vocabulary by some PRO's characterized as a "cold peace", "threat" or "elimination race" in which "our rivals will not wait for us to catch up."[906] In several knowledge regimes, PRO's further support their claims of increasing competition of nations and a growing emphasis upon competitiveness among domestic economic policy makers, with the observation that the same shift in emphasis can be discerned among policymakers abroad. [907]

However, PRO's perceive history to take a turn at some point, by which the character and nature of international competition change. That is, on a par with the dichotomy distinguishing a time before and after the late 1970's, another temporal dichotomy distinguishing between before and after the late 1990's also comes to

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[904] SACH
[905] SACH, BmWI, HMT, IPPR, NIESR, ØEM and MM
[906] MM and HMT
[907] See p. 175, p. 213 and p. 251 above

be regularly asserted from the year 2000 and onwards. Indeed, a majority of PRO's (9 out of 12) addresses the question, whether an ostensibly 'new' or knowledge-based economy has emerged, and thus significantly altered the character of international competition.[908]

The concept "New economy", understood as an economy in which fundamental macro-economic relationships has changed or ceased to function[909], is skeptically scrutinized, criticized and even outright rejected by some PRO's [910]. E.g. NIESR in U.K. argue that it is "as much a matter for social psychologists as for economists". Nevertheless the somewhat related idea of a transition to a new, more knowledge-intensive stage of international competition between nations is maintained and endorsed by several PRO's. [911] As seen, several PRO's of different knowledge regimes (6 out of 12) - in some form or another - invoke the argument, that what in the past used to be sufficient for a nations successful competitive performance, is in the future merely a necessary condition for participation. It is often argued, that the factors, which will separate future "winners" from "losers", are different in the new stage of competition [912] and thus, that the nations which most quickly adapt to this new reality will prove most successful.

This certain '*je ne sais quoi*' of international competition – the ostensible X-factor of competitiveness, which according to e.g. ØEM will come to "sort sheeps from goats"[913] - varies in the policy reports. Some PRO's argue, that in earlier periods attention of policy-makers was directed towards issues of relative production costs, wages and exchange rate (at times termed "price competitiveness"), but that

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[908] HMT, NIESR and IPPR in United Kingdom (see p. 194 above); BmWI, SACH and FES in Germany (see p. 232 above); and ØEM, DØR, and MM in Denmark (see p. 277 above)
[909] See p. 178
[910] DØR, ØEM, SACH and NIESR
[911] HMT, NIESR and IPPR
[912] FES, SACH, IPPR, IFS, MM and ØEM
[913] See p. 279 above

in the present this is complemented or replaced with a focus on national ability to produce quality, higher-value added goods. Such forms of production can obtain better prices in international trade through more beneficial terms of trade, but requires higher inputs of capital, technology and skilled labor, and thus holds the promise of potentially sustaining higher wages and living standards.[914] In short, some PRO's contend, that if a nation is to succeed in the new competition, it must compete on quality as well as price.[915]

In fact, some PRO's vehemently oppose a national competitive strategy based on cost-reductions. Recall how FES distinguishes between a "cost reduction-strategy" and a "consistent growth strategy", and provide a negative argument for the latter, by demonstrating the insufficiency of the former. According to FES price is not a decisive determinant for export of high-quality goods; improvements in cost levels are quickly offset through exchange rate movements and might prompt retaliation from trading-partners; stagnant or declining wage levels might suppress domestic demand and imperil growth prospects, firms expectations of future profits and thus their willingness to invest etc.[916]

Some PRO's relatedly argue, that "in the future" stage of competition, competitiveness consists in the ability to integrate knowledge, skills, innovation and new technology in the production processes, and hence emphasize the importance of national institutional arrangements for the provision of skills and acquisition of knowledge.[917] Some PRO's - again relatedly - suggest that future competitiveness is a question of the national ability to increase domestic productivity.[918] However, the important observation is not that PRO's disagree

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[914] E.g. NIESR.
[915] NIESR, BmWI, SACH and FES.
[916] See p. 235 above
[917] HMT, NIESR and IPPR
[918] NIESR and HMT.

about the specifics of an ostensible "winning parameter". Rather the point is, that so many PRO's perceive such a parameter to exist. In short PRO's assert the same generic discursive dichotomy of temporality – the competition of nations has entered a new stage, and what is required to remain successful in this new stage, has changed - even if their particular substantiation of this argument varies.

13.1.2 Dichotomies of Objectivity and Subjectivity: Metrics and Role of Government

Secondly, the PRO's in sufficiently similar ways employ the dichotomies of objectivity and subjectivity. It is possible to discern a similar pattern and hence compare how PRO's in the three knowledge regimes *objectify* the immensely complex, qualitative political-economic social reality they face by transforming it into a similar set of measurable quantitative econometric statistics; and simultaneously *subjectify* that social reality by designating and ascribing actors with potential agency and responsibility vis-a-vis such objects.

13.1.2.1 Three Metrics of Competitiveness

While several PRO's readily contend, that national competitiveness is a devilishly tricky business to comprehend, measure and assess – indeed both BmWI and SACH in Germany express skepticism with regards to whether it for economists at all makes sense to attempt to provide an analytically adequate and unequivocal account of the multi-facetted, heterogeneous and "fuzzy" concept of national competitiveness[919] - there is nonetheless a reasonable degree of consistency in the types of metrics which PRO's in all three knowledge regimes apply to quantify and objectify the competitiveness of a nation.

[919] See p. 224 above

First, 8 out of 12 PRO's at some point employ the econometric methodology of Output-gap estimation.[920] Indeed, NIESR in 1995 finds that the use of this macro-economic indicator has become so widespread, that it coins the term a "science of gapeologists."[921] As seen the metric is devised to measure the distance or gap between a political economy's current, demand-side determined level of capacity utilization and the potential, supply-side determined productive capacity at any given point in time.

Recall, how some PRO's observe – in the words of IPPR – observe an "inexorable trade-off" between growth and employment on the one hand, and inflation on the other.[922] I.e. economic policymakers are perceived as confronted with a necessary policy choice between high growth and high inflation or low growth/low inflation. In a sense, the output-gap serve as a macro-economic steering mechanism for economic policy makers, which allow them to adjust the macro-economic policy mix to achieve a growth and employment rate as high as possible under the constraint of stable inflation.

However, the output-gap is used to more than merely securing stable inflation. Indeed it implies a dual task for policymakers. The task consists in demand-side management through macro-economic measures to align actual, current levels of consumption, investment and export with the sustainable supply-side level in the short term; simultaneously with the continuous implementation of supply-side reforms to enhance the economy's underlying, sustainable (i.e the level of growth consistent with stable inflation) growth potential in the long-term. In short, the task for economic policy-makers consists - perhaps paradoxically – in the

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[920] NIESR, IFS and HMT in the British knowledge regime (see p. 186 above); SACH and BS in the German knowledge regime (see p. 222 above); ØEM, DØR and AE in the Danish knowledge regime (see p. 264 above)
[921] See p. 187 above
[922] HMT, NIESR and IPPR in the British knowledge regime (see p. 176 above)

simultaneous opening *and* closing, widening *and* narrowing of the out-put gap - as an archer asked to hit a target while trying to move it.[923]

Secondly, also 8 out of 12 PRO's, apply the distinct – if related – economic metric of growth accounting.[924] As seen, the Out-put gap itself is composed of a demand-side component as well as a supply-side component, and it is to estimate the latter component, that PRO's turn to growth accounting. The growth account itself – in an almost *a priori* fashion - is composed of a limited set of mutually exclusive and necessary, collectively exhaustive and sufficient growth accounting items – i.e. generic sources of potential growth.

However, in spite of its apparent *a priority*, different PRO's operate with different numbers of accounting items when applying growth accounting. For instance, HMT in the U.K. operate with three (population growth, employment and productivity); ØEM in Denmark operate with four (structural unemployment, labor market participation rate, working hours and productivity) and SACH in Germany wields no less than six such items (capital, productivity, share of population of working age, labor force participation rate, employment rate, working hours.) Hence, while all growth accounts invoke the picture of analytic completeness (i.e. are presented as mutual exclusive and collective exhaustive) some accounts nonetheless appear more complete than others. Again, the important point – for now - is *not* that different PRO's substantiate the metric of growth accounting differently. The point is, that PRO's in all three knowledge regimes objectify social reality in roughly the same way with the invocation of the same type of metric.

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[923] Of course, the paradox is not as paradoxical as it sounds. The paradox is resolved by the invocation of different temporal concepts. The moving of the target – supply-side – takes place over the long-term, the target practice – demand-side management – in the short-term.

[924] HMT, IFS and NIESR in the British knowledge regime (see p. 188 above); BMWI and SACH in the German knowledge regime (see p. 229 above); ØEM, DØR and AE in the Danish knowledge regime (see p. 264 above)

Thirdly, in all three knowledge regimes, one PRO publishes a competitiveness index – while several other PRO's cite and discuss these kinds of metrics. Where the indexes in U.K. and Denmark are published under the auspices of their respective ministries of Economics[925], in Germany the advocacy organization BS from 2004 commence the publication of its *International Standort Ranking*.[926] As seen, these indexes serve a somewhat similar purpose as the metric of growth accounting. But where growth accounting appears to be the product of a deductive, a priori exercise the indexes, in contrast, seems designed according to a more haphazard, accumulative and inductive logic. Indeed, each of these comes across as a somewhat ad hoc hotchpotch of sources and factors assumed empirically correlated with competitiveness. In fact, the HMT explicitly terms the construction method behind its index as "deliberately eclectic".

Hence, the composition and comprehensiveness of the individual indexes also vary – not only between knowledge regimes – but also over time. The *Standort ranking* hence field 12 economic indicators divided the three categories of labor market, business cycle and government, economy and social partners; ØEM's index contains 12 different sources of competitiveness measured by 66 economic indicators; and HMT's *Productivity and Competitiveness Indicators* in 2000 boasts an impressive 80 indicators classified into three categories of business environment, resources and innovation process. However, in 2007 the latter index has shrunk to a less impressive 26 indicators. Yet, once again, the point is *not* how these indexes vary – telling as it might be – but that they vary according to a similar pattern.

Thus, in all three knowledge regimes PRO's apply one or more of the three econometric techniques in order to objectify, quantify and commensurate the

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[925] See p. 201 and p. 273 above
[926] See p. 240 above

concept of competitiveness in a particular way. The three metrics are related. Thus the less general growth accounting metric, constitute the potential supply-side component of the more general output-gap; just as the less general competitiveness index constitute a more fine-grained, detailed and empirical decomposition of the seemingly *a priori* growth factors, added up in the more general growth account. Hence taken together the three metrics form, what might be termed, a general triadic metric of competitiveness, depicted in the following three-level figure.

--- See Figure 11.1 p. 423 ---

Depending on PRO and knowledge regime in question, the particular elements included can vary, but that variation nonetheless occurs within a recognizable patterned structure.

13.1.2.2 Four Roles of Government

Likewise the PRO's engage in sufficiently similar processes of *subjectification*, by which roles and responsibilities for the provision of the object of national competitiveness is assigned and ascribed to different classes of actors.

First, the observed temporal shift to a more competitive and macro-economically more turbulent international political and economic environment *after* the collapse of the Bretton Woods system, are by PRO's presented as having implications for appropriate role (or viable economic policy stance) of the state vis-a-vis the market. In fact, BS describes this ostensible shift in thinking – which suggest a narrowed scope of viable, appropriate and efficient forms of economic policy available to governments - as a "paradigm change."[927]

[927] See P. 214 above

The adverse development in the late 1970's is by several PRO' believed to be a consequence of failed governmental attempts to apply formerly successful (macro-) economic policies in a new, fundamentally transformed international environment. According to this line of reasoning, conventional Keynesian-inspired demand-side stimulus to bolster growth and employment is less effectual – if not even counterproductive - in a new, more globalized economic context, as increased public expenditure spills over to neighboring countries, increase imports and impair the current account balance instead of expanding the domestic economy. To make matters worse, the resulting mounting of government debt is more difficult to finance with open and unrestrained international capital markets, which will interest rates on sovereign debt to rise.

Instead, PRO's argue that real growth in incomes, living standards as well as jobs generation and reductions in unemployment can only be achieved through reforms of the supply-side of the economy.[928] Recall, for instance, how SACH dismiss both a " defensive strategy" to enhance competitiveness through currency depreciation and a growth strategy based on fiscal demand-side stimulus. Instead, almost as a matter of logical exclusion, it contends that the only viable growth path is paved with reforms of the supply-side. Thus in light of the perceived "inexorability" of the inflation-growth nexus, it might *prima facie* seem as if conventional demand-side policy is abandoned, in favor of strict supply-side policy.

However, this would be to jump to conclusions. Not all PRO's argue for an economic policy exclusively oriented to reforms of the supply-side and a complete abandonment of demand-side measures. In fact a sizable minority of PRO's (5 out of 12) in one form or another argue in favor of combinations of supply and

[928] See p. 176, p. 214 and p. 253 above

demand-side policy. In U.K. NIESR express surprise how demand-side management again is being discussed among economic policy making elites; IFS rejects that any real disagreement persists among classical and neo-Keynesian economists about the appropriateness of deficit spending in a recession; HMT claim that stable inflation is not a goal in itself, but a means to achieve growth[929]; in Germany BmWI explicitly oppose the supply-side approach proposed by SACH and argue in favor of a more balanced mix of the two[930]; and in Denmark DØR favor more pragmatic, context-dependent combinations of demand-side and supply-side policies, with the contention that ideological commitments often obstructs such pragmatism at the detriment of the economy.[931]

Indeed, the widespread adoption of the economic metric of output-gap can be perceived as the PRO's employment of analytical means, allowing a more targeted, precise fiscal policy in congruence with the underlying, structural capacity of the economy through an estimation of the current stage of the current cycle. I.e. the output-gap is harnessed to determine whether a fiscal contraction or expansion constitute the appropriate macro-economic stance [932]. Surely the output-gap does not *per se* exclude demand-side management. Quite to the contrary it makes demand-side stimulus - and even deficit spending - possible (within the constraints implied by the threat of inflation.)

Secondly, in the reports published from 2000 and onwards, and thus approximately simultaneously with their observation of temporal shift towards a new economy and mode of competition, PRO's comes to ascribe yet another set of roles and responsibilities for ensuring market efficiency and functionality. First and foremost these responsibilities concern the appropriate role of governments,

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[929] See p. 183 above
[930] See p. 225 above
[931] See p. 256 above
[932] See p. 186, p. 222 and p. 264 above

but also address the need to involve other societal actors. As seen governments are by PRO's perceived to posses a legitimate, appropriate role vis-a-vis markets in three distinct ways: as *correctors* of market failures, *converters* of mindsets and *coordinators* of economic activities.

First, 8 out of 12 PRO's advance argue that governments should *correct market failures.* That is, intervene in, reform and regulate markets to correct their inherent tendencies to deliver inefficient outcomes.[933] E.g. recall how HMT distinguish between "four generic categories" of market failures - negative externalities, public goods, monopolies and market information asymmetries – which all provide a distinct rationale for government intervention in the economy. In fact, only SACH in Germany argue explicitly against the concept of market failures (which apparently are not much discussed by PRO's in Germany), and suggest that while market failures are possible in theory, in practice they rarely occur.

Secondly, a sizable minority of PRO's (5 out of 12), argue that governments besides correcting market failures – through re-alignment of market incentives – also posses a legitimate role in the *conversion of mindsets.*[934] That is, not only are governments perceived to have a role in altering conditions exogenous to market participants (i.e. incentive structures), likewise governments are perceived to have a legitimate role in inducing, nurturing and culturing a particular set of values, mind-sets and culture endogenous to market-participants. Recall e.g. how HMT argue that innovation is difficult to achieve without changed "cultural attitudes"; how ØEM suggest that Danes need to be "sneaky"; and how MM believe that the

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[933] HMT, IFS and IPPR in the British knowledge Regime (see p.208 above); BS in the German knowledge regime (see p. 246 above); and ØEM, DØR, AE and MM in the Danish knowledge regime (see p. 293 above)

[934] HMT in the British knowledge regime (see p. 208 above); BmWI and SACH in the German knowledge regime (see p. 247 above); ØEM and MM in the Danish knowledge regime (see p. 293 above)

(ostensible) national cultural trait of independence constitute a distinct Danish competitive advantage.

Thirdly, 7 out of 12 PRO's argue that governments should coordinate the activities of indeed a long range of societal actors. As seen, at several occasions PRO's - in particular ministries - plea, that the task of improving national competitiveness, is not one of governments alone - but one which requires the active involvement and participation of a burgeoning plethora of societal and economic actors. Most often the shared responsibility of employer associations and unions - e.g. for achieving a balanced wage-formation aligned with productivity - is emphasized, but a broader troop of actors are also enlisted under the banners. In the reports variously private firms, public institutions, political parties, regions, employees and managers, families, schools and cultural institutions, media, educationalists, public decision makers, young and old – not to mention the odd bedfellows science and churches - are called upon to do their part. It is not an understatement, when BmWI argue that "all societal forces" are called upon to aid the government.

Perhaps it should not come as the biggest of surprises that PRO's in Germany - conventionally characterized as a coordinated market economy - calls for comprehensive and wide-spanning coordination among societal actors to mitigate antagonistic relations, and further cooperation to mutual benefits. But it is perhaps somewhat surprising, that calls for coordination is made by both IPPR and HMT in the U.K.[935] - an archetypical liberal coordinated market economy. [936]

In sum, just as a majority of PRO's in all three knowledge regimes invoke similar temporal dichotomies, it is equally evident that they also invoke the dichotomies of subjectivity and objectivity in sufficiently similar manner. Most PRO's objectify their social reality through the triadic metric of competitiveness and

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[935] See p. 211 above
[936] See p. 85 above

subjectify it, by ascribing four responsibilities and roles to governments vis-a-vis competitiveness. I.e. to *combine* supply- and demand-side policies to close the output gap; to *correct* market failures, to *convert* the mindsets of market participants, and to *coordinate* activities between otherwise potentially rivaling and antagonistic market participants – employers and employees, social partners etc. to ensure mutually beneficial outcomes.

13.1.3 Dichotomy of Instrumentality: Sources and Outcomes.

Thirdly, PRO's in all three knowledge regimes likewise assert the dichotomy of instrumentality in a sufficiently similar way, inasmuch as they all conceptualize and assess the international competitiveness of nation as some form of economic function, in which a range of inputs or sources of competitiveness can be manipulated, reformed and changed by politico-economic actors, so as to produce a certain competitive outcome.

13.1.3.1 The Goal of International Competition: Outcomes of Competitiveness

First, with regards to competitive outcomes PRO's in all three knowledge regimes appears divided and oscillates between two generic interpretations: On the hand competitiveness as measured by export performance; on the other competitiveness measured by growth performance.

In the British knowledge regime PROs[937] throughout the period seems somewhat vexed between the two, and some PRO's at times combine these two measures.[938] However, it appears as if growth over the course of the period analyzed here nonetheless take the upper hand in the U.K.[939] In Germany, several PRO's

[937] HMT, NIESR and IPPR
[938] see p. 181 above
[939] See p. 181 above

acknowledge the relevance of examining competitiveness in terms of exports[940] but most nonetheless contend, that competitiveness is more appropriately measured in terms of growth pr. capita.[941] In particular some German PRO's such as FES invoke the analytical concepts “ability to sell” and “ability to earn”, and questions whether the former necessarily led to the latter. This is for instance evidenced by SACH's discussion of the German performance paradox i.e. strong exports combined with weak growth and employment. FES even argue that strong export performance on the basis of sustained wage moderation prevents an increase in domestic demand, and thus ultimately hampers growth prospects. In the Danish knowledge regime a similar pattern occur. In early economic reports competitiveness is squared with national ability to export, later with the ability to grow.[942]

In sum, where 6 out of 12 PRO's at some point equate competitiveness with export, 8 out of 12 at some point argue that it is most appropriately assessed in terms of growth.[943] Thus on the balance of things, it can (however cautiously) be claimed, that PRO's in all three knowledge regimes come to emphasize growth as the appropriate way to assess and measure the competitiveness of a nation relatively more than export performance. This contention is further corroborated, by the fact that a majority of PRO’s[944] examined in this study employ the metrics of out-put gap and growth accounting, which both are designed to measure growth. In fact, one PRO - SACH in Germany - *does* employ a distinct metric

[940] BmWI and SACH
[941] SACH, FES and BS (See p. 218 above)
[942] See p. 260 above
[943] HMT, NIESR, SACH and ØEM express both points of view throughout the period.
[944] HMT, NIESR and IFS

(RCA-analysis) to decompose export performance in 1993. However, it abstains from that practice in later reports.[945]

However this observed, "growth turn", does not imply that growth is not questioned or contested as appropriate indicator of competitiveness. A third of the PRO's - from all knowledge regimes - at some points explicitly questions whether growth sufficiently captures what is meant by a competitive nation. In the U.K. IPPR argue that employment performance should be included as a subsidiary performance metric; In Germany SACH invoke the term 'Zukunftsfähigkeit' to denote the importance of social security, good educational institutions and environmental quality, and argues that this is not simply achieved by growth in exports, production and employment, just as FES argue that "factors for the quality of life" should be included in the assessment of competitiveness.[946] In Denmark ØEM repeatedly advance arguments, that a competitive nation also - besides growth performance - should be assessed by its ability generate social cohesiveness, a sustainable welfare society, lifelong education, work for all, public health, social justice and a good environment.[947]

13.1.3.2 Sources of Competitiveness

Secondly, in all three knowledge regimes PRO's consider and discuss a wide range of ostensible sources, factors or inputs to the competitiveness function. And as seen, this list grows and expands over time.

Not only does PRO's argue privatization of formerly publicly owned enterprises, deregulation of markets for goods and capital, low tax rates on income and profits and flexible labor markets constitute important sources of competitiveness.[948] The

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[945] See p. 222 above
[946] See p. 223 above
[947] See p. 262 above
[948] See p. 193, pp. 226-229 and pp. 274-277 above

PRO's also over the course of the period analyzed – approximately concurrent with their observation of an ostensible new stage of international competition - increasingly emphasize how educational institutions for the provision of skills, scientific production and R&D (in the private as well as the public sector), the relative propensity of citizens to become entrepreneurs, the extent to which firms engage in various forms of innovation activities as well as investments in infrastructure constitute important sources of competitiveness[949] For instance, with almost identical formulations BmWI in Germany and ØEM in Denmark, argue that it is not access to land, cheap labor or raw materials, which will be decisive parameters in the new competition, but education, skills and creativity which will come to constitute the "most important raw material".

Yet, the list of sources does not stop there. Thus, PRO's in the British knowledge regime also highlight the U.K.'s ability to attract migrants, the quality of management in British firms, ICT and infrastructure as potential sources of competitiveness[950]; PRO's in Germany likewise assert that increased migration of qualified labor from abroad, general propensity of firms and labor to employ ICT in production processes as well as the relative efficiency of the public administration and sector might further Germanys competitiveness [951]. In Denmark the relative quality of the management in private firms, the efficiency of the public sector, ICT and migration (and integration) are variously articulated as additional sources of competitiveness.[952]

In short, the list of sources of competitiveness identified by PRO's in the British, German and Danish knowledge regimes is highly complex, multifarious, grows over time and from an analytical point overwhelming. At times, it seems as if the

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[949] See p. 199, p. 234 and p. 282 above
[950] See p. 200 above
[951] See p. 239 above
[952] See p. 284 above

list grows infinitely, and that as time goes by ever more sources emerge adding additional layers to an already kaleidoscopic mosaic. Indeed, at times NIESR's assertion that "the search for improved economic performance is never ending" rings true. This complexity is perhaps the reason why some PRO's – but not all – begin to publish competitiveness indexes, which in a more ad hoc, accumulative manner combines a wider range of different economic metrics and indicators to produce one unitary indicator of competitiveness.

Even so, it is not every societal phenomenon or policy that constitutes a potential source of competitiveness in the eyes of the PRO's. In fact, remarkable national differences obtain, with regards to how PRO's interpret policy measures, which enhance social cohesion, inclusion, equality and environmental protection, as either improvements or impediments to national competitiveness. A point returned to just below. However, for the moment the important point is, that just as PRO's in the three knowledge regimes with a sufficient degree of regularity apply the discursive dichotomies of temporality, objectivity and subjectivity, they also apply the third dichotomy of functionality, inasmuch as they all discuss a reasonable similar - if varied - set of competitive outcomes and a reasonable similar - if varied - list of sources of competitiveness.

Therefore, on the basis of the observation that 12 different PRO's in three different national knowledge regimes "carve out" historical narratives of competition and competitiveness by sufficiently similar invocations of the three discursive dichotomies of temporality, subjectivity/objectivity and instrumentality, it is now demonstrated that a discourse of "international competition of nations" in fact *was* present in the period from 1993 to 2007.

13.2 National Differences

However, as continuously emphasized, the presence of a common discourse does not imply that all PRO's necessarily conceptualize the competitiveness of nation in exactly the same way. In fact, it is only in virtue of variation between national narratives of competition and competitiveness (if however a patterned and comparable form of variation), it can be claimed that a discourse is present. This distinct national variation is discussed in the following.

13.2.1 Dichotomies of Temporality

As just seen, while most PRO's in all three knowledge regime invoke the two temporal dichotomies before and after the collapse of Bretton Woods; as well as before and after the new economy, then at times additional temporal differentiations are made.

First, in response to the claim, that the competition of nations has taken a turn towards a more knowledge-intensive stage, some PRO's – particularly in Germany but also in Denmark – argue, that an already obtained competitive lead in technology, capital- and knowledge-intensive sectors, might only provide short respite for advanced political economies. These PRO's, while recognizing the new stage of competition, claim that not only have newly emerging economies in Eastern Europe, Asia and Southern America begun to participate in globalization through low-cost, labor-intensive competitive strategies. Increasingly these economies *also* have begun to engage in the production of high-value added and quality production strategies, facilitated e.g. by technological advances in ICT, allowing for a considerable more easy transference of knowledge, ideas and new production technology to new production sites across the globe. As put by ØEM in Denmark "it is something new, that service and knowledge-intensive tasks can be outsourced."

Indeed, a sizable minority of PRO's (5 out of 12) particularly in the later part of the period analysed in this study (i.e. 2000-2007), observes another temporal shift in the competitive conditions.[953] In short, globalization is perceived to have entered yet a new phase – *after* knowledge-intensive competition - where still more emerging economies engage in high-quality production, with the consequence, that price and wages –also in the knowledge-intensive sectors of the economy - again becomes decisive competitive factors. As argued e.g. by FES, if a nation falls behind in technological competition, it will revert to a state in which "price competition takes the upper hand" and thus - once again - must compete on price and wages at the detriment of average domestic wages and living standards.

Secondly, a few PRO's[954] – in the discussion of labour markets – invoke a temporal distinction between labour market policies *of the past*, aimed at increasing the employment rate through measures designed to reduce the labour supply e.g. through generous opportunities for permanent or temporary leave as well as early retirement from the labour market. These are contrasted with policies of the *present,* which recognize, that success of past labour market policies were merely ephemeral – as the unemployment rate was not decreased due to increases in employment, but decreases in labour market participation - and implied dire fiscal consequences, and thus that increases in employment can only be secured through improvements of national competitiveness and structural reforms to enhance the functionality of the traditional labour market.

Thus some – if limited - variation occur in how PRO's conceptualize time and assert temporal dichotomies in their construction of narratives of competition and competitiveness, as a minority of PRO's (particularly in Germany and Denmark)

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[953] See p. 296 above

[954] BS in the German knowledge regime (see p. 229 above); and DØR in the Danish knowledge regime see (12.3.1.1 p. 264 above)

invoke additional temporal dichotomies beyond the two invoked in all three knowledge regimes.

13.2.2 Dichotomies of Objectivity and Subjectivity

The same cannot be said about the dichotomy of objectivity and subjectivity. As seen there is a remarkable – and nationally specific - variation with regards to which item of the growth account PRO's claim constitute the most important source of potential growth and competitiveness. While two thirds of all PRO's apply the method of growth accounting, they nonetheless differ in the conclusions they draw from it. Simply, where PRO's in one knowledge regime tends to argue that one particular component of the growth account – e.g. labor supply, employment, working hours, productivity - constitutes the main competitive challenge confronting economic policy makers, PRO's in another knowledge regime tends to emphasize other components.

The British knowledge regime is perhaps the case where this is most evident.[955] Among British PRO's there is a clear tendency to give priority to the national political economic challenge of raising the rate of *productivity* as the best means to raise long-term growth potential and competitiveness. Variously they assert, that productivity is the "main driver of growth", constitute a "key challenge" for policymakers or constitute the "most desirable" way for a nation to grow. 3 out of 4 British PRO's, but no PRO's in the other regimes, invoke the concept of "productivity gap" - a metric measuring the productivity performance of U.K. vis-à-vis foreign countries. Indeed, competitiveness is at times even equated with productivity, as e.g. is the case in the 2003 white paper, which contends, "true competitiveness is measured by productivity." And the British competitiveness

[955] See p. 188 above

index published by HMT is tellingly entitled *Productivity and Competitiveness indicators.*

Of course, this does not mean, that other items of the growth account are not granted attention in the British knowledge regime. They are. But productivity is clearly prioritized. In fact, at times alternative growth components *are* explicitly excluded from consideration. For instance, after closer scrutiny and comparison it becomes clear, that HMT in its version of the growth account include the items population growth, employment and productivity, but exclude both labor market participation rate and working hours – items, which are granted much attention in other knowledge regimes.

In the German knowledge regime things are different. One PRO[956] even suggests that Germany possess a competitive *advantage* in its comparatively superior productivity performance. Thus, low productivity is not seen as the cure for an ailing German competitiveness, and the attention of PRO's centers on other items. As seen most German PRO's allude to the poor employment performance of Germany, as its core economic challenge.[957] And 3 out of 4 German PRO's argue, that the growth prospects of Germany can be enhanced through policies which enhance the number of average working hours and labor supply (i.e. the share of the population active on the labor market, and thus available for employment but not necessarily employed.)[958] As seen also one PRO (BS) explicitly oppose policy measures aimed at increasing the employment rate, by lowering the labor force participation rate, considering such an approach a relic of the past.

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[956] SACH
[957] See p. 275 above
[958] BmWI, SACH and BS. (See p. 229 above)

In the Danish knowledge regime yet another pattern appears. Throughout the period analyzed most Danish PRO's[959] ascribe great importance and policy priority to the task of enhancing labor supply (i.e. the share of population available for employment) But other components of the growth account are also addressed. Indeed, a shift appears to occur in the Danish knowledge regime during the period. For instance ØEM in later reports (2004-2007) argue that "Denmark is quite far behind the best OECD-countries, when it comes to productivity and working hours." Both MM and AE echoes these observations, even if the latter PRO characterize the ostensible low Danish average working hours as "a myth." In short, in the Danish knowledge regime, PRO's consistently favor labor supply, but also during the period begin to consider productivity and increases in working hours as viable pathways to enhance growth potential.

However, even if PRO's in different knowledge regimes emphasize different aspects of the growth account they invoke structurally similar arguments, as to why one component should be prioritized at the expense of others.

First, some PRO's argue, that there exist what is at times termed "natural limits" to the potential growth obtainable from one or several of the components in the growth account and therefore (by a exercise of seemingly logical exclusion) continued growth in the long term will have to stem from components not hampered by such limits. E.g., HMT in 2007 observe "obvious limits to the number of people of working age available to work, and to the hours that can be physically worked" and thus contends, that future British growth must come from productivity increases "which are not limited in the way employment and hours worked are."[960] The same year ØEM in Denmark present virtually the same argument, when it observes "limits to, how much working hours can be increased"

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[959] ØEM, DØR and MM (see p. 264 above)
[960] See p. 188 above

and argue that growth potential "have to be solely drawn from growth in productivity". However, just 15 years before in 1993 ØEM advance the structurally similar claim, that "the long-term development of domestic productivity cannot be faster than among our trading partners", and thus apparently perceive a set of natural limits to from increases in productivity.

Secondly, just as several PRO's observe a macro-economically 'inexorable trade-off' between high growth and low inflation, and thus perceive economic policy-makers as if they are confronted with a necessary policy choice prioritizing one leg of the trade-off at the expense of the other; similarly some PRO's observe an inverse relationship (or trade-off) between different components of the growth account, and thus argue *as if* policy-makers is confronted with additional necessary policy choices, where one item must be enhanced at the expense of the other.

In the British knowledge regime all PRO's at some point find (here with the words of IFS) that "higher employment growth might be expected to curb productivity growth"[961]. Similarly in Denmark 3 out of 4 PRO's discuss the ostensible "trade-off between productivity and work effort" and that Danish productivity has remained subdued "since more with relatively weak qualifications have been employed.[962]" A variety of this argument is employed by several German PRO's, which argue that economic policy-makers (and in particular unions) are faced with a choice – or trade-off - between jobs creation and wage growth, the sum of which cannot exceed underlying productivity growth.[963]

In short, while there is a fairly systematic variation with regards to how PRO's situated in different knowledge regimes prioritize different items the growth

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[961] See p. 188 above
[962] ØEM, DØR and AE (See p. 264 above)
[963] BmWI, SACH and BS (See p. 227 above)

account – i.e. productivity in U.K., labor supply and working hours in Germany, labor supply and to a degree productivity in Denmark – they nonetheless invoke structurally similar arguments ("natural limits" and "trade-offs") as to why these particular components should be prioritized.

Besides these differences, there also appear to be diverging national interpretations of the analytical value of objectifying and commensurating competitiveness in the form of an aggregative, accumulative competitiveness index. What is perhaps most interesting about the index in the German knowledge regime, is *not* so much, that it is published by an advocacy organization (i.e. BS) and not the ministry of economics as seen in the British and Danish knowledge regime. The most interesting aspect is rather, how vociferously the analytical value and relevance for matters of economic policy-making of that index is contested and rejected by other PRO's.

SACH express "skepticism" with regards to both the methodology of such an econometric exercise, as well as the implicit normative assumptions underpinning their form and composition. Assumptions which tend to weigh some kinds of political economies more favorably than others - a polite way for German economists to characterize something as complete nonsense.[964]

13.2.3 Dichotomies of Instrumentality: Sources and Outcomes

Similarly, there is a remarkable – and nationally specific – variation with regards to which sources of competitiveness PRO's in the three knowledge regimes takes into account – and which are left out of the equation.

As noted, while the list of potential sources of competitiveness in the eyes of PRO's seemingly grows longer over time, not everything is included. Indeed,

[964] See p. 240 above

highly varying – even contradictory – answers to the question of whether regulatory policies to further environmental protection and energy efficiency as well as policies aimed to enhance social cohesion, inclusion and equality constitute a competitive source or barrier can be found. Whether environmental sustainability and/or social protection improve or impede competitiveness clearly divide the minds of PRO's.

As such the discussions about the potential relationships between different competitive sources and outcomes resembles the discussion of 'trade-offs' between components of the output-gap and growth account. That is, where some PRO's perceive environmental and/or social protection to stand in an *inverse* relationship with competitiveness, thus invoking the picture of necessary trade-off and policy choice (where one have to be traded in for the other); others deny this and conversely assert that competitiveness and environmental and/or social protection stand in a mutually complementary relationship (what could be termed a 'trade-in').

Moreover, this variation is national. Indeed, when one compares and contrasts the statements of PRO's situated in different knowledge regimes it becomes clear, that some factors, which PRO's situated in one knowledge regime believes further competitiveness, are believed to be detrimental by PRO's situated in another.

13.2.3.1 Environmental Protection: Source or Barrier of Competitiveness?

First, consider policies to further environmental protection and energy efficient production processes. In the British knowledge regime PRO's are clearly vexed upon the question. In its early reports HMT appear briefly to endorse a view of environmental protection and competitiveness as mutually complementary, but in 2000 argue that "environmental policies must not threaten" competitiveness, and thus apparently shift position from assuming a complementary relationship to

assuming a trade-off. Other PRO' are divided as well. Where IFS observe a trade-off, IPPR instead suggest a trade-in.[965]

In the German knowledge regime PRO's are likewise divided. As seen FES argue for a trade-off between environmental protection and competitiveness when it observes "goal conflicts" ("Zielkonflikte") between the two. The same position is endorsed by the BmWI in its early reports, where the ministry recognize, that a "preventive environmental policy (...) creates competitive advantages" but maintains that such measures cannot put "excessive demands upon the economy." However, in its later reports the Ministry change position, and in 2007 unequivocally advocates a view of environmental protection and competitiveness as mutually complementary, when it states "production using fewer resources will help to increase industrial competitiveness."[966]

In the Danish knowledge regime a greater degree of consensus prevails between the PRO's. ØEM e.g. argue that environmentally sustainable production processes constitute "new competitive parameters of the global knowledge economy" and thus envisions a trade-in. And both DØR and AE – albeit cautiously – contends that ambitious, strict environmental regulation in some cases can "improve the prospects of economic activity" within a nation as well as provide it with "head start in the technological and thus industrial development" – even if both prompts caution not to overestimate such effects. [967]

13.2.3.2 Social Protection: Source or Barrier of Competitiveness?

Consider next, how PRO's perceive the relation between measures to enhance social cohesion, inclusion and equality on the one hand and competitiveness on the other. In the British knowledge, PRO's - with the exception of IPPR – does not

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[965] See p. 204 above
[966] See p. 242 above
[967] See p. 287 above

explicitly address the question of a potential relationship between social protection, inclusion and competitiveness. While the competitiveness indicators published by HMT in 2000 include a source of competitiveness termed "quality of life" – covering socio-economic aspects such as poverty, social exclusion, population health etc. – and thus here for a moment appear to assume, that a complementary relationship upholds between a high quality of life of U.K. citizens and competitiveness; then this ostensible source of competitiveness disappears in the 2007 edition of the index. Nowhere in the HMT's (or other British PRO's) annual economic reports or white papers does one find claims comparable to those of e.g. ØEM in Denmark, where social cohesion explicitly is endorsed as a source of competitiveness (see below). However, IPPR constitute an exception. In 1994 it argues, that economic success depends upon social justice, and moreover "social inequality – low educational levels, unemployment, poor health, high crime – holds back economic growth." In short, IPPR was the only British PRO out of 4, which explicitly contended, that social protection and competitiveness are mutually complementary.[968]

The PRO's in the German knowledge Regime, in contrast, explicitly address this question. But there is consensus among all 4 German PRO's that policy measures to enhance social protection, inclusion and equality comes at the expense of competitiveness, and hence perceive a trade-off between the two. That is, BS finds that such measures "dampens growth". SACH warns that "an exaggerated distributional politics conflicts with the goal of growth" and FES observe "goal conflicts" between social cohesion and competitiveness. BmWI, less equivocally, observes a "complementary relationship" between "market efficiency and social balance", but maintains, "the limits of social politics is drawn" where macro-economic performance is endangered.

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[968] See p. 206 above

In the Danish knowledge regime, things are different still. Also here a consensus prevails between PRO's. But it is a different consensus than in Germany. Here competitiveness and social cohesion, inclusion and protection are perceived as mutually complementary. ØEM continuously and explicitly argues, "Competitiveness and cohesiveness are not mutual contradictions." And while DØR does recognize, that "efforts against marginalization and exclusion" might impede competitiveness in the short term, they will nonetheless be outweighed by benefits in the longer term due to "lower public expenses and increased labor supply". Such views are largely echoed by AE and MM.

To summarize, the different positions taken by different PROS – which in the case of some PRO's change during the period from 1993 to 2007 – are depicted in the following 2-by-2-matrix. [969]

--- See Figure 2.2 p. 414 ---

While, the figure is clearly incomplete, inasmuch as not all of the study's 12 PRO's (for methodological reasons[970]) can be placed within the four quadrants of the matrix, and thus should be approached with strong methodological caution, it

[969] Note, that for some PRO's it has given the constraints of the dataset and methodology not been possible to detect claims or statements in the dataset as to whether the PRO in question perceive a trade-off or trade-in between environmental protection and/or social protection and competitiveness. Thus it has not been possible to discern the position of IFS on the question of the relation between social protection and competitiveness. Nor has it been possible to discern the position of SACH, BS and MM on the question of the relation between environmental protection and competitiveness. And in the case of NIESR no indications of either relationship have been detected.

[970] For some PRO's it has not been possible to discern their view upon the relation between social cohesion, environmental protection and competitiveness on the basis of the available dataset

nonetheless provides tentative indications of national patterns in the perception of competitiveness.

As it seems, PRO's in the German knowledge regime tends to cluster in the left-hand side of the table. Thus apparently there is consensus among German PRO's that measures to enhance social protection, inclusion and equality stand in an inverse relationship with competitiveness and thus implies a trade-off. However, there is some disagreement (between FES and BMWI) as to the impact of strict regulatory measures to protect the environment on competitiveness. In the British knowledge regime greater disagreement prevails, as PRO's do not seem to cluster in any particular quadrant of the matrix – even if a majority of PRO's appear to be situated in the upper-left – trade-off/trade-off – quadrant. PRO's in the Danish knowledge regime are perhaps those who most consistently cluster in one quadrant (trade-in/trade-in.) Indeed there appear to be a reasonably strong consensus between ØEM, DØR and AE (and to a degree MM) that political, regulatory measures to mitigate social exclusion and environmental degradation *can* constitute sources of competitiveness.

Of course such generalizations should be made with outmost caution – and indeed much more research would be required to determine whether these PRO's in fact consistently and over time maintain these position – and would do so, if directly asked through interviews.

14. DISCUSSION AND IMPLICATIONS

14.1 Immediate Implications for Cultural Political Economy

14.1.1 Implications for the Knowledge Regimes Approach

First, the study advances our knowledge of the knowledge that knowledge regimes produce. In short, the study have demonstrated, that the ideas - i.e. national narratives of international competitiveness - expressed by the PRO's situated in the three national knowledge regimes of United Kingdom, Germany and Denmark in the period 1993-2007 in many ways were similar and converging, but nonetheless *did* differ significantly depending on national context. Thus, it strengthens Campbell and Pedersens claim, that ideas tend to vary according to national knowledge regime, and hence tentatively salvages the knowledge regime approach from the criticism that while national knowledge regimes might vary in their organization, they might nonetheless produce the same ideas.

In particular it finds, that most PRO's regardless of knowledge regime in sufficiently similar ways assert the discursive dichotomies of temporality, objectivity/subjectivity and functionality:

1. A majority of PRO's distinguish between a historical period before the collapse of Bretton Woods and a period after, as well as a period before the new stage of international competition and a period after[971];

[971] See p. 299 above

2. A majority of PRO's objectify their social reality through the metrics of output-gaps; growth-accounting and a competitiveness index emerge in all knowledge regimes;
3. A sizable majority of PRO's subjectify social reality in similar ways i.e. advance the arguments that governments possess a legitimate and appropriate role as corrector of market failures and coordinator of economic activities, just as sizable minorities (including a few ministries of economics) hold that governments can legitimately intervene in markets to convert mind-sets as well as combine supply- and demand-side policies[972];
4. A majority of PRO's perceived the competitiveness of a nation to be revealed by indicators of export or growth performance; just as most PRO's perceive open and deregulated markets, privatization, low taxes, flexible labor markets, educational institutions, science and innovation, entrepreneurship, infrastructure, migration, ICT, public sector efficiency and management as important sources of competitiveness. [973]

But the study also finds, that national narratives *diverge* according to knowledge regimes. It has observed how different items of the growth account are prioritized differently in different national contexts. [974] And it has demonstrated, that PRO's situated in different national knowledge regimes tends to interpret the relationship between competitiveness and social as well as environmental protection differently.[975]

As such the study further corroborates Campbell and Pedersen's claim that the pace with which ideas changes varies according to knowledge regime. That is, the study provides – cautiously – an indication that different degrees of consensus

[972] See p. 307 above
[973] See p. 312 above
[974] See p. 319 above
[975] See p.323 above

prevail in different knowledge regimes when it comes to perceptions of the relationship between competitiveness, environmental and social protection. In particular, PRO's situated in the British knowledge regime tends to disagree about how to interpret the relationships, PRO's in Germany exhibit a limited degree of consensus, inasmuch most PRO's perceive a trade-off between social protection and competitiveness. In Denmark a more stark degree of consensus appear to prevail, inasmuch as most PRO's appear to perceive a trade-in between environmental protection, social cohesion and competitiveness.

Moreover, the study strengthens Campbell and Pedersen's claim that PRO's in different knowledge regimes have converged, inasmuch as they all have adopted advanced and sophisticated econometric methodologies and techniques for socio-economic analysis. The study has found this to be the case for at least three kinds of econometric statistics - i.e. output-gaps, growth accounting and competitiveness indexing. However, the study also demonstrates, that while these economic metrics *prima facie* look alike, they nonetheless exhibit nationally distinct characteristics. In short the study demonstrates that PRO's adopted similar analytical means but gave them different forms and put them to different use.

14.1.1.1 But You Have Not Explained the Differences?

Even so additional questions remain. To be clear, the present study has merely *described* similarities and differences in the narratives of competition and competitiveness as expressed in the three knowledge regimes, it has not *explained* them. As argued from the outset, this has been beyond the scope of the study. However, it seems that the particular national organization of knowledge regimes tends to structure and thus can explain whether and the extent to which contestation or consensus prevails in terms of ideas - and thus in turn the relative pace with which ideas prevalent in a knowledge regime tends to change or not.

Yet, it is less obvious, what particular features of a knowledge regime, that explains national differences in the substantive content of ideas.

Perhaps these differences are better explained by differences in national *production* regimes. For instance, *prima facie* relative national differences in terms of whether measures to further social protection, inclusion and equality is perceived to constitute a source of competitive advantage, appear to co-vary with whether the political economy in question can be characterized as either a 'liberal', 'conservative' or 'social-democratic' welfare regime.[976] Likewise, whether PRO's in different national knowledge regimes tends to perceive regulatory measures to further environmental competitiveness and energy efficiency as commensurate with competitiveness or not, seems to co-vary with the relative independence and security of national energy supply. However, these conjectures are merely speculative, and should be investigated by further research.

14.1.2 Implications for Commensuration

Moreover, the findings of this study demonstrate the usefulness of the theoretical concept of commensuration as an analytical prism for the study of ideas. As discussed above, with this theoretical innovation Espeland and Sauder have recently drawn the attention of social scientists towards the study of economic metrics and ranking systems, and how these structure and constrain the cognition of actors. [977]

This study have found, that PRO's - regardless of knowledge regimes - have made sense of their social reality through (different) processes of commensuration, by which they have transformed a dispersed multitude of heterogeneous qualities into discrete quantities measurable by a common metric. For instance, in all three

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[976] Esping-Andersen 1990, pp. 26-27
[977] See p. 122 above

knowledge regimes the triadic metric of competitiveness - i.e. the combination of output-gap, growth accounting and competitiveness index - is employed as means to quantify and subsequently measure those features of a political economy which (ostensibly) render it macro-economically stable as well as prone to long-term economic growth.[978]Likewise, the concept of international competitiveness of nation is commensurated in form of a competitive function, in which a discrete and varying set of sources of competitiveness is perceived as determinants for varying competitive outcomes. [979] But also nationally unique metrics - such as e.g. the 'productivity gap' - occurs. [980]

Through the invocation of these metrics of competitiveness PRO's both renders alternative ways to objectify social reality irrelevant, redundant or irrelevant by *unitizing* social reality in a particular way (recall e.g. how the "Quality of life"-indicator and RCA-analysis apparently disappeared in the British[981] and German knowledge regime[982]), but simultaneously *hierarchize* it as the objectified units now can be compared and assessed according to a common scale or standard.

However, the findings of the study also advance the ongoing exploration of Espeland and Sauder's theoretical propositions and invite to further exploration of three neglected aspects of commensuration. First, the findings of the study demonstrate that not only does PRO's objectify social reality through commensuration. Likewise they engage in what, with inspiration from Espeland and Sauder can be termed *in-commensuration* - I.e. a cognitive process by which already commensurated objects are represented and interpreted as standing in an inverse or incommensurate relationship to other such objects. The best example of

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[978] See p. 303 above
[979] See p. 312 above
[980] See p. 189 above
[981] See p. 206 above
[982] See p.222 above

in-commensuration is perhaps the PRO's repeated observation of an 'inexorable trade-off" between inflation and growth[983]. In this process of incommensuration the entity of inflation is represented as necessarily inversely related to the entity of growth. Accordingly, the one can only be obtained at the expense of the other, and thus confronts economic policy-makers with a policy-choice. But other examples of incommensuration can be discerned. For instance, in the British knowledge regime productivity is frequently imagined as incommensurate with employment[984] just as some PRO's in the German knowledge regime observe wage growth and dispersion as standing in an inverse relationship to jobs creation[985]. Indeed several (but not all) PRO's believe measures to enhance social cohesion, inclusion and equality and/or environmental protection to be incommensurate with competitiveness[986] - and hence perceive economic policy-makers as faced with an additional trade-off and policy choice.

Secondly, however, the outcome of such processes of commensuration and incommensuration is not left uncontested by PRO's. In fact, as seen, several PRO's directly engage and attack so as to re-construct already present commensurations and incommensurations, through the related processes of de- and re-commensuration i.e. the processes through which a given analytical object (itself the product of prior commensuration) is discursively re-opened and re-assembled in a new form.

Again, the dataset is abundant with examples. For instance, the entire thesis of a New Economy can be understood as an attempted (if failed) de- and re-commensuration of the otherwise necessarily incommensurate relationship of inflation and growth (the 'inexorable trade-off'). Recall, how some PRO's observe

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[983] See p. 303 above
[984] See p.189 above
[985] See p. 229 above
[986] See p. 324 and p. 325 above

that the US Economy apparently have overcome the trade-off and during the 1990's begin to exhibit simultaneous high growth, high job creation and low inflation. A development they explain by the increased uptake of ICT in the US economy, which in turn is labeled a "new" economy.[987] As such these PRO's engage in a cognitive process of de- and recommensuration, to challenge the apparent inexorability of a prior incommensuration.

Also, some PRO's (with greater success) de-commensurate the outcome of competitiveness as revealed by export performance (world market shares, trade balance etc.), in order to re-commensurate it as growth performance. And some PRO's goes further with the suggestion that competitiveness – besides its ability to generate growth in real incomes *also* ought be measured by its ability to generate social cohesiveness and environmental sustainability. [988]

Similarly, some PRO's arguments that social cohesion, inclusion and equality and/or environmental protection and energy efficiency in fact constitute a source competitiveness, can be understood as an exercise of de- and recommensuration. Recall as an example how ØEM in the Danish knowledge regime continuously argue, that "competitiveness and cohesiveness are not mutual contradictions. On the contrary."[989] As such the Ministry explicitly contests the implied converse view, that competitiveness and social cohesion constitute incomensurate economic entities. That is, it attempts to de-commensurate an assumed already by others commensurated competitiveness function (which does not include "cohesiveness" as a source of competitiveness), in order to re-commensurate that function in a new form.

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[987] See p. 299 above
[988] See p. 312 above
[989] See p. 289 above

Thirdly, the study underscores and makes vivid that it is not merely static-spatial entities, which comes to be objectified through processes of commensuration. Similarly, with the words of Ricoeur "time becomes human to the extent that it is organized after the manner of a narrative"[990] - and such national narratives invokes various forms of *temporal* commensuration, by which a multitude of temporally scattered and disordered events and occurrences, are quantified and re-ordered according to a common timescale.

For instance, most PRO's in all three knowledge regimes makes sense of the history of international competition as composed of discrete subsequent periods. According to this timetable the golden age of capitalism is followed by a more macro-economically turbulent and internationally competitive period after the collapse of Bretton Woods, which again is followed by another period, in which "what nations used to compete upon is no longer sufficient" and so on ad infinitum.[991] But, PRO's also diverge in their temporal commensuration of the concept of competitiveness. That is, there are subtle, but significant differences in the timescales by which different PRO's assess and evaluate competitive performance. Where some PRO's suggest that competitiveness is revealed and most appropriately measured over the short- or medium-term others contend that competitiveness is revealed over the long-term.

To illustrate this point, consider the debate of whether policy measures to enhance social protection, inclusion and equality as well as environmental protection should be perceived as commensurate or incommensurate with competitiveness. On the one hand, PRO's, which perceive such measures as incommensurate with competitiveness, apply a *comparatively* shorter timescale to evaluate competitiveness by and policies to enhance social and environmental protection

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[990] See p. 117 above
[991] See p. 299 above

are accordingly typically understood as implying additional costs to firms. On the other hand, PRO's, which perceive them as commensurate assess competitiveness according to a longer time-scale and (re-) interpret short-term costs as long-term social and environmental investments.

Indeed that such a long-term perspective on competitiveness is present is particularly evident in the Danish knowledge regime. Here PRO's continuously invoke analytical temporal distinctions to distinguish a given policy's potential consequences in the short as well as the long term. DØR is a case in point, when it e.g. claims that strict environmental regulation "not necessarily exclusively has a negative impact upon competitiveness in the longer term" or when it similarly suggests that "a re-enforced effort against marginalization and exclusion (...) will benefit firms in the long term".[992]

Put metaphorically, even if all PRO's come to perceive nations as engaged in an evermore fierce and relentless international competition to forge ahead, catch up or fall behind[993] - apparently different ideas are held as to *when* it should be assessed whether a nation have forged ahead or fallen behind. Some PRO's contend that a slow starter nonetheless might turn out as a long-term winner.

In short, PRO's in the three knowledge regimes continuously has been engaging in an ongoing contestation of international competitiveness through processes of *spatial* as well as *temporal* commensuration, in-commensuration, de-commensuration and re-commensuration. The further exploration of these neglected aspects of commensuration opens promising avenues for future research.

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[992] See p. 287 above
[993] See p. 58 above

14.1.3 Implications for Cultural Political Economy

As such, the present study contributes to and significantly advances scholarship on ideas. In particular the study do so through its elaboration and application of a research design, methodology and analytical framework, which explicitly address and provide a response to the three challenges of conceptual clarity, attention to actors and transparent methodology raised by John Campbell. [994]

First, the study has, with the above analytical framework developed an analytically clear, rigorous and operational theoretical conceptualization of discourse and narrative, and demonstrated how these can be fruitfully applied to the study of ideas. The analytical categories of discourse and narrative as invoked in the present study have proven productive analytical prisms, through which scholars might approach the study of ideas in the future. For instance, the analytical framework have rendered a range of nuances and differences in the national narratives of competitiveness visible, such as the idea of demand-side management, which – as it is sometimes argued – does not become completely abandoned after the 1970's.

Moreover, the study has with a methodology[995] developed on the basis of the research on knowledge regime by Campbell and Pedersen, examined four different (ideal-typical) PRO's in three different (ideal-typical) knowledge regimes, and thus produced an analysis which aids scholars of ideas in their ongoing and already far advanced efforts to study and understand who the actors are, which ostensibly bring ideas to bear on institutions.

Finally, the study has carried out a detailed, meticulous coding and content analysis of more than 10.000 pages of policy documents through the application of the qualitative data analysis software Atlas.Ti, and thus devised a viable

[994] See p. 95 above
[995] See p. 129 above

methodology for carrying out discourse analysis of relevance not only to cultural political economy but also the larger enterprise of comparative political economy.

14.2 Wider Implications for Comparative Political Economy

Besides the implications for the study of knowledge regimes, commensuration and cultural political economy, the findings of the study are also of potential relevance to wider theoretical debates within comparative political economy. In particular the findings of the study are potentially relevant to three theoretical questions, which puzzles cultural and comparative political economists alike:

- First, how and through what causal mechanisms do ideas assert a potential influence upon socio-economic institutions - if they do so at all?
- Secondly, have contemporary advanced political economies as a response to increasing economic globalization and growing external pressure converged (or are they in the midst of converging) on the same ostensible neo-liberal socio-economic model?
- Thirdly, does systemic, dynamic or teleonomic institutionalism constitute the most viable, productive and/or appropriate theoretical framework for comparative political economists to study the development of advanced political economies through?

14.2.1 Can You Really Say Anything About This?

However, before venturing any further an important methodological caveat is required. Since the present study have approached ideas through a discourse-theoretical analytical framework, which essentially underscores the inherent *never-once-and-for-all-giveness* of knowledge claims about social reality and accordingly contends, that all such purported objective knowledge claims - including those proposed by a discourse theorist - constitute interpretations by

historically situated subjects and not scientific truths, it would be methodologically very inappropriate now to purport to provide the in some sense true answers to these questions.

Strictly speaking the present analysis cannot tell anything about these questions. As argued, the propositions of the discourse theorist can in epistemological terms never be considered to constitute more than second-order interpretations of the first-order interpretations held by social actors themselves - and the approach certainly not confer a privileged epistemological vantage point from which to study the world "as it really is".[996]

It would amount to the crossing of an inviolable epistemological Rubicon, at this stage to assert e.g. how ideas influence institutions. Having first claimed that causal and functional relationships are *not* objective, necessary or real but constitute context-dependent perceptions held by historically situated actors, and then propose, that political ideas universally asserts influence upon institutions would constitute a blatant self-contradiction. Once the lid of Pandoras hermeneutic Box is lifted it is not easily closed again. And have one first employed a discourse theoretical perspective the ensuing propositions cannot achieve stronger epistemological status than Gianni Vattimo's weak thinking.

Weakness, however, does not imply irrelevance. And the foregoing discourse analysis of how PRO's in the knowledge regimes of United Kingdom, Germany and Denmark have made sense of international competition and competitiveness have not been completely in vain. Indeed, the very epistemological weakness of the present analysis can arguable be turned into a strength, if it herewith becomes possible to emphasize and explicate the historical contingency – as it were the never-once-and-for-all-givenness - of the very analytical categories employed

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[996] See p. 127 above

within the discipline of comparative political economy in order to encourage stronger theoretical and epistemological reflexivity and sense of own historical situatedness on behalf of this discipline.

14.2.2 How Ideas Matter – If They Do

In fact John Campbell in his elaboration of a research agenda for scholars of ideas and discourse asserted an *additional* fourth challenge for the scholar of ideas. According to him she must be able to identify and demonstrate empirically (rather than assume) the *causal mechanisms* through which ideas assert influence on institutional processes of stability and change.

While it within cultural political economy is generally accepted, that scholars studying ideas should begin to ask 'how' rather then 'whether' ideas matter[997], most scholars[998] have in fact been hard-pressed to provide convincing and empirically detailed accounts of just how ideas of various sorts comes to assert an influence upon policy processes. Generally, two approaches to address this question have been tried.

14.2.2.1 A Mono-Causal Approach to the Influence of Ideas

On the one hand, scholars have observed how ideas in the less general end of the spectrum of ideas comes to be influence policy-processes by being implemented in concrete policies and regulation. For instance Blyth argues:

> "New institutions are derivative of new economic ideas. (…) It is cognitively impossible for agents to construct economic institutions without having an idea as to what has caused a given crisis. Therefore, any notions as to what institutions are in fact supposed to do must be

[997] Mehta 2011

[998] See Rueschemeyer and Skocpol 1996, Weidenbaum 2009, as examples of this single-idea, single-organization, single-impact approach.

> predicated upon those same ideas; hence ideas are blueprints for institutional design."[999]

However, while ideas in this fairly intuitive sense might assert an influence on institutions, it has proven methodologically difficult for scholars to demonstrate empirically the underlying causal mechanism. Frequently scholars have employed single case study methodologies and through detailed process tracing exercises sought to illuminate how one distinct idea proposed by one particular organization (or actor) in one particular policy setting at one particular time travelled unscathed into policy-making processes, where it ultimately become adopted by official policymakers and implemented in concrete policies.[1000]

Empirically the most convincing demonstration of an ideas influence, is probably written, explicit documentation in the form of e.g. policy publications or statements by high-rank policy makers that a certain policy has been implemented in the exact form of an idea suggested by an external actor. However, such documentation is indeed rare. Most politicians and policymakers prefer taking credit for their ideas themselves. Short of such "smoking guns" the scholar of ideas face several severe methodological challenges in her demonstration of mono-causal influence.[1001]

It is obviously not sufficient to interview the actors from which ideas originate, and ask whether their ideas have been influential. These actors are obviously biased, as they often have a vested interest in appearing as influential as possible. Nor is it sufficient to demonstrate, that a certain idea was present in wider public discourse at the time of the implementation of a certain policy. Because an organization manages to make itself heard, this does not necessarily imply that its ideas becomes implemented in policy. Even if it might be demonstrated that an

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[999] Blyth 2002, p. 40
[1000] See Pautz 2012 for such an approach.
[1001] Abelson 2002, Berman 1998, Blyth 1997. Berman 2013

idea has in fact been implemented, it is often the case that several actors have held and proposed similar ideas, which make it inherently difficult to trace an idea back to just one source of origin.

14.2.2.2 A Structural Approach to the Influence of Ideas

Given the inherent difficulties associated with the above approach, scholars have instead pursued a line of inquiry, where they have sought to demonstrate, how more general ideas (such as e.g. policy paradigms, discourse, cultures, public philosophies) have a capacity to, in the words of Campbell, "influence decision making and institutional change by constraining the range of programs that can be articulated in the first place."[1002] In the same vein, Blyth suggests, that discourses, paradigms etc. serves as a form of "cognitive locks" which predisposes policymakers to understand certain policy problems in particular ways, or consider some types of policy instruments as more efficacious, expedient, relevant and/or appropriate means to address a certain problem.[1003]

In this line, Campbell and Pedersen suggests, that scholars interested in the potential influence of ideas shifts focus from mono-causal analysis – one organization, one idea, one policy setting, one effect – to the analysis of how knowledge regimes qua fields of organizations assert structural influence upon broader sense-making processes within a given political economy. They instead encourage scholars of ideas to ask:

> "do knowledge regimes as *fields* policy research organizations affect the nature of the ideas that policy research organizations tend to produce in the first place and then disseminate to policymakers and others? Put differently, does the nationally unique character of a knowledge regime tend to produce nationally unique policy analysis and advice?" [1004]

[1002] Campbell 2004, p. 108
[1003] See also Hall 1993, Blyth 2002, 1999, Schmidt and Skogstad 2011.
[1004] Campbell and Pedersen 2014, p. 23.

However, even if a structural approach to the influence of ideas is adopted, the causal mechanism involved nonetheless remains to be demonstrated. The question is how less general ideas (settings, instruments, programs) in fact comes to be constrained by more general ideas (such as discourses and narratives of competitiveness). Put differently, by what *evaluative yardstick,* does a policymaker or social actor under ostensible influence of a particular discourse ascertain whether a given idea would be too much, too little or just right for addressing a particular policy challenge?

14.2.2.3 Commensuration and the Influence of Ideas

Here the expanded concept of commensuration might come in hand.[1005] In their research on commensuration, they suggest that *metrics* - such as e.g. international rankings for the benchmarking and comparison of international competitiveness - might assert influence upon human behavior by prompting what they term *reactivity* on behalf of the objects and subjects being measured by such a metric. By reactivity they understand

> "… How people react to efforts to study them, how being cast as subjects of investigation changes the behaviors of both subjects and investigators. (….) Emphasizing *reactivity* encourages scholars to make more explicit how actors make discourse meaningful in ways that shape their behavior. "[1006]

Indeed, a given social practice is seldom (if ever) measured and evaluated on its capacity to generate some randomly selected outcome. It is evaluated exactly because that outcome is deemed valuable in itself. As put most eloquently by James C. Scott, by a "Social Heisenberg Principle" efforts to objectify, quantify and measure a supposedly stable, static social human practice, posses the perhaps

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[1005] See p. 122 above
[1006] Espeland and Sauder 2007, p. 7

paradoxical capacity to *change* that very practice while measuring it.[1007] This happens since social actors in virtue of being essentially reflexive sentient beings continuously interpret the products of commensuration (metrics, timescales, identities) as carrying a normative expectation. Expectations, which they continuously seek to decode, adapt and conform to through continuous miniscule, incremental adjustments of own practice and behavior.

Drawing upon the sociologist of science Robert Merton, Espeland and Sauder furthermore argue that metrics (and thus perhaps also timescales, functions etc.) can come to function as *self-fulfilling prophecies*, defined as:

> "… Processes by which reactions to social measures confirm the expectations or predictions that are embedded in measures or which increase the validity of the measure by encouraging behavior that conforms to it." [1008]

Thus, to apply the vocabulary of Robert Merton, narratives might influence institutions in virtue of being "*false* definition of the situation evoking new behavior which makes the originally false definition of the situation come *true*"[1009] and thus over time come to obtain a greater degree of verisimilitude as social actors gradually begin to adapt and conform their behavior to the normative expectations they perceive to be ingrained and embedded in the metrics, timescales etc. integral to the narratives.

This study demonstrates it to be likely, that *one* causal mechanism through which general ideas influence institutions is the mechanism of reactivity by which narratives come to serve as self-fulfilling prophecies. As seen, the present study has demonstrated that the national narratives competitiveness in fact is ripe with

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[1007] Scott 1998, p.47
[1008] Espeland and Sauder p. 11.
[1009] Merton 1948.

metrics, timescales, and identities. For instance, in all national knowledge regimes PRO's apply the triadic metric of competitiveness.

Of course, just because a given economic metric occurs in a national narrative, does not necessarily imply that Scotts "social Heisenberg principle" is at play. But consider as a brief tentative illustration, how British PRO's were comparatively more vocal about the importance of raising national productivity than German and Danish PRO's, and compare that with Eurostat's (ostensibly objective) account of productivity developments in United Kingdom, Germany and Denmark from 1993 to 2012.

--- See Figure 12.1 p. 424 ---

British productivity appears to have grown comparatively faster in the examined time period. In short, it seems that United Kingdom – the self-proclaimed productivity laggard – not only have "caught up" up with Germany but also significantly "surpassed" Denmark, which have begun to "fall behind" in the productivity "race". The PROs of the British regime only described and devised metrics to measure the relative competitiveness of United Kingdom. Perhaps they even changed it while measuring it.

14.2.3 Not As Neo-Liberal As One Might Think

The findings of the analysis is also potentially indicative vis-a-vis broader debates within comparative political economy. Recall, how a body of scholarship within comparative political economy in various forms has claimed stronger or weaker versions of the neo-liberal convergence thesis. I.e. the related claim that all advanced political economies have converged or are in the process of converging upon the same neo-liberal model – and that the ideas of actors situated within them have succumbed to an ostensibly neo-liberal paradigm.[1010]

The findings of this study are more than a little difficult to reconcile with such claims. That neo-liberal ideas since the late 1970's have come to assert a cognitive hegemony on the political and economic thinking of economic policy makers in all political economies pushing rivaling ideas aside in the process is not readily evident in the above analyses.[1011]

Of course, in all knowledge regimes a great deal of discussion centers on how more mobile international capital and investments puts pressure upon the ability of governments to collect revenue from firms to finance their expenditures; of the desirability and gains in efficiency to be harvested from the privatization of formerly public enterprises as well as the deregulation of capital, product and labor markets; of the need to balance public budgets, and for labor unions (an others) to observe underlying productivity development in questions of wage negotiation and formation.

[1010] See p. 81 above
[1011] Schmidt and Thatcher 2013

And of course such claims essentially hinges upon just what one as a comparative political economist means, when one apply the epithet neo-liberal to some social-scientific phenomenon.[1012]

However if one takes Hays account of the "neo-liberal paradigm" at face value – which probably covers the intuitions of many scholars reasonably well – it becomes clear, that not all of the ideas held by PRO's are easily squared with the neo-liberal label.

First, while all PRO's[1013] at some point discuss the merits of privatization as well as the value of open and deregulated markets for capital, goods and labor, and therefore might be understood as expressing with Hays term "confidence in the market as an efficient mechanism for the allocation of scarce resources"; then, nevertheless, almost as many PRO's (8 out of 12) address, discuss and endorse the concept of "market failures"[1014] i.e. the idea that markets have inherent, inbuilt tendencies to deliver inefficient or undesirable results, when left unregulated. In fact the Ministries of Economics in both Denmark (ØEM) and United Kingdom (HMT) subscribe to the idea of market failures, and accordingly perceives a need for governments to intervene and regulate markets to correct such failures.

Secondly, it is difficult to interpret these findings as representative a wide-spread and pre-dominant belief in the " the desirability, all things equal, of a limited and non-interventionist role of the state." But as seen 8 out of 12 PRO's argue that governments has a role and responsibility for *correcting* market failures, 5 out of 12 PRO's that it is legitimate for governments to interfere in markets to *convert* the mindsets of market participants, 7 out of 12 PRO's holds that governments should facilitate and foster *coordination* of activities of a wide range of economic

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[1012] As already argued within the theoretical literature the concept of neo-liberalism remains notoriously vague and ill defined. See P. 81 above
[1013] HMT, NIESR, IPPR, IFS, BmWI, BS, SACH, ØEM, DØR, AE and MM
[1014] See p. 307 above

and societal actors, to their mutual benefit, just as 5 out 12 claim that an appropriate macro-economic stance consists in the governments *combination* of demand-side and supply-side approaches. Roughly half of the PRO's examined in this study, thus, envisions a rather interventionist state – apparently at odds with Hays suggestion.

Thirdly, if neo-liberalism is thought to imply the "rejection of Keynesian Demand-management" in favor of a turn to supply-side economics, nor is it obviously evident that ideas about macro-economic management as expressed by these PRO's have succumbed to a neo-liberal paradigm. While full employment as a target for macro-economic (fiscal and monetary) policy *is* viewed upon with skepticism, and most PRO's argue that macro-economic stability is (best) achieved through fiscal policies aimed at balanced budgets (across the cycle), and monetary policies designed to achieve price stability then several PRO's argue for the enduring tenability and need for active, interventionist fiscal policies – through governmental demand-side management and deficit spending.

On the one hand, some PRO's such as DØR in Denmark and BMWI in Germany explicitly argue in favor of a *combination* of demand-side and supply-side measures. Moreover, the widespread adoption of economic metrics of output-gaps and growth accounting, might be interpreted as the embrace of an instrument which allows policy-makers to conduct a more interventionist, precise and targeted, fiscal policy in alignment with the business cycle, and the underlying productive capacity of the economy (its supply-side). Such a fiscal policy could be expansive, contractive or neutral depending on the size of the output-gap. Indeed, several PRO's argue, that the real question dividing the waters in terms of fiscal policy, is whether *additional,* (discrete) fiscal stimulus beyond that implied by an economy's inbuilt "automatic stabilizers" is warranted. E.g. IFS in the U.K. observe a consensus between Keynesians and classical economists agree that

increasing government debt during a recession can “enhance an economy’s long-term performance.”

On the other hand, while supply-side reforms of course *are* emphasized[1015] it is equally clear that national variation remains with regards to what aspects of the supply-side a government should reform, in what way and with what economic outcomes in mind. Indeed, squaring neo-liberalism with an observed “turn to supply-side policies” is not entirely accurate, as supply-side policies as well and as seen might come in many different forms and guises. While enhanced productivity is emphasized as a desirable outcome throughout the period by PRO’s in the British knowledge regime, in Denmark attention gathers around increasing the labor supply but gradually comes to emphasize productivity as well. German PRO’s similarly directs attention towards enhancing labor supply as well as the length and flexibility of average working hours as the desired outcome of reforms of the supply. Also PRO’s holds diverging views as to whether government intervention and regulation of the supply-side of the economy with the intention to further environmentally sustainable, energy-efficient production as well as social inclusion, cohesiveness and equality constitutes a source or impediment to competitiveness.

Fourthly, Hay suggests that neo-liberalism implies a "subordination of the principles of social justice to those of perceived economic imperatives." While this *prima facie* sounds more in line with the study’s findings - inasmuch as many PRO's perceive ostensibly necessary and incommensurate relationships between some economic objects (such as e.g. growth and inflation, growth or equality etc.) which in turn are understood to confront policymakers with an imperative policy choice between one or the other - then neither, can this effortlessly be argued to

[1015] In fact all the sources of competitiveness discussed (besides macro-economic stability) refer to the supply-side of the economy

constitute a completely representative description of the ideas held by all PRO's. For instance, 4 out of 12 PRO's argue that the competitiveness of a nation should be measured on more parameters than merely growth (such as e.g. social cohesion, environmental sustainability etc.)[1016], just as PRO's regularly - in particular in the Danish knowledge regime - argue, that policy measures and regulations to further social and environmental protection, in fact might enhance competitiveness in the long term. As such the former group of PRO's explicitly contests that social justice should be subordinated to economic imperatives, the latter group contends that social justice and economic imperatives at all are at odds.[1017]

Finally, Hay argues the neo-liberal paradigm to entail a commitment to "labor-market flexibility and the promotion and nurturing of cost competitiveness." Indeed, labor market flexibility is alluded to as a central source of competitiveness in all of the three knowledge regimes.[1018] However - as argued by Thelen[1019] - while there might be a "family resemblance" between the ways PRO's in the knowledge regimes of United Kingdom, Germany and Denmark conceptualize such flexibility, there nonetheless appear to be substantial national differences. Where PRO's in United Kingdom favors an approach directed towards the increase of productivity, PRO's in Germany argue in favor of enhancing labor supply and working hours and PRO's in Denmark suggest a combination of increases in the labor supply and productivity.[1020] Moreover, price competitiveness is often questioned as (sufficient) condition of competitiveness. More often than not PRO's contend that in "the new stage of competition" the ability to produce high-value added quality goods; the ability to increase productivity or the ability

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[1016] See p. 312 above
[1017] See p. 324 above
[1018] See p. 314 above
[1019] See p. 91 above
[1020] See p. 319 above

to integrate skills, knowledge and technology in production will come to constitute the new "winning parameter."[1021] In short, if neo-liberalism entails a commitment to price competitiveness, it is not obvious that all - or even the majority - of the PRO's examined here can be characterized as espousing neo-liberal ideas.

Therefore, while it is certainly clear that some neo-liberal elements *can* be detected and that some of these constitute central components of the overarching discourse of 'international competition of nations' – indeed the very idea of a competition of nations perhaps constitute the zenith of neo-liberal thinking – it should however also be clear, that "neo-liberalism was not a blanket laid out over the world" as recently suggested by Hall and Lamont.[1022] Several different ideas[1023] were present. Hence the findings of this study echoes Campbell and Pedersen's conclusive remarks, that the spread of neo-liberal thinking where "incomplete, gradual and uneven", did not become a "hegemonic paradigm" nor constituted a radical, abrupt break with Keynesianism. [1024]

14.2.4 Systemic, Dynamic and Teleonomic Institutionalism

The ideas expressed by PRO's in the three knowledge regimes are not easily squared with the epithet of neo-liberalism. But what light does the findings of the present study then shed upon the ongoing comparative political economic debate between proponents of systemic, dynamic and teleonomic institutionalism - if any?

[1021] See p. 299 above
[1022] Hall and Lamont 2013, p. 10
[1023] Ideas which however cannot easily be squared with the label Keynesianism.
[1024] Of course, this does not amount to a complete refutation of the thesis of neo-liberal convergence. Indeed, the institutions might remain neo-liberal, while the ideas about them are not. But it draws attention to the importance of carefully specifying just what one means, when one attributes the epithet 'neo-liberal' to a social-scientific phenomenon - be that a process, an idea or a political economy.
Campbell and Pedersen 2014

First of all, the ideas expressed by PRO's to some extent reflect and correspond to central tenets of systemic institutionalism.[1025] Scholars who discern and observe different national socio- and politico economic systems or models, can find some consolation from the fact that also PRO's in the three knowledge regimes conceptualize and perceive their social as constituted of different national models and systems. For instance in the British knowledge regime – short of describing it is a model – HMT continuously outline a set of distinct British competitive advantages such as open markets, low taxes, a world-class science-base, a skilled workforce and excellent labor relations.; in the German knowledge regime PRO's address the political economy as a "Modell Deutschland"[1026]; and in the Danish knowledge regime the "flexicurity-Model" is heralded and celebrated as an internationally unique and competitive model of organizing labor market relations[1027]. Moreover, the findings lends some support to that branch of systemic institutionalism, which in contrast to bi-modal systemic accounts contends that *more than* two ideal-typical socio-economic systems – for instance the Scandinavian "variety of capitalism" – can remain viable in a context of increased globalization and international competition. As seen three – not two - nationally distinct narratives of competitiveness prevail in the three knowledge regimes of United Kingdom, Germany and Denmark.

But as noted, the central contention of systemic institutionalism, that more than *one* institutional model is viable in conditions of increasing globalization, is left unscathed, if not even re-enforced by demonstrations, that more than two such models are viable. Hence, systemic institutional accounts cannot easily be dismissed as artificial theoretical armchair abstractions since socio-economic

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[1025] See p. 85 above
[1026] See p. 213 above
[1027] See p. 275 above

actors situated within contemporary advanced political economies themselves *perceive* their reality as made up of models.

Of course the findings are merely indicative of potential differences, and thus further research is needed to determine, whether these narratives are in fact as predominant as suggested. And to have demonstrated that actors embedded within a given social context, perceive and regard that context as real, does of course not itself suffice as an argument vis-a-vis the inherent ontological status of that social context – i.e. whether institutional systems *in fact* exist persist and remain viable in some strong ontological sense.

However, the findings are at odds with other assertions of systemic institutionalism. First, Comparative political economists working within the VOC-framework typically consider five institutional sub-systems (corporate governance and finance, industrial relations, social policy and institutions for the provision of education and skills.) But as seen, PRO's in all three knowledge regimes - besides labor markets, social policy, corporate management, educational institutions - address national institutional subsystems of science and R&D, innovation, entrepreneurship, migration and integration, ICT-prowess, infrastructure, public sector efficiency and environmental protection as important sources of competitiveness. Indeed, in 2000 the economic ministry in (the ostensible liberal market economy) United Kingdom even publish a competitiveness index in which relative levels of poverty and equality, social exclusion, population health, crime levels, housing stock, air and water pollution, traffic and congestion and waste management are argued to constitute *sources* of competitiveness. Findings such as these, draws attention to the importance of careful explication and motivation of the often-implicit assumptions about what institutional subsystems to include in analysis and which to leave out, when composing explanations of socio-economic outcomes.

Thus the study compels proponents of systemic institutionalism to carefully scrutinize and re-consider which institutional 'sub-components' to include in their theoretical elaborations of models to explain socio-economic phenomena within comparative political economy. To be sure, the theoretical elaboration and methodological operationalization of such a more comprehensive systemic institutionalism renders the work of comparative political economists excruciatingly more complex and painful than it already is. Even so parsimony is a social-scientific ideal, which should give us less things to keep track of *ex post* analysis - not an excuse to *ex ante* assume away potentially significant *explanans* through over- or underdetermined research designs.

Encouragingly, prominent systemic institutionalist scholars have already begun these highly commendable endeavors. In recent work Peter Hall have begun to address political economies in terms of four institutional regimes – i.e. an production regime, an industrial relations regime, an socio-economic policy regime and international regime[1028]; Hall and Lamont examines how institutions affect public health[1029] and Seabrooke and Schwarz study "Varieties of Residential Capitalism"[1030].

Secondly, the findings – as an echo of the critique emanating from dynamic institutionalism[1031] – fits less well with systemic institutionalist claims to immovable, impermeable institutional statics. Virtually all the policy publications – annual economic reports, commission white papers and competitiveness indexes – are ripe with an exuberant multitude of policy-proposals and measures for how nations can cope, adapt, transform and change in response to increasing pressures

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[1028] Hall 2010, p. 2
[1029] Hall and Lamont, 2009, 2013.
[1030] Seabrooke and Schwartz 2008
[1031] See p. 87 above

from globalization and international competition, and thus bears witness to a myriad of ideas for miniscule changes, transformations and adjustments. [1032]

As such, the findings *prima facie* appears to correspond more to dynamic institutionalisms central contention that apparently stable institutional systems nonetheless are in a process of gradual, incremental institutional change. PRO's are continually tinkering on the edges of existing institutional arrangements with ideas for their continuous reform and alteration – some of which perhaps become implemented at some point and thus foster change.[1033] Ideas for change, which in turn could be described as blueprints for displacement, layering, conversion or drift.

However, for two reasons this would be to jump to conclusions. First, as suggested, proponents of dynamic institutionalism must be analytically precise in terms of theoretical unitization and specification of temporal scope conditions. The mere observation of changes in terms of specific policies (or in this case ideas for policy change) is not sufficient to establish that *systemic* institutional change has occurred.[1034] More is needed. Put crudely, it takes more than one adjustment in the setting of social security benefits to change a variety of capitalism.

Instead, the proponent of dynamic institutionalism must be able to demonstrate, on the one hand, that a multitude of discrete, incremental and by themselves seemingly inconsequential policy changes when considered *in toto* reveals *a common pattern or logic* by which they on aggregate and over time move in tandem to gradually hollow out or replace an institutional system; and on the

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[1032] Indeed, the sheer number of such policy proposals far exceeded, what the researcher (given resource constraints) was able to keep track off in a methodologically reliable manner. Note, that such proposals have not been discussed in any systematic way in the above analyses.

[1033] Again, to be sure, the study has only demonstrated that a great variety of policy ideas are present in the three knowledge regimes, not the presence of institutional change and even less that these policy proposals in fact have caused institutional change.

[1034] Understood as a transformation from one ideal-typical institutional system to another.

other, that this movement is not countered by an oncoming cascade of counter-changes offsetting the incremental sequence. For all we know, the ideas proposed by PRO's for changes of policies might be nothing more than ripples on an otherwise stable institutional surface, just as a great deal of them might be (ideas for) *reverting* unfolding institutional changes to a prior status quo (through mechanisms of institutional peeling, anchoring and so forth). Thus the mere observation of a plethora of policy changes (and even less the observation of ideas for such changes) does not support dynamic institutionalism *per se*.

In short, the proponent of dynamic institutionalism should take care not to commit the *typological fallacy* of interpreting every event within a political economy (or ideas for bringing about such an event) as an instance of gradual, incremental change – as there might be stability. Moreover, she must be able to provide a reasonably clear theoretical picture of – to use a metaphor - the institutional building, which each incremental change can be understood as yet another building block in the piecemeal construction or demolition of - insofar as that process is to be recognizable as such. In the absence of such an account, it is difficult to tell whether – and by what logic - the dominoes are aligned to form a sequence of genuine *systemic* institutional change.

It is of course far from impossible to provide such a blueprint. It might very well be the case that the manifold of ideas for policy change in fact adds up to form a common discernable pattern. And thus gradual *systemic* institutional changes might in fact occur. Indeed, the present study's demonstration of distinct national narratives of competitiveness – by which different items of the growth account are emphasized, and different (commensurable or incommensurable) relationships between competitiveness and social/environmental protection are perceived – provides a tentative picture of potential underlying logics or patterns behind the myriad of miniscule changes taking place in contemporary political economies.

But, secondly, the particular character and variation of these narratives – which as already argued are difficult to square with the neo-liberal epithet - immediately questions the second central tenet of dynamic institutionalism. Namely, that diverse national sequences of gradual, incremental change – if through different mechanisms - lead to convergence of formerly divergent national institutional systems or models. Rather, the narratives seem to reflect the theoretical claim that political economies evolve along Kathleen Thelen's "divergent trajectories of change".

Recall, how proponents of teleonomic institutionalism[1035] recently have begun to criticize dynamic institutionalism for not paying sufficient attention, to the direction, trajectory or telos of institutional change, and thus potentially neglects that such processes could take place on a "two way street", or – more sophisticated - "at a crossroads" between one -or even several - trajectories of institutional change.

The findings could be interpreted to correspond with both of these theoretical possibilities. With regards to the former, the study finds examples of PRO's (even an economic ministry) situated in the knowledge regime of United Kingdom – a political economy conventionally referred to as an archetypical LME – argue, that "quality of life", absence of poverty and social exclusion, population health and a clean environment "can be an important determinant of economic performance" [1036] ; that the government should *combine* supply-side policy with demand; should *correct* market failures; should *convert* mindsets, and should *coordinate* the activities of market and non-market activities. In short, that government should assume a fairly interventionist role vis-a-vis markets. Hence ideas for policy changes, which one cannot effortlessly characterize as (market) liberalizations, are

[1035] See p. 91 above
[1036] See p. 206 above

in fact present and eagerly discussed in the least likely of the three knowledge regimes. Thus ideas for institutional change against the stream – by which e.g. LME's could become more like CME's – are present in the United Kingdom.

With regards to the latter, the findings reflect the contention that processes of institutional change unfolds within a 2-dimensional teleonomic "terrain" stretched out between different socio-economic telos (outcomes). Indeed, the findings mirrors this perspective, as e.g. some PRO's in all of the three knowledge regimes address whether the outcome of a competitive nation is most appropriately measured in terms of relative growth performance or in terms of extra-economic variables such as social cohesion, inclusion, cohesion and equality and/or environmental sustainability.[1037]

However, the findings also lay bare theoretical avenues for carving out alternative teleonomic theoretical terrains. First, besides growth and social cohesion, the PRO's in the three knowledge regimes – as seen – also address competitiveness qua outcome in terms of export capacity and environmental protection.[1038]

Thus, secondly, the findings of the study might suggest that teleonomic institutionalists develop and employ theoretical frameworks, which include additional telos and thus additional dimensions within which to analyze and trace trajectories of institutional change. For instance one might imagine a 3-dimensional teleonomic terrain with the inclusion of environmental protection

--- See Figure 12.2 p. 425 ---

[1037] See p. 312 above

[1038] Of course, export capacity could be considered an aspect of the *Williamsonian* capacity and environmental protection an aspect of the Dürkheimian capacity of a political economy. But for instance in the German knowledge regime, PRO's (in particular BmWI) appear to endorse the idea, that policy measures to enhance environmental protection and resource efficiency might be commensurate with and enhance competitiveness; but express more skepticism as to the commensurability of social cohesion, equality and competitiveness. Hence such a coupling is not theoretically unproblematic.

Finally, the findings prompt proponents of teleonomic institutionalism to carefully consider the relationship between different telos. Different telos might be unrelated. But then again, as the study has made vividly clear, different interpretations are possible. Where some PRO's perceive incommensurate relationships and thus trade-offs between export, growth, social cohesion, inclusion and equality and/or environmental protection while other PRO's argue for their potential commensurability and the presence of "trade-ins".

In more general terms, just as the findings prompts proponents of systemic institutionalism to ponder and consider what putative *explanans* to include in its theoretical models designed to explain particular politico- and socio-economic outcomes; the findings should equally compel proponents of teleonomic institutionalism to carefully consider, motivate and explicate their theoretical choice of *explanandum.*[1039]

If anything the findings of this study speak more to the emerging literature on teleonomic rather than dynamic institutionalism. To the extent that the study lends any support to either systemic, dynamic and teleonomic institutionalism the ideas expressed by the PRO's in the three knowledge regimes more closely reflects and resembles the contentions of the latter branch. That is, the growing body of scholarship, which accepts that institutional changes have occurred within recent decades, but rejects the monolithic equi-finality of such change corresponds the

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[1039] Indeed, this applies to systemic institutionalism as well. For instance, the VOC-framework – in an exercise of mid-range theorizing – proposes to analyze diverging national innovation patterns (incremental vs. radical innovation) as *explanans*. But in a more comprehensive competitiveness-perspective, nationally divergent institutionalized practices of innovation, would perhaps constitute one source of *intermediate* explanans to the *explanandum* of export performance, growth or other extra-economic outcomes such as social cohesion, inclusion, equality and environmental sustainability. Of course, it is not *per se* wrong to construct such mid-range theories. But one as obviously left wondering, whether such differences in innovation practice in fact lead to different outcomes in terms of export, growth or other extra-economic outcomes.

most with the ideas held by the PRO's situated in the knowledge regimes of United Kingdom, Germany and Denmark.

Regardless, the study encourages both systemic, dynamic and teleonomic institutionalism to be more attentive to the historical givenness or situatedness of the theoretical concepts and categories through which they propose to study of contemporary advanced capitalist political economies. If in no other way, ideas certainly matter theoretically.

15. CONCLUSION

”So if you really love me say yes
But if you don’t dear confess
And please don’t tell me
Perhaps, perhaps, perhaps”
- Doris Day

Therefore, with due regard to the methodological, theoretical and discourse analytical limitations and constraints to generalization outlined in the introduction[1040], the study have now justified that ideas held by PRO’s vary in accordance with the different national knowledge regimes they are situated in. In particular the study has justified, that in the period from 1993 to 2007 policy research organizations in the knowledge regimes of United Kingdom, Germany and Denmark all participated in the *discourse that nations compete*, but nonetheless did so through distinct *national narratives of competitiveness*.

More specifically, it has been shown, that PRO’s in all three knowledge regimes commensurated social reality in sufficiently similar ways. First, they periodized the international competition of nations through the invocation of the discursive dichotomy of temporality and differentiated between a time period before and after the collapse of Bretton Woods, as well as a period before and after the New Economy. Secondly, they invoked the dichotomy of objectivity and subjectivity, by which they on the one hand *objectified* competitiveness with similar economic metrics i.e. the triad of output-gaps, growth accounting and competitiveness indexes; on the other *subjectified* it by ascribing distinct roles and responsibilities

[1040] See p. 43 above

to the state as either *corrector* of market failures, *converter* of market participants' mindsets, *coordinator* of their activities and/or *combiner* of supply-side and demand-side policies. Thirdly, they applied the dichotomy of functionality, by which competitiveness was commensurated as a particular function. In this function both open, deregulated markets, privatization, low taxes and flexible labor markets *as well as* institutions for the provision of skills and education, science and innovation, entrepreneurship, infrastructure, migration, ICT, public sector efficiency and management was argued to constitute sources or inputs. And they argued that the outcome of the function ought to be measured more in terms of a nations growth performance, less in terms of export. Therefore, on this basis one can as a social scientist reasonably assume, that a distinct *discourse of competition between nations* – even if it has no been "observed" directly – was present in the period from 1993 to 2007.

Even so the national *narratives of competitiveness* nonetheless diverged and retained nationally unique features. First, depending on the national knowledge regime in which they were situated, PRO's tended to emphasize one growth accounting item comparatively more than others. In particular British PRO's tended to emphasize productivity, German PRO's labor supply and working hours, and Danish PROs labor supply supplemented with productivity. Secondly, whether a PRO perceived policy measures to enhance environmental sustainability and/or social protection, inclusion, cohesion and equality as either an impediment to (trade-off) or distinct source of competitiveness (trade-in) to some degree also depended upon what national knowledge regime it inhabited. Danish PRO's expressed a comparatively stronger consensus and tended to cluster more around the view that both environmental and social protection constitutes sources of competitiveness (trade-in/trade-in). The consensus in the German knowledge

regime was less pronounced than in Denmark, but PROs nonetheless seemed to cluster in the two left quadrants of the matrix – i.e. most German PRO's explicitly considered social protection to stand in an inverse relationship with competitiveness, and was difficult to interpret with regards to environmental sustainability. And in United Kingdom disagreement generally prevailed on these questions, as PRO's tended to crowd all four quadrants of the matrix.

--- See Figure 2.2 p. 414 ---

Indeed, underpinning these national differences - both in terms of growth account emphasis and the competitiveness/social protection/environmental sustainability-nexus – are different (national) views of the timescale according to which the competitiveness of a nation ought to be assessed, measured and evaluated. While all PROs perceived nations as engaged in international competition, different ideas were held about just *when* the points of the scoreboard should be added up. If PRO's perceived measures of social and environmental protection as a cost, they tended to measure competitiveness according to a comparatively shorter timescale. If PRO's perceived them as investments and as holding promise of future economic and societal returns, they tended to assess competitiveness according to a comparatively longer timescale.

As such the study hopefully has pushed the research frontier just a modest step further into uncharted lands with a contribution to three strands of literature. Besides advancing our knowledge of the knowledge that knowledge regimes produce - providing the approach with a preliminary bulwark against the potentially devastating criticism, that only knowledge regimes vary, but the ideas remain the same - the study has demonstrated the concept of *commensuration* to

be a highly productive and nuanced analytical prism, through which scholars of cultural political economy could study ideas in future research. In the same breath it however cautions scholars not to neglect how social actors reversely make sense of their social world through cognitive processes of in-, de- and re-commensuration, just as commensuration is not only at play in actors cognitive efforts to quantify and objectify the *spatial and functional* dimensions of social reality but its *temporal* and *subjective* features as well. Thus the study urges future scholarship to pay attention to the specific *timescales* and *collective identities (*such as for example coalitions) which social actors *themselves* discursively conjure up in order to render their complex social reality more groomed and governable. Finally, the study further strengthens the ongoing endeavors of scholars to endow cultural political economy with greater conceptual clarity, more attention to the bearers of ideas, and rigorous and operational methodologies. As such it has hopefully further increased the likelihood that scholarship, which takes ideas seriously, itself is taken more seriously within comparative political economy.

However, several challenges lie ahead for cultural political economy before it can be admitted as a full and equal member in the halls of core comparative political economy. First, it must be explained why – not just described how – ideas vary across nations. Secondly, scholars of ideas must specify and identify empirically the causal mechanisms by which ideas presumably influence processes of institutional stability and change. However, due to both resource, methodological – and perhaps even intellectual constraints - the present study has not, beyond brief tentative speculations pursued these questions any further.

Even so the study – by gauging the relative correspondence between ideas held by PRO's in the knowledge regimes of United Kingdom, Germany and Denmark and

central tenets of systemic, dynamic and teleonomic institutionalism – nonetheless has proposed a few conclusive remarks regarding the relative fit – or lack thereof – between them.

First, it is have proven more than a little difficult to reconcile the preceding discourse analysis with the prevalent theoretical claim, that neo-liberalism in recent decades have ascended as a predominant, monolithic behemoth worming all rival ideas off the edge of the cognitive horizon of social actors.

To be sure, ideas about social reality, does not necessarily tell us much about social reality itself. In fact, they might say nothing at all. And of course ideas held by PROs might be nothing more than an epiphenomenal smokescreen which depicts contemporary capitalism as far more considerate, compassionate and patient than it really is, and behind which a much more pristine neo-liberal puppeteer continues to pull the strings. The discourse analytical approach has no way to tell.

Even so, the very presence of systemic, dynamic and teleonomic institutionalist ideas and tenets *within* national narratives of competitiveness explicitly contradict the theoretical claim of a complete neoliberal hegemonic regime of ideas! Thus, the study concur with Hall and Lamont's recent assertion that "neo-liberalism should not be seen as a blanket laid over the world", and as Evans and Sewell encourage scholars to carefully disentangle normative value judgments from analytical categories when purporting to approach and study those social-scientific entities and processes which perhaps – perhaps not – could be described as neo-liberal.

For instance, the recent burgeoning score of scholarship, which essentially contends that the financial crisis of 2008, has not – or has not yet - prompted a full-blown abrupt paradigm change bringing neo-liberalism to its knees and

Keynesianism back in, would surely benefit from Evans and Sewell's prescribed exercise. To be sure, it is hard to contest that no change has happened. But it can be reasonably questioned first whether what went before is best described as neo-liberalism, and secondly whether it is at all reasonable to expect that a potential successor should bear even remote resemblance to the full-blown Keynesianism of characteristic of the Golden age Capitalism? As David Hume famously reminds us, we really have no good reason to expect the future to look anything like the past – and what comes after the Great Recession might look nothing like Keynesianism *nor* Neo-liberalism.

Indeed, perhaps we don't even have good reasons to expect the *past* to look anything like the past. Perhaps the description of ideas prevalent before the crisis as neo-liberal does not capture the full picture of the many different forms neo-liberalism might assume – of which some perhaps are even difficult to square with neo-liberalism in the first place?

In fact, reflections such as these only further accentuates the call for systemic, dynamic and teleonomic institutionalists to consider even more carefully the institutional building blocks and telos to include as putative *explanans* and *explanandum* in their theoretical models.[1041] And while this admittedly renders the work of comparative political economists excruciatingly more cumbersome than it already is, it must be maintained that parsimony is a social-scientific ideal, which gives social scientists less to keep track of *ex post* analysis – not *ex ante.* But perhaps a more constructive mutual dialogue between systemic, dynamic and

[1041] A work, which will also, will aid dynamic intstitutionalists in specifying the unit and temporal scope of institutional change, and perhaps grant more attention to potential countervailing mechanism of reverse change.

teleonomic institutionalism even holds the promise for comparative political economists to devise even more parsimonious theoretical models?

* * *

Therefore the present study - perhaps paradoxically – ultimately draws a somewhat back-to-front conclusion. While it has not been shown, that ideas matter as *causes* of institutional stability and change, the study of ideas have been found to matter *theoretically* to comparative political economy. And comparative political economy – in turn – is found to matter to politics. Thus the study essentially does nothing more than reiterating Pedersen's recent plea for comparative political economists to assume a greater reflexive responsibility for their own historical situatedness and active involvement in the ongoing discursive contestation of central political ideas. As suggested by Pedersen:

> "Analyses of institutions have become a policy tool, and reflections on how to promote comparative advantages and to do so by the management of institutional complementarities, have become an everyday matter for national governments and international organizations. Knowledge of institutions has come to be understood as a tool – and even as a functional imperative – for governments in competition with other nations." [1042]

* * *

On this final note, it is indeed only all too enticing, to point out - with all due respect - the striking temporal coincidence between the time of publication of two

[1042] Morgan, et. al, 2010, p. 649

of comparative political economy's seminal works and developments beyond social-scientific academia.

First, the central tenets of Peter Hall and David Soskice's Varieties of Capitalism (2001) - according to which a particular set of institutional subsystems famously was argued to perform equally well *vis-a-vis* a particular type of economic outcome (innovation) – corresponded very well with the heightened attention which PRO's in United Kingdom, Germany and Denmark at the turn of the century begun to devote to the ostensibly *New Economy* and along with it their frequent observations of a new stage of knowledge-intensive competition, where ability to compete on production of high-quality goods and innovation, facilitated by state interventions in the market were perceived as a new decisive "winning parameter". Its amazing merits, results and profound academic impact notwithstanding, VOC certainly seemed to be at the right place at the right time and apparently gave words to - with Kingdon's phrase – an idea whose time had come.

Secondly, and perhaps more interesting, the recent attention devoted by Hall and Lamont to the study of social resilience understood as "the capacity of groups of people bound together in an organization, class, racial group, community or nation to sustain and advance their well-being in the face of challenges to it"[1043], Wolfgang Streecks recent analysis of the inherent tensions between democratic capitalisms dual commitments to the (perhaps) incommensurable principles of

[1043] Hall and Lamont 2013, p. 2

marginal productivity and social entitlement[1044] and Kathleen Thelens recent turn to teleonomic institutionalism[1045] curiously coincide with developments elsewhere.

In fact, none other than Michael Porter – one of the ostensible origins of the idea which Paul Krugman once derided as dangerous – appear to have changed his mind regarding how one should understand competitiveness. Whereas he earlier has asserted that competitiveness can be equated with productivity[1046] since 2012 he and his co-workers have begun to study what they term *foundational* competitiveness:

> "the expected level of output per working-age individual given the overall quality of a country as a place to do business. This definition goes beyond the expected level of productivity per employed worker, because prosperity is ultimately rooted in the ability to both achieve high productivity as well as mobilize a high share of the available workforce."[1047]

Essentially Porter and colleagues now combine central tenets of the British and Danish narratives of competitiveness and emphasize the simultaneous increase of productivity *and* increase of labor supply.

Also World Economic Forum has since 2011 begun to devote attention to how "sustainability relates to competitiveness" for which purpose they have developed a sustainability-adjusted "Global Competitiveness Index". That is a economic metric designed to measure:

> "the set of institutions, policies and factors that make a nation remain productive in the longer term while ensuring social and environmental sustainability."[1048]

[1044] Streeck 2011, see footnote at p. 35 above
[1045] Kathleen Thelen 2012, 2014
[1046] Porter 2004
[1047] Delgado, Ketels, Porter and Stern
[1048] WEF, 2014

OECD in 2011, against the backdrop of the Stieglitz Commission, has begun to publish a "Better Life Index". United Kingdom publishes an annual national "Index of Well-being". And even Michael Porters own Institute for Strategy and Competitiveness has in 2013 begun the publication of an annual Social Progress Index.[1049] In short, the idea of competitiveness is apparently being de- and re-commensurated all over again. And once again these developments coincide with important groundbreaking innovations in comparative political economy. Perhaps the time has come for yet another seminal idea?

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To re-emphasize just one last time. The epistemological assumptions of the discourse theoretical approach emphatically preclude any ontologically strong claims about the social world "as it really is". Once the genie of Ricoeur is out of the bottle, it is not easily re-encapsulated. Indeed, the present study might say nothing at all about political economies as they really are, and the preceding analysis might have been in vain.

However, epistemological weakness does not necessarily imply inconsequentiality. The inherent methodological weakness of the present study can arguably be turned into its very strength, if comparative as well cultural political economists comes to endorse, that even their own theoretical propositions are enmeshed in an ongoing, inevitable and potentially infinite political struggle to settle the exact meaning of a – once dangerous - idea. Whether a nations

[1049] Porter, 2014 See new http://www.socialprogressimperative.org/data/spi

competitiveness is essentially a question of being alike – or different – remains a matter of deep and enduring political contestation. But the sheer heterogeneity of national narratives of competitiveness suggests, that there is more to the idea, than what first meets the eye, and suggests that comparative political economists begin to take such differences duly into account.

Perhaps competitiveness - at the end of the day - is *not* a question of being alike. Perhaps significant *systemic* institutional change – after all – *is* in the offing, but in a different form than one might expect. And perhaps comparative political economists finally ought to begin taking the study of ideas – and thus themselves – just a little more seriously. Perhaps, perhaps, perhaps.

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17. FIGURES

Figure 2.1

Dichotomies of...	**National Similarities**	**National Differences**
Temporality	- Before and After the Collapse of Bretton Woods - Before and after the New Economy	- Before and after Knowledge-intensive competition

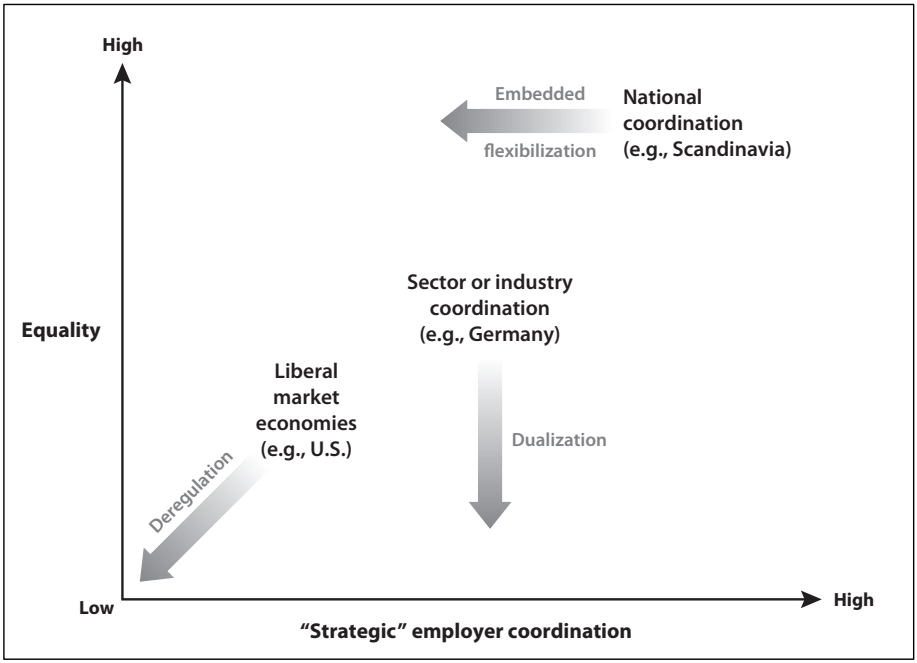
Objectivity and Subjectivity	- Adoption of triadic metric of competitiveness:
	  - *Output-Gap*
	  - *Growth Accounting*
	  - *Competitiveness Indexes*
	- Perceived role of government as:
	a. *Combiner* of supply- and demand-side policies
	b. *Corrector* of market failures (public goods, unequal information, monopolies and negative externalities)
	c. *Converter* of mindsets, values and culture
	d. *Coordinator* of market participants and other societal actors activities
		- Different national emphasis on different items of growth account:
		1. U.K.: Productivity
		2. GE: Labor supply and Working Hours
		3. DK: Labor supply supplemented by productivity

Functionality	- The *Outcome* of Competitiveness is measured by either Export or Growth performance
	- Some PROs hold that competitiveness should be measured by more than growth
	- The range of *Sources* of Competitiveness increase over time and comes to include:
	  1. *Privatization of former Public Firms*
	  2. *Deregulation of Product and Capital Markets*
	  3. *Tax Regime*
	  4. *Flexible Labor Market*
	  5. *Educational Institutions*
	  6. *Public and Private Science and R&D*
	  7. *Entrepreneurship*
	  8. *Innovation*
	  9. *Infrastructure*
	  10. *Attractiveness to Migrants*
	  11. *Quality of Management*
	  12. *Uptake of ICT*
	  13. *Public Sector Efficiency*
		- Different perceptions whether measures to enhance s*ocial protection, inclusion, equality and cohesion* constitute source or barrier to competitiveness
		
		- Different perceptions whether measures to enhance *environmental sustainability and energy efficient production* constitute source or barrier to competitiveness

Figure 2.2

	Trade-off: *Social Protection* *vs.* *Competitiveness* **(BS) (SACH)**	**Trade-In:** *Social Protection* *vs.* *Competitiveness* **(MM)**
Trade-off: *Environmental Protection* *vs.* *Competitiveness* **(IFS)**	**FES** **HMT(07)** BMWI(93)	
Trade-in: *Environmental Protection* *vs.* *Competitiveness*	HMT(93) **BMWI(07)**	**IPPR** **DØR ØEM AE**

Figure 4.1



See Thelen 2012

Figure 5.1

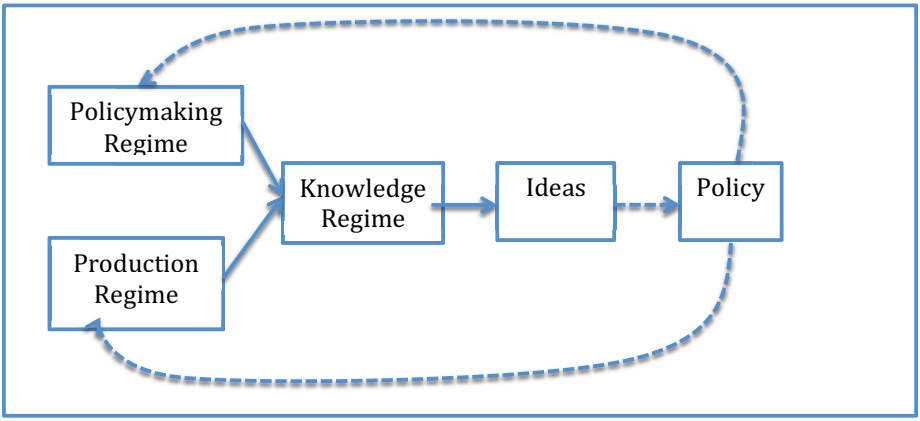

Policymaking Regime
Production Regime
Knowledge Regime
Ideas
Policy

Figure 7.1

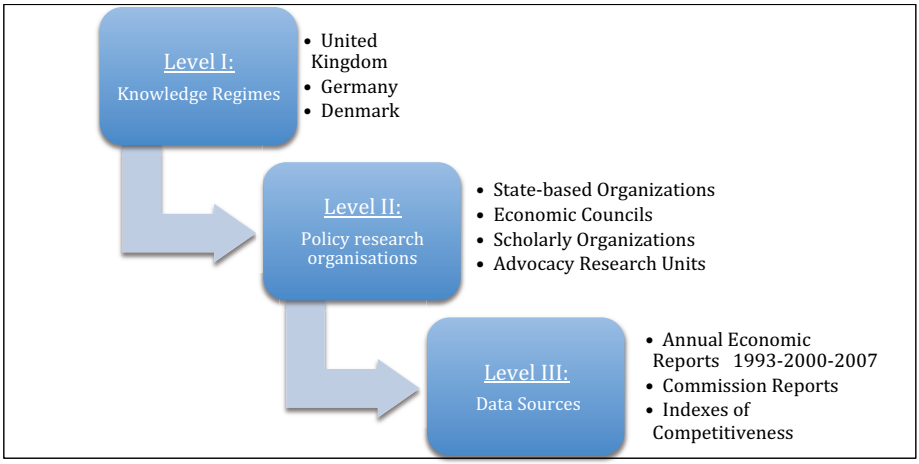

Level I:
Knowledge Regimes
• United Kingdom
• Germany
• Denmark
Level II:
Policy research organisations
• State-based Organizations
• Economic Councils
• Scholarly Organizations
• Advocacy Research Units
Level III:
Data Sources
• Annual Economic Reports 1993-2000-2007
• Commission Reports
• Indexes of Competitiveness

Figure 7.2

	Ministry of Economics	*Economic Council*	*Scholarly Org.*	*Advocacy Org.*
United Kingdom	**HM Treasury** (HMT)	**National Institute of Social and Economic Research** (NIESR)	**Institute for Fiscal Studies** (IFS)	**Institute for Public Policy Research** (IPPR)
Germany	**Bundes ministerium für Wirtschaft und Technologie** (BMWI)	**Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung** (SACH)	**Friedrich Ebert Stiftung** (FES)	**Bertelsmann Stiftung** (BS)
Denmark	**Økonomi og Erhvervs-ministeriet** (ØEM)	**Det Økonomiske Råd** (DØR)	**Arbejder-bevægelsens Erhvervsråd** (AE)	**Mandag Morgen** (MM)

Figure 7.3

UNITED KINGDOM	*Ministry*	*Economic Council*	*Scholarly Org.*	*Advocacy org.*
	HM Treasury (HMT)	**National Institute of Social and Economic Research** (NIESR)	**Institute for Fiscal Studies** (IFS)	**Institute for Public Policy Research** (IPPR)
Annual Economic Reports	Financial State and Budget Report (1993) Pre-Budget Report (2000a) Pre-Budget Report (2007a)	Economic Review (1993) The UK Economy (2000) UK Economy Forecast (2007a)	Green Budget (1993) Green Budget (2000) Green Budget (2007)	
Commission Reports /White Papers	Competitiveness: Helping Business to Win (1994) Competitiveness: Forging Ahead (1995) Building the Knowledge-Driven Economy (1998) Productivity in the UK: the Evidence and the Governments Approach (2000b) Achieving a Better Quality of Life (2000c) UK Competitiveness: Moving to the Next Stage (2003) Globalization and the UK: Strength and Opportunity to meet the economic Challenge (2005) Productivity in the UK 7: Securing long-Term Prosperity (2007b)	International Competitiveness, International Taxation and Domestic Investment (1994a) Labor Productivity and Unit Labor Costs in Manufacturing: the UK and its competitors (1994b) Supply side Reform and UK Growth (1995a) International Differences in Manufacturing Unit Labor Costs (1995b) Closing the UK Competitiveness Gap (1995c) Output Gaps: Some Evidence from the UK, France and Germany (1995d) Flexibility, Quality and Competitiveness (1999) The New British Economy (2001a) What became of the New Economy? (2001b) Britain's Relative Productivity Performance (2002) Decomposing Growth (2007b)	Productivity Policy: Election Briefing (2005)	Social Justice: Strategies for national Renewal, (1994) Promoting Prosperity: A Business Agenda for Britain (1996)
Comp. Index	Productivity and Competitiveness Indicators (2000d) Productivity and Competitiveness Indicators (2007c)			

Figure 7.4

GERMANY	*Ministry*	*Economic Council*	*Scholarly Org.*	*Advocacy org.*
	Bundesministerium für Wirtschaft und Technologie (BmWI)	**Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung** (SACH)	**Friedrich Ebert Stiftung** (FES)	**Bertelsmann Stiftung** (BS)
Annual Economic Reports	Jahreswirtschaftsbericht (1993a) Jahreswirtschaftsbericht (2000a) Annual Economic Report (2007)	Jahresgutachten (1993) Jahresgutachten (2000) Jahresgutachten (2008) Jahresgutachten (2004)*		
Commission Reports /White Papers	Zukunftssichering (1993b) Antwort der Bundesregierung (1994) Deutschland Erneuren (2000b) High International Competitiveness through Moderate Unit Labor Costs (BmF, 2006)** Monatsbericht 2006,		Zukunftskommission der Friedrich Ebert Stiftung: Drei Ziele, Ein Weg" (1998)	Benchmarking Deutschland (2007a)
Comp. Index				Internationales Standort Ranking (2004) Internationales Standort Ranking (2007b)

Figure 7.5

DENMARK	*Ministry*	*Economic Council*	*Scholarly Org.*	*Advocacy org.*
	Økonomi og Erhvervs ministeriet (ØEM)	**Det Økonomiske Råd** (DØR)	**Arbejder-bevægelsens Erhvervsråd** (AE)	**Mandag Morgen** (MM)
Annual Economic Report	Økonomisk Oversigt (1993) Økonomisk Oversigt (1996) Økonomisk Oversigt (1997) Økonomisk Oversigt (2000a) Økonomisk Redegørelse (2007a)	Dansk Økonomi, Maj (1993) Dansk Økonomi, Juni (1994) Dansk Økonomi forår (1998) Dansk Økonomi forår (2000) Dansk Økonomi forår (2007)	Økonomiske Tendenser (1993) Økonomiske Tendenser (2000) Økonomiske Tendenser (2007)	
Commission Reports /White Papers	Dk.21: En Strategi for Regeringens Erhvervspolitik (2000b) Danmark og Globaliseringen (2004) Vækstredegørelse (2007b)		Globalisering: Omfang, Effekter og Udfordringer (2004) Sammenhængskraft og Konkurrenceevne (2006)	Hvad Skal Danmark leve af I Fremtiden? (1993) Innovationsrådets Årsrapport (2007)
Comp. Index	Konkurrenceevne redegørelse (2006) Konkurrenceevne redegørelse (2007c)			

Figure 10.1

Figur 2.5 Forbedringspotentialet i BNP per indbygger

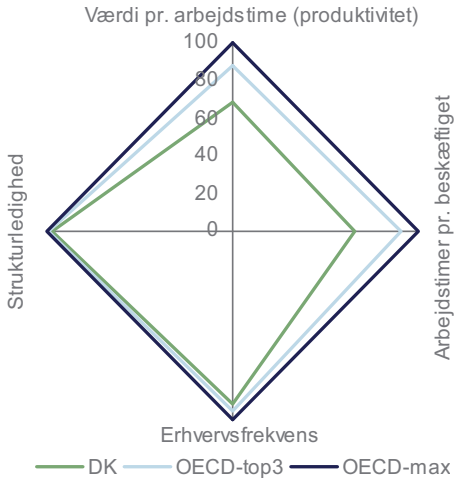


Figure 11.1

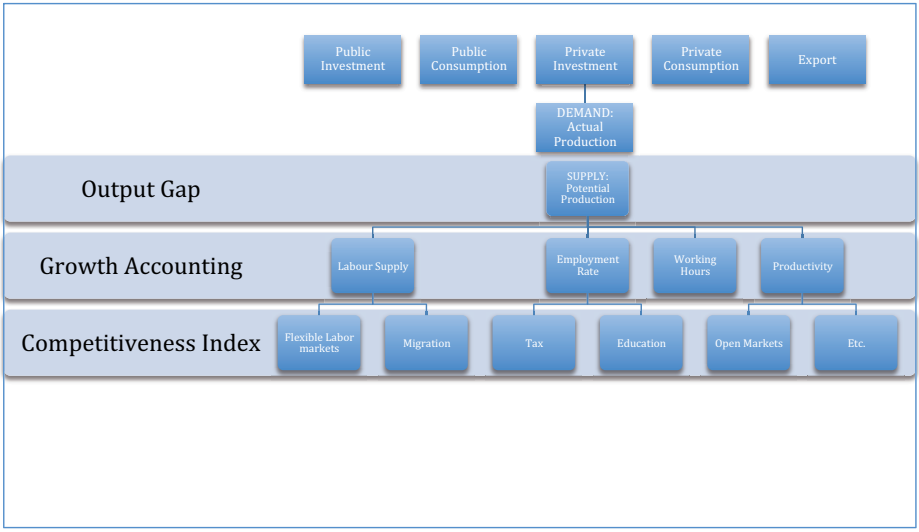
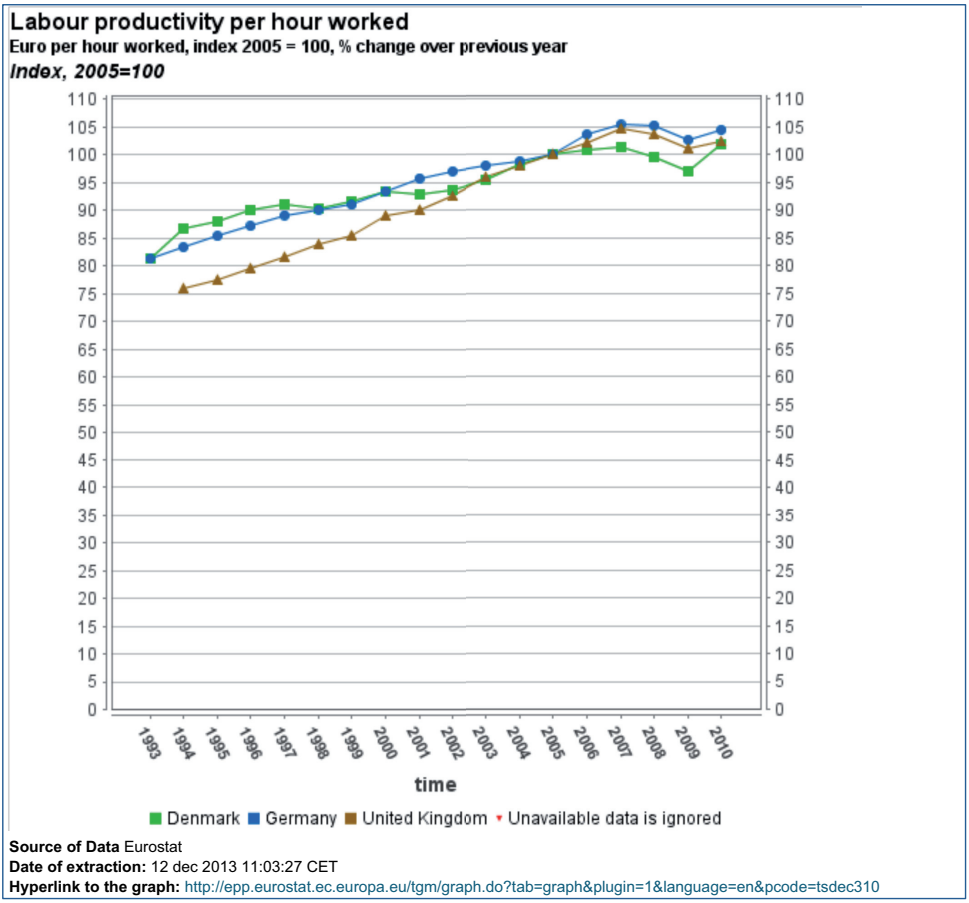

Public Investment
Public Consumption
Private Investment
Private Consumption
Export
DEMAND: Actual Production
Output Gap
SUPPLY: Potential Production
Growth Accounting
Labour Supply
Employment Rate
Working Hours
Productivity
Competitiveness Index
Flexible Labor markets
Migration
Tax
Education
Open Markets
Etc.

Figure 12.1


Labour productivity per hour worked
Euro per hour worked, index 2005 = 100, % change over previous year
Index, 2005=100
110
105
100
95
90
85
80
75
70
65
60
55
50
45
40
35
30
25
20
15
10
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0
1993
1994
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1997
1998
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2003
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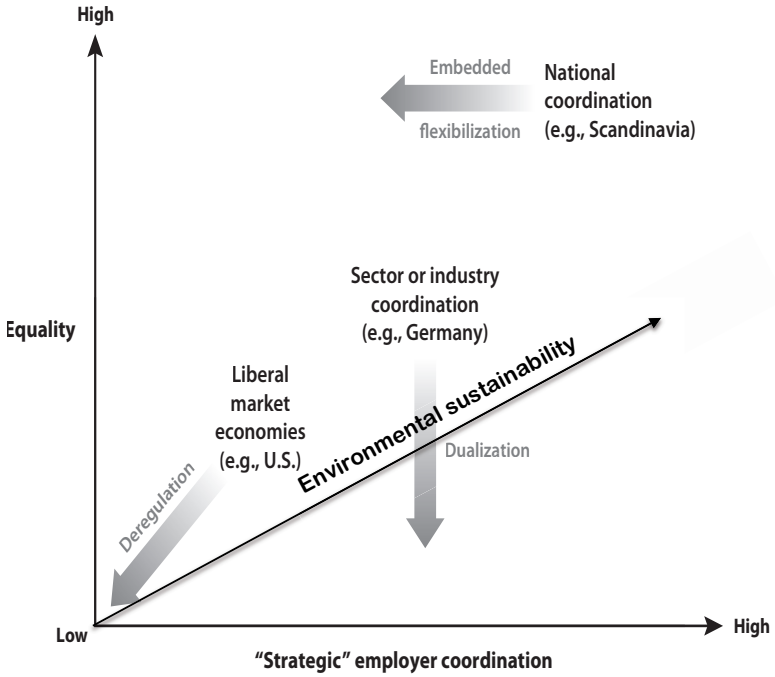
2005
2006
2007
2008
2009
2010
time
Denmark
Germany
United Kingdom
Unavailable data is ignored
Source of Data Eurostat
Date of extraction: 12 dec 2013 11:03:27 CET
Hyperlink to the graph: http://epp.eurostat.ec.europa.eu/tgm/graph.do?tab=graph&plugin=1&language=en&pcode=tsdec310

Figure 13.2



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