

The Imbalance of Capitalisms in the Eurozone

Can the North and South Converge?

Aidan Regan

**UCD School of Politics and
International Relations**

**Scoil na Polaitíochta agus na
nGnóthaí Idirnáisiúnta UCD**



Puzzle

- The politics of adjustment in EMU:
 - *No monetary tools*
 - *No fiscal tools*
 - *No labor market tools*
 - *Conflicting national interests*
- Membership = internal devaluation



But....

- Can all member-states in a semi-closed trading area pursue export-led growth?
 - Or to be more precise
- Is economic convergence between north and south of the Eurozone possible?



Theoretical debate

- Euro technocrats: yes
 - *Tweak the economy*
- Euro integrationists: yes
 - *Delegate decision-making*
- Euro political economy: no
 - *Take variation seriously*



Heuristics

1. The attempt to join together different varieties of capitalism (VofC) is the real source of the Eurozone crisis: *profit-export and domestic-demand*.
2. The one-size-fits-all adjustment is exacerbating this imbalance of capitalism. It is a demand not a competitiveness problem.



Framework

1. From domestic institutions to growth regimes
2. From business firm to political coalitions
3. From liberal intergovernmentalism to VofC

This paper is mainly concerned with (1)





Macro economic growth regimes

	North	South
Currency	Hard – low inflation	Soft – high inflation
Monetary	Stability-oriented	Adjustable-oriented
Fiscal	Counter-cyclical	Pro-cyclical
Labour	Corporatist	Non-corporatist
Macroeconomic	Profit-export	Domestic-demand
Eurozone	Interdependence of financial institutions in both regimes	



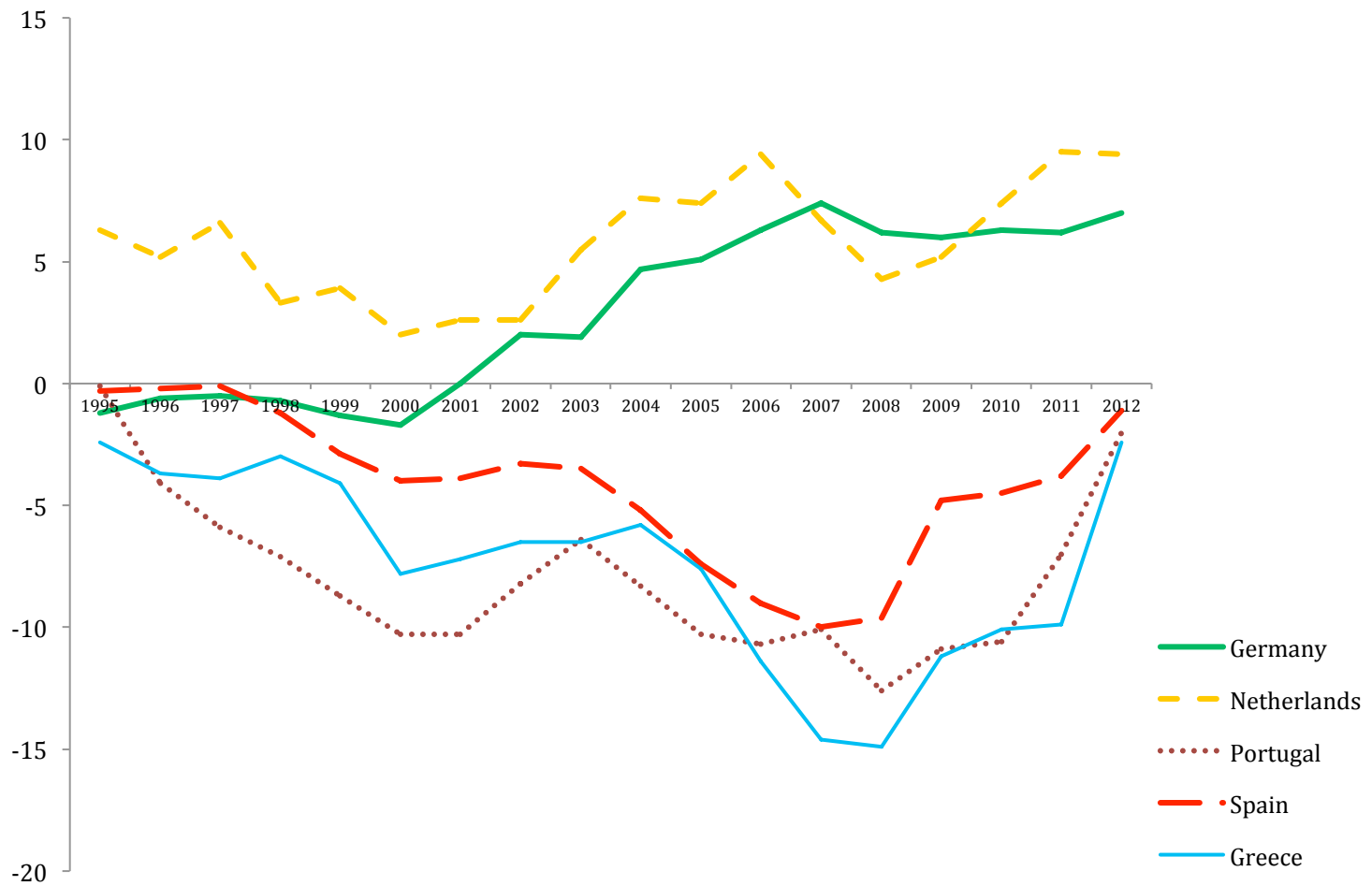
Empirics

- How would we observe this imbalance?

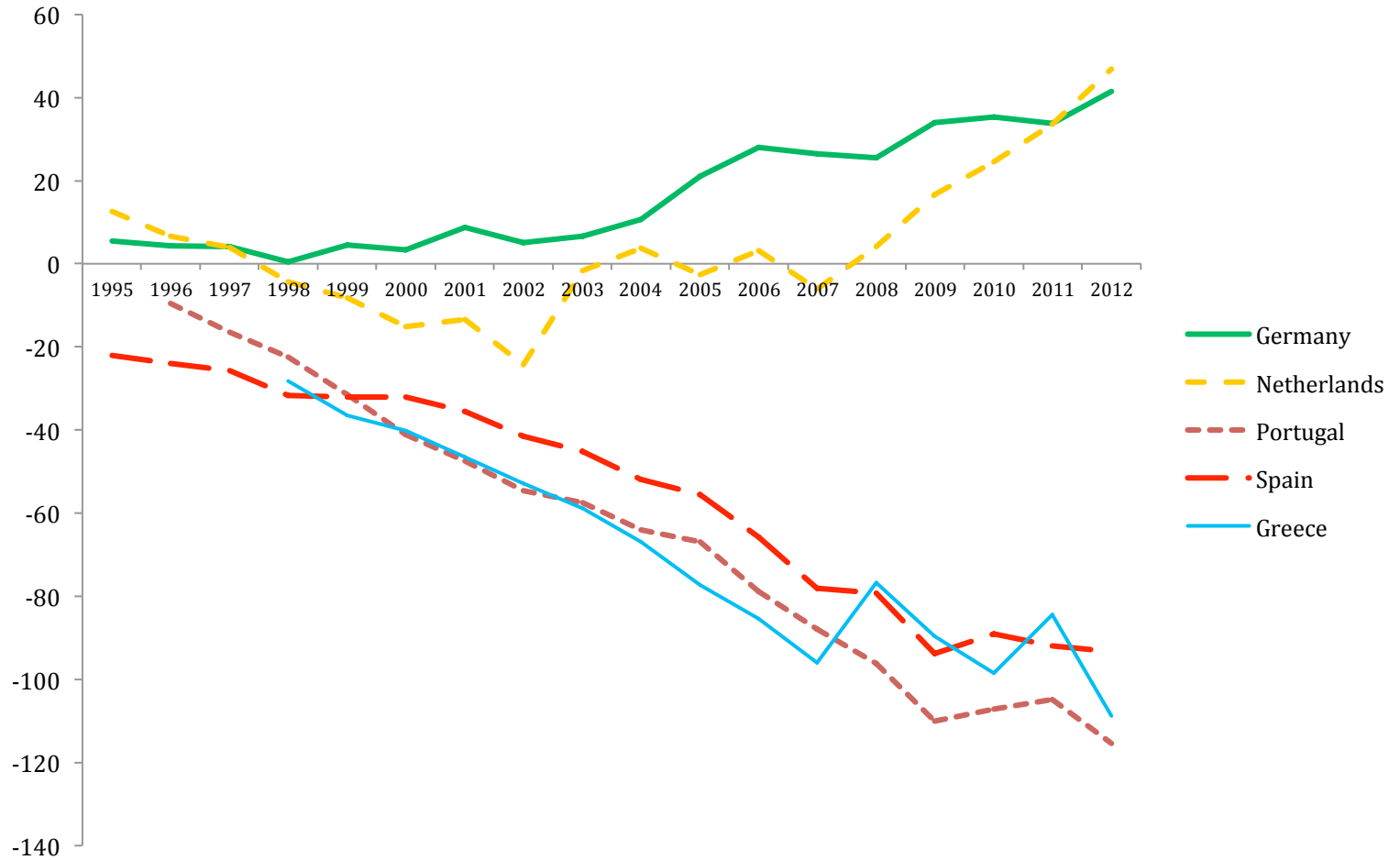




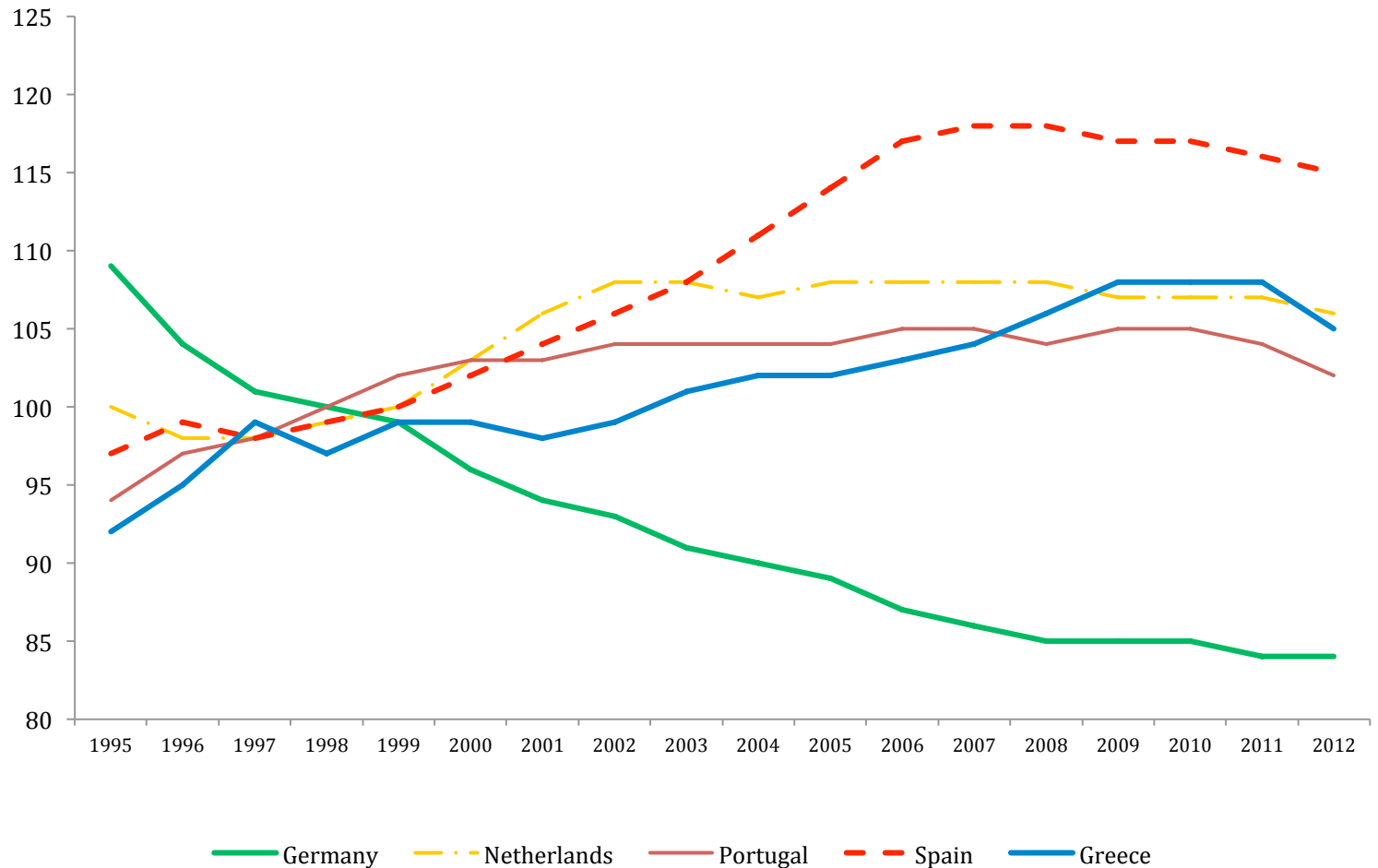
Current account



Net international investment



Real Harmonized Competitiveness Indicators



Conclusion

- One-size-fits-all EMU rather than export-competitiveness is the problem
- Intergovernmental summits of Eurozone = regional defense of national VofC
- This is exacerbating the asymmetry of growth regimes in north and south of Europe.
- Emergent research program: rethinking the political economy of European integration.

