Reconsidering the institutional complementarities hypothesis: comparing heterogeneous financial systems

Olivier Butzbach
Department of Political Science
University of Campania "Luigi Vanvitelli" – Italy
E-mail: olivierkarl.butzbach@unicampania.it

Paper to be present at the Fourth 2019 WINIR Symposium at Loughborough University London, December 17th, 2019

ABSTRACT

The concept of institutional complementarities is central to the comparative capitalism (CC) approach, developed in the past 20 years. The possibility of identifying different varieties of capitalism is, indeed, predicated upon the idea that each capitalism exhibits some sort of cohesion that gives it its identity or its direction (for instance, as a liberal market economy or a coordinated market economy). Given the institutional bases of most CC studies, then, this cohesion has been identified at the macro-institutional level. A further theoretical work transformed the concept into the hypothesis that institutions coalesce at the national level, for various reasons.

While the concept was extremely useful to advance a theoretically informed CC agenda, the hypothesis has been often criticized, in the past, for its excessively static nature and functionalism. In particular, it was seen as an obstacle to the understanding of institutional change within capitalist systems. But recently, some scholars have proposed a more flexible formulation of the institutional complementarities hypothesis, making it more amenable to a political economy interpretation sensitive to social and political conflicts.

The present paper aims at re-interpreting institutional complementarities from a different angle: not institutional change, but diversity within capitalism(s). How do/can the institutional complementarities hypothesis be reconciled with the facts that, not only is there variety (of organizational forms) within national varieties of capitalism; such variety persists over time, sometimes along varying evolutionary lines. How does the macro-institutional structure of national economies interact with such underlying variety? What does such interaction imply for the validity of the institutional complementarities hypothesis, and therefore for a neo-institutional understanding of comparative capitalism? How could one complement the CC perspective with social scientific approaches sensitive to organizational diversity? This paper will address these questions by drawing on the case of diversity within financial capitalism.

Introduction

One of the theoretical cornerstones of the comparative capitalisms (henceforth, CC) approach in contemporary social sciences is the hypothesis of institutional complementarity(ies) (henceforth IC). The hypothesis is, apparently, very straightforward: according to Bruno Amable, an early proponent of such hypothesis, it states that "certain institutional forms, *when jointly present*, reinforce each other and contribute to improving the functioning, coherence or stability of specific institutional configurations, varieties or models of capitalism." (Amable, 2016, 79).

The IC hypothesis has its origins in various streams of works. Most notably, it can be traced to works by Aoki on Japanese capitalism and links between corporate governance and employment systems in Japan (Aoki, 1994, 2001); and to works by the French Régulation School, which emphasized early on the functional relationship between the wage system (the "wage-labour nexus" in regulationist terms) and other institutions, such as the role of the state and the competitive system (see, for instance, Boyer, 2000, 2005; Amable, 2000). In these and related works – notably the seminal book by Hall and Soskice on "varieties of capitalism" (Hall and Soskice, 2001), the IC hypothesis was integrated to an ideal-typical categorization of national models of capitalism. In other words, the IC hypothesis became necessary both to recognize significant and persistent differences between national economic systems and to attribute institutional foundations to such differences.

Subsequent works within the CC perspective have all, to varying degrees, referred to or used the IC hypothesis; the latter has also become influential in related fields, such as in international business (Witt and Jackson, 2016), economics of innovation (Landini and Pagano, 2018), policy design (Feldmann and Kuokštis, 2017), or the consequences of financialization (Lechevalier et al., 2017). But the hypothesis has also attracted some criticism, notably for its allegedly excessive functionalism and rigidity, especially regarding institutional change (Peck & Theodore, 2007). Amable, in a recent study, has addressed parts of this criticism, arguing that the IC hypothesis can be made more flexible and compatible with a political economy view (Amable, 2016).

The functionalism and rigidity of the IC hypothesis, however, are not the main concerns here. The problem at the center of the present study is that of systematic heterogeneity of firms' behavior, and its compatibility (or lack thereof) with the institutional premises of the CC literature. The IC hypothesis has served, in the history of the development of the CC literature, to explain different varieties of national capitalism based on a posited high degree of internal consistency or congruence. By contrast, one cannot but observe significant variation (of business organizational forms and logics) within national capitalisms. Shouldn't, therefore, the IC hypothesis be reconsidered, in light of "varieties within capitalism" (see Butzbach, 2007)? One possible response may consist in the combination of the IC hypothesis with the key insights of population ecology and neo-institutional organizational theory, which have taken organizational diversity seriously. However, the latter have problems of their own – and ignore the macro-institutional dynamics inherent in CC analyses.

Yet, it is assumed here that such effort is worth undertaking, for the main reason that organizational diversity embodying different logics, especially in banking and finance, has become a key concern for policy-makers and scholars in the wake of the 2007-08 crisis. However, remarkably little is known about organizational diversity, and in particular the factors that may explain its variation both across countries and in time. Of course, capitalism variation is the central concern of CC studies. Hence the usefulness of a framework that would incorporate the issue of organizational diversity into the IC hypothesis. What are the institutional conditions that relate systemic order or cohesiveness with organizational diversity? This is the issue tackled in this paper.

The paper is organized as follows: Section 2 summarizes and discusses the existing theories of institutional complementarity, in light of the problem mentioned above, i.e. of systematic behavior heterogeneity on the part of firms. Section 3 examines the theoretical and measurement issues associated with heterogeneity in finance, and how these challenge IC theory. Section 4 formulates some responses to such challenges. Section 5 offers some evidence illustrating this framework. Section 6 concludes.

2. Institutions, complementarities, and national varieties of capitalism: A brief summary

The institutional foundations of CC boil down to a simple causal chain: institutions influence economic agents' behavior, which, at the aggregate level, results in patterns approximating characteristics of ideal-typical varieties of capitalism. For instance, in the case of "coordinated market economies" as opposed to "liberal market economies" in Hall and Soskice's framework, firms, on average, tend to have longer-term strategic horizons and thus have a comparative advantage in sectors relying on gradual innovation (Hall and Soskice, 2001). This aggregate outcome is the product of institutional complementarities that, by definition, occur (or manifest themselves) at the institutional level (and not the level of individual firms' behavior).

One should not downplay the importance of the (often implicit) theory of institutions underlying the institutional complementarities hypothesis. There is, as all social scientists know, a large variety of institutions theories. Luckily, as Djelic points out, there has recently been some degree of convergence among institutionalist scholars on that issue (Djelic, 2010). In short, institutions are now broadly viewed as a mix of rules and rule-like resources constraining and enabling actors' behavior. This definition is close to Hall and Thelen's (who see institutions as "set of regularized practices with rule-like quality"; Hall and Thelen, 2009: 9), and its explicit reference to enabling behavior responds to the well-grounded criticism leveled by ideational institutionalists (such as Blyth, who complained that the literature took institutions as "constraining rather than enabling political action"; Blyth, 1997: 230).

This relative consensus on the nature of institutions is less apparent when considering (a) their political foundations and (b) the degree to which one may find institutional coherence at the national level. Yet those are important issues, and they are particularly relevant to the argument at the center of this study; they should thus not be left unaddressed. With regard to the first point, it seems that of the three or four main strands of institutionalism – rational choice institutionalism, sociological institutionalism, historical institutionalism and ideational institutionalism, the latter

two are the best equipped to comprehend the power characteristics of institutions (see Hall and Taylor, 1996) - despite recent efforts at bridging the gap between these various traditions (see Hall, 2010). Seeing institutions as ways to solve collective action problems (the issue at the core of rational choice institutionalism) or as cognitive templates for collective and individual action (sociological institutionalism), however close to the above definition one may want to make they look like, precludes addressing the conflicts and power shifts that may give rise to institutions.

Regardless of institutions' role in "structur[ing] the character and outcomes of group conflict" (Hall and Taylor, 1996), we take the view, here, that institutions have distributional effects (as claimed by, among others, Thelen, 2010 and Boyer, 2000). Therefore, the emergence, transformation and demise of institutions often involves distributional conflicts, where the distribution of power among agents is crucial - although not given, as Thelen and Steinmo point out (Thelen and Steinmo, 1992). As Boyer argued, institutions are not rational answers to clear problems but, in most cases, the unintended consequences of the pursuit of strategic advantage by unequal agents (Boyer, 2000). What we may call the "political foundations" of institutions leads us to formulate a series of assumptions regarding institutional change – both at the level of individual institutions and at the macro level. One of these assumptions is that politics matter. This assumption is also, obviously, that of regulationist scholars, especially Amable (Amable, 2000; 2003; 2016). Another assumption is that one should not assess the outcome of institutional coherence by implicitly or exclusively using efficiency criteria. This point will be discussed at the end of the present section. But, first, let us turn to the issue of institutional configurations and institutional coherence.

Institutional configurations, as mentioned in the introduction above, stand at the heart of the comparative capitalism literature. Indeed, according to Jackson and Deeg (2006, 2008), one of the theoretical building blocks of the CC literature is that national varieties of capitalism present specific (or not so specific) institutional configurations that produce "a particular systemic 'logic' of economic action" (Jackson & Deeg, 2006: 6) – such a logic being defined in a footnote by the authors as "typical strategies, routine approaches to problems, and shared decision-making rules that produce predictable patterns of behavior by actors within the system" (Jackson & Deeg, 2006: 6). Institutional configurations can therefore be seen as second-degree institutions combining first-degree institutions to produce an overarching direction to the whole political economy.[1]

However, the above definition carefully avoids dwelling on the issue of institutional coherence, which should be understood as a property of the institutional configuration in question. This notion of coherence, or tightness of fit, is crucial, we argue, to the possibility of identifying "systemic logics of economic action", which, in turn, forms the basis for ideal-typical varieties of capitalism. Within CC studies, institutional coherence is conceptualized as institutional complementarities. As Crouch has pointed out, weak theoretical uses of institutional complementarities merely point to the relationship between various institutions (Crouch, 2010).

[1] We should hear Peter Hall's call for a "social ecology" (Hall, 2010b), whereby institutions practices, cognitive frameworks and network relations are analyzed together in their interactions with each other. However, a broad view of institutional configurations could correspond to such social ecologies.

As a an example of such weak theoretical uses in the earlier works within the CC tradition, one may cite John Zysman and his suggestion that "by knowing the financial system one can predict the nature of the process of adjustment" (Zysman, 1983: 286). The issue at the heart of Zysman's analysis was the capacity of states to engineer or promote successful adjustment strategies in the wake of the 1970s crises. That capacity, Zysman argued, was influenced by financial structures - which are largely domestically grounded.

By contrast with Zysman's account, the conceptualization of institutional complementarities embodied in the various waves of CC works, starting with works by Aoki, Amable, Boyer,and Hall and Soskice, has stronger theoretical implications: in the above mentioned literature, the IC hypothesis means that an institution reinforces the effects produced on actors by another institution. For instance, "labor market arrangements that allow companies to shed labor to cut costs in a downturn are complementary to financial market arrangements that render firms sensitive to current profitability" (Hall & Soskice, 2001a: 39). This stronger theoretical use of the notion of institutional complementarities raises some questions. First, as Crouch suggests, one should not assume homogeneity (within national economic systems) as a given but, rather, as a process or a tension that might or might not happen (Crouch, 2005), contrary to what Berger & Piore argued in 1982 ("the mix within societies changes, but societies themselves do not shift from more mixed to more homogeneous composition"; Berger & Piore, 1982: 143). This is a lingering problem in the comparative capitalism literature, where effective tightness of fit is often confused with *assumed* institutional congruence associated with ideal-typical varieties of capitalism.

A second issue is what exactly we mean by institutional complementarities. As Crouch (2010) and Campbell (2011) have pointed out, there are at least two kinds of institutional complementarities, what one may call reinforcing complementarities and compensating complementarities. *Reinforcing complementarities* exist whenever one institution works in a way that reinforces the effects produced by another institution. For example, workers' participation in the corporate governance of German firms reinforces the effects produced by the existence of long-term bank-firm relationships in terms of the long-term, sustainable profit objectives of German firms. *Compensating complementarities* are found whenever an institution compensates the deficiencies of another institution. As an example, Crouch mentions the existence of voluntary social services alongside statutory social services in Sweden (Crouch, 2010). Both Campbell and Crouch argue that these two forms of IC should not be thought of as alternative. Rather, reinforcing and compensating complementarities are… complementary. Crouch finds that the mix of reinforcing and compensating complementarities actually represent a third, more sophisticated type of institutional complementarities, found in economic analyses. On the other hand, Campbell advocates the diachronic use of ICs. Both Crouch's and Campbell's additions to the literature on institutional complementarities allow us to theoretically frame our research in more useful terms. We can do that, however, only by overcoming the strong functional and teleological tendencies present in the conceptualization of institutional complementarities.

These tendencies represent the third and most problematic issue with institutional complementarities, one that has been already identified by Crouch (Crouch, 2005 and 2010). Both

strands of studies (on reinforcing and compensating institutional complementarities) presume some kind of "logic of congruence" that generates their emergence. This logic of congruence is tightly linked with the degree of success of institutional complementarities, most often associated with macroeconomic performance. In other words, institutions complement each other because they need to; and they need to because institutions are ultimately geared towards macro performance.

For instance, in Hall and Gingerich (2004) and then Kenworthy (2006) the degree of institutional coherence is positively or negatively causally related to superior macroeconomic performance. This claim is theoretically acceptable only if one relies on either one of the following assumptions, both of whom concern the emergence of institutions or the dynamics behind institutional coherence (what we may call institutional coalescence) : first, there is some kind of invisible hand that determines institutions to emerge, interact, and change in ways (compensating or reinforcing) that lead to coherence. One should remember that the original Smithian conceptualization of the invisible hand did not see it as a serendipity but, rather, as a powerful mechanism inherent to the market. This is a highly teleological explanation, and one that takes for granted important assumptions about the ends of institutions, rather than trying to explain them (a very widespread pitfall in the institutionalist literature – see Crouch, 2005 and 2010).

A second, alternative assumption builds on the view (again, explicit or not – mostly not) that institutional coherence is intentional; therefore, it is agents who, somehow again, build institutions in ways that lead to coherence (or not) and therefore, ultimately, to macro outcomes. Here the theoretical problem differs from the one raised by the first assumption: it has to do with the kind of agency that institutionalists may call for. Indeed, if the active role of individual or collective actors in the emergence and transformation of individual institutions is intensively debated in the literature, there is no claim of such sort for second-degree institutional emergence and growth – i.e. the process of institutional coalescence.

Similar problems arise from accounts that emphasize institutional heterogeneity, rather than institutional coherence, as a source of macroeconomic performance. Grabher and Stark emphasize the dynamism present in loose rather than tight institutional systems (Grabher and Stark, 1997). Building on these foundations, Quack and Morgan argue that the "heterogeneity of forms of economic coordination within national business systems can become a source of adaptability because it provides the basis for a greater variety of alternative development paths" (Quack and Morgan, 1999: 10). One could actually argue the opposite: that heterogeneity hinders institutional congruence and therefore prevents a given institutional configuration from reaching its macro performance potential. However, the twin notions that institutional heterogeneity, rather than coherence, might actually characterize some political economies; and that heterogeneity might last over time, are very useful for our purposes.

These theoretical pitfalls are not easy to overcome. For instance, as mentioned above, Campbell advocates a balanced analysis using both reinforcing and compensating institutional complementarities (Campbell, 2011). In particular, he favors a "dynamic definition of institutional

complementarity that acknowledges how a particular institutional form in one area might lead eventually to the adoption of a particular reinforcing or compensatory institutional form in another area *in an effort to resolve institutional tensions or contradictions*" (Campbell, 2011: 226, our italics). The ending part of this definition slightly contradicts Campbell's rejection of functionalism, on the one hand (institutional complementarities are tension-solving), and his emphasis on the serendipitous nature of institutional complementarities (the "effort" he mentions is a clear sign of intentions), on the other. Similarly, Crouch's distinction between the two types of institutional complementarities, explained above, leads him to identify two very different mechanisms generating IC. Reinforcing IC (what Crouch calls "similarities") rely on isomorphism, a prevalently cognitive process based on elective affinities. On the other hand, compensating IC are simply analyzed in relation to a whole – a relation that Crouch rightly then discusses in a critical way, but what matters here is his implicit distinction between mechanisms that belong to different heuristic realms, one being clearly closer to functionalism than the other.

In recent years, a more flexible view of IC has been presented. On the one hand, as mentioned in the introduction above, the IC hypothesis can be made consistent with political economy explanations of institutional change. This is what Amable attempts to do in a recent study (Amable, 2016). On the other hand, in an effort more similar to the one undertaken here, several studies have tried to reconcile the IC hypothesis with "varieties within capitalism". According to Witt and Jackson (2016), for instance, institutional arrangements with conflicting logics may actually generate "beneficial constraints" for economic agents. This is especially true, Witt and Jackson argue, for radical innovation, where conflicting institutional logics better enable innovation than weaker "pure" institutional frameworks (Witt and Jackson, 2016). Couched in the "institutional logics" vocabulary, this argument is actually closer to earlier studies (such as those by Graeber and Stark, 1997; and Quack and Morgan, 1999) that emphasized the functional efficiency of looser degrees of (institutional) coherence. Far from such functionalism, Palier and Thelen have instead shown how labor market "dualization" might be understood within a CC framework using the IC hypothesis (Palier and Thelen, 2012). But in their case, institutional complementarities were instrumental in institutionalizing dualization – dualization was not the outcome of institutional complementarities per se; rather, complementarities helped propagate dualization through labor markets and then welfare state reforms (Palier and Thelen, 2012).

We are still short of a full-fledged discussion on the possible (or not) reconciliation of the IC hypothesis with the existence of significant "varieties within capitalism". To do so, one first needs to clarify what these internal varieties may be. This is what the next section purports to do.

3. Heterogeneity and diversity in (financial) capitalism: from empirical to theoretical issues

Organizational diversity in finance: why it matters

In the aftermath of the 2007-08 global financial crisis the theme of diversity in finance has gained traction among scholars and policy-makers. The emerging literature on diversity develops three types of arguments. The first argument simply consists in acknowledging, on the one hand, the existing diversity of banking business models across and within national banking systems; and, on

the other hand, the fact that these different business models are not equally performing in terms of efficiency, profitability and risk. Such an argument can be found in the empirical academic literature on "alternative banks", cited above; it is also made in official government reports, such as the 2010 HM Treasury report on financial regulation in the United Kingdom (HM Treasury, 2010); or the Liikanen Report commissioned by the European Commission and made public in October 2012 (Liikanen, 2012). In a recent paper, Michie and Oughton propose a classification of the various dimensions along which diversity can be measured – namely, ownership, competition, "balance sheet resilience" and geographical spread (Michie & Oughton, 2013). Similarly, the Liikanen Report identifies six characteristics or attributes of banking diversity: size, ownership, capital and funding, "activities" that are revealed by banks' balance sheet and income, corporate and legal structure, and geographical scope (Liikanen, 2012).

The second argument is that diversity is valuable in itself, as a characteristic of the banking sector *as a whole*. In other words, a banking system composed of heterogenous organizations does better at mitigating systemic risk than a homogeneous banking system, whatever the source of heterogeneity. This point is very similar to the view that homogeneous banking systems suffer from a "too many to fail" problem, whereby an implicit guarantee by regulators "induces banks to herd ex-ante in order to increase the likelihood of being bailed out" ex post (Acharya & Yorulmazer, 2007). More broadly, diversity in the banking system helps decrease systemic risk by decreasing the degree of similarity in banks' portfolios. Indeed, the 2007-08 crisis was not caused by the fact that all banks specialized in the same asset class (say, mortgage assets) – rather, it was caused by the high level of correlation between banks' diversification strategies. As Andrew Haldane pointed out in a famous 2009 speech, individual diversification by banks might lead to a decrease of systemic diversity – and, simultaneously, an increase in systemic risk (Haldane and May, 2011; see also Liikanen, 2012; and Michie, 2011). This argument lies at the core of the diversity literature, since it goes beyond the specific identity or type of organizational forms to plead for a more general form of diversity.

The third argument, developed, in part, by Michie (2011), is that diversity is good for the functioning of the (banking) system in evolutionary terms – in other words, as Michie puts it: "In a situation of uncertainty and unpredictability, we cannot know which model will prove to be superior in all possible future circumstances, so we ought to be rather cautious before destroying any successful model" (Michie, 2011). This argument bears strong resemblance to evolutionary analyses in economics and business, as Michie himself briefly acknowledges, and as will be discussed below.

Given its potential benefits, as mentioned above, diversity has become a policy goal for financial regulators. In the UK, for instance, the government recognized, in the wake of the crisis, "the need to maintain diversity in the financial services sector (for example, by removing barriers to entry where possible, and ensuring that its rules do not disadvantage mutually owned financial institutions)" (HM Treasury 2010, p. 32). At the European Union level, the Liikanen Report, already mentioned, also devotes to the "necessary" diversity of the European banking industry one full chapter (Liikanen, 2012, ch.3). In a recent paper, Michie has laid out a policy framework geared

towards promoting diversity in the banking industry (Michie, 2011). One way to increase diversity in banking, Michie and others have argued, consists in lowering barriers at entry for non-profit banks and financial organizations.

Once acknowledged as an important issue, banking diversity, however, still remains very much an enigma. First, there is no widely shared or accepted definition of bank diversity: does diversity consist in the existence of a variety of bank ownership types, bank sizes, business models? Much of the economic literature on bank heterogeneity (within either the "bank efficiency" or the "systemic risk" tradition) mostly treats the latter as a two-dimensional issue related to banks' ownership and governance. More recent works (for instance, Michie 2011, and Michie and Oughton, 2013) have made progress by laying out a multi-dimensional approach to banking diversity. However, these recent works have not entirely succeeded in dispelling the persisting uncertainty attached to the contents of diversity. A second problem with banking diversity is methodological, and follows from the previous one: what methods could be used to measure diversity at time t and, perhaps more importantly, the evolution of diversity of time? Again, studies of bank efficiency have established a tradition of incorporating heterogeneity into their analysis, both in parametric and non-parametric methods. But this tradition suffers from an excessively rigid notion of diversity, as pointed out above. A broader, multi-dimensional understanding of bank diversity is therefore required.

This is what Michie and Oughton undertake to do in a 2013 study (Michie and Oughton, 2013), proposing a composite index of banking diversity, including (i) ownership and corporate diversity; (ii) competition; (iii) balance sheet/funding model diversity; (iv) geographic concentration. The indicator has been used in a recent monographic study of British building societies (Casu and Gall, 2016). While Michie and Oughton's multi-dimensional effort is certainly commendable, their methodology suffers, in our opinion, from a decisive flaw in that the weights attributed to each source/dimension of diversity are not specified. The problem lies in the fact that an a priori weighing of "diversity dimensions" is likely to be a futile exercise given the specificity of each (national) context. In addition, and perhaps more importantly, the relative importance (and, therefore, weighting) of each dimension might change over time. This raises a second, broader issue with the methodology adopted by Michie and Oughton: their primary concern is with diversity in banks' behavior. Yet their indicator aggregates measures of behavior with measures of the (independent) variables that may explain such behavior, such as ownership and governance, and with measures of market structure, such as competition.

An alternative empirical strategy has been followed by Ayadi and her colleagues, who have focused on heterogeneity of behavior by constructing bottom-up ideal-types of banking, using clustering analysis (Ayadi et al., 2016). Ayadi's approach suffers from the opposite limitations to those of Michie and Oughton: by deliberately sidestepping structural characteristics, it is not able to measure the (evolving) degree of organizational diversity at the system's level; also, it does not allow us to match (or un-match) organizational behavior with structural characteristics. Yet this is precisely what we should aim to do.

From random behavioral heterogeneity to systematic and structural diversity

One should not confuse behavioral heterogeneity among hundreds of thousands, or even millions, of firms within a national business system, with institutional heterogeneity. Random behavioral heterogeneity does not infirm the IC hypothesis – as pointed out by Boyer recently (Boyer, 2015). This has to do with the way institutions work: institutions do not command a certain behavior on the part of individual agents; they shape individual agents' incentives and constraints and provide a certain number of resources to these same agents, thus orienting individual agents' behavior. Overall, however, institutions will tend to generate specific outcomes related to agents' behavior. But such outcomes appear at the *aggregate* level, and can be attributed to the *average* behavior of agents – not the individual behavior of specific agents. When standard deviations are high we are in the presence of what we may call average behavior heterogeneity. While individual behavior heterogeneity can be seen as noise – random irregularity inevitably attached to real life data, average behavioral heterogeneity might be directly related to the operations of institutions.

Thus, the first step that should be taken in questioning the ICH from the point of view of firms' heterogeneity is to distinguish noise from *significant heterogeneous average behavior*. The latter could be conceptualized as non-random irregularities that (a) produce significant differences in outcome and (b) can be related to agents' structural characteristics. Element (a) refers to the outcomes specifically targeted by institutions in the first place. An example might be the corporate governance orientation of a firm. Within the CC approach many studies distinguish between "shareholder-oriented" governance and "stakeholder-oriented" governance. Certain institutions or institutional configurations induce firms to be more shareholder-oriented; others induce firms to be more stakeholder-oriented. In the first case, not all firms within the economic system might be shareholder-oriented; but a significant part will be – so significant as to characterize the overall outcome as "shareholder-oriented" governance. Significant heterogeneity in average behavior occurs where such outcome is not so clear anymore – the outcome is indeterminate, the average value is meaningless.

Element (b) means that behavioral heterogeneity should not be seen as the sole manifestation of "pure" strategy – i.e. strategy identified, in the case of firms, with the whims of managers. This is where behavior is associated with organizational forms. In accordance with the ecological literature in organization theory, an organizational form can be defined as the ensemble of structural characteristics (legal status, governance structure, formal mission) that allow organizations to belong in specific populations of organizations. In other words, an organizational form "involves abstraction from the uniqueness of individual organizations and typification of commonality." (Hsu and Hannan, 2005, p. 477)

In the context of finance and banking, the relation between behavior and organizational form is, we submit, especially tight. It is tight for legal/institutional reasons: given the specificity of finance and banking, notably their crucial importance for making the payment system work and for insuring effective and efficient financial intermediation, regulations usually target both what financial institutions do and what financial institutions are. For instance, deposit banking is usually

exposed to tighter regulation than non-deposit banking; in the aftermath of the 2007-08 crisis, large banks have been subjected to specific regulation targeting "systemically important financial institutions" in the European case.

Once significant behavioral & structural heterogeneity has been empirically ascertained, the next step consists in questioning the relationship between, on the one hand, such heterogeneity and, on the other hand, the institutions or institutional configurations that were supposed to produce the expected outcome with varying degrees of likelihood. If both (a) and (b) hold, however, it is likely that behavioral heterogeneity has institutional underpinnings. Here there are various possibilities. First, there may be a specific institutional complementarity that generates a multiplicity of simultaneous outcomes; secondly, the institutional complementarity may fail to generate the expected outcome; third, there may be other institutional dynamics out there that are responsible for creating the conditions for such outcome. Before discussing and analyzing these various possibilities (in the next section), the next paragraphs present the state of the social scientific literature around organizational diversity.

Thinking about diversity: from population ecology to neo-institutionalism

Systematic heterogeneity, or organizational diversity, has not been completely ignored in social sciences. In particular, it has been extensively explored in the organizational ecology literature. As Carroll pointed out in an early review of such literature, "organizational variation is an essential precondition of selection" (Carroll, 1984: 74). The same author notes, however, that variation is assumed exogenously in most of Hannan and Freeman's (early) works; while other works, though they may pay attention to the existence of variety, do not explain its production or reproduction over time. Indeed, the existence of variety is both essential and secondary to the theoretical framework proposed by Hannan and Freeman (1977 and 1983), which is entirely aimed at explaining the "structural inertia" of organizations. In other words, despite its insistence to look at the "right" level of analysis, organizational ecology seems paradoxically ill-suited to explain persistent heterogeneity within a population of organizations.

More recent works in this tradition are similarly at pains to account for heterogeneity. For instance, Carroll et al. (2012) find theoretical inconsistency between the "null hypothesis" used in their research on the hard disk drive industry (i.e. the hypothesis that different technological positions are equally viable) and the assumptions of the ex ante theories underlying widespread views of selection and competition (decrease in heterogeneity). Therefore, "in some contexts, an appropriate null model might imply increasing technological heterogeneity over time" (Carroll et al., 2012: 227). Yet others, such as Bottazzi et al. (2010), simply redefine their theoretical ambitions in the presence of firm heterogeneity: they conclude by arguing that selection mechanisms might not be as strong as expected. Similarly, Dosi et al. (2010) find that heterogenous performances among similar firms might have to do with heterogenous productivities, capabilities to innovate and organizational setups – arguably a weaker theoretical point than the one originally made by Hannan and Freeman. Finally, Hoopes et al. found that "competitive heterogeneity", or intra-industry variance in firms' performance, originated in

diverging firm capabilities and the peculiar stage in which an industry finds itself (Hoopes et al., 2003).

This literature, however, offers little insights as to the potential relationships between organizational heterogeneity and organizations' institutional environment. The latter has been, of course, the core concerns of neo-institutional theories in the field of the sociology of organizations; but these theories ended up giving even more emphasis on stasis and homogeneity than the population ecology theories. Indeed, DiMaggio and Powell's (1991) starting point was the observation that organizations show a "striking homogeneity of practices and arrangements" in various fields (DiMaggio and Powell, 1991: 9), such repetitive quality revealing institutional factors at play, according to the two authors.

To sum up, the issue of organizational diversity is raised both by population ecologists and neo-institutionalists. For the former, organizational variety is a condition for evolution to take place; for the latter, organizational diversity is contingent on the life cycle of the organizational field. Lee is right, therefore, to point out that both traditions recognize organizational diversity (Lee, 2012); however, both traditions also view heterogeneity as doomed, either because of institutional isomorphism or because of selection forces leading to structural inertia.

Some attempts have been made, in recent years, to use neo-institutional analysis to theorize heterogeneity instead. According to Beckert (2010), the very mechanisms identified by DiMaggio and Powell at the root of institutional isomorphism (what Beckert calls "power", "attraction" and "mimesis"), together with a fourth mechanism, competition, may all produce either isomorphism *or* heterogeneity and diversity. As Beckert points out, "none of these mechanisms is unequivocal regarding the direction of change" (Beckert, 2010: 152). However, this analysis suffers from an important weakness: although Beckert mostly draws on arguments, analyses and examples from the "cross-societal" political and legal field, he also argues that such analysis is valid equally for the organizational field. This is, however, a far-fetched claim – especially given Beckert's reliance, in that article, on a (comparative) literature that, although supporting the hypothesis of variation across countries, is mostly driven to assume homogeneity within countries. However, Beckert's analysis has the merit to draw the attention away from longitudinal studies of organizations and organizational change towards comparative analyses that are better equipped than the former to deal with the question of cross-system variation in the presence of homogeneization pressures.

A more promising effort to think about organizational diversity, and tie it to institutions, has been made within the "new organizational synthesis" proposed by Haveman and Rao, Schneiberg and others (Haveman and Rao, 1997; Berk and Schneiberg, 2005; Schneiberg et al., 2008; Schneiberg, 2011, 2012). These new approaches emphasize and aim to theoretically explain the possibility of organizational diversity. This point is made very convincingly by Schneiberg (2011) when he undertakes to replace the history of cooperative economic organizations at the heart of US capitalism, pointing out that these cooperative forms were very strong during the "era of corporate consolidation" of the late XIXth – early XXth century in the United States, previously seen as being dominated by large corporations. Seemingly, Haveman and Rao have explored the

variety of logics (and organizational forms) within not-for-profit finance in earl XXth century United States (Haveman and Rao, 1997).

A second achievement of this emergent literature lies in the strong links it establishes between institutional change at the organizational field level and change in the population of organizations. Haveman and Rao talk of "coevolution" of institutions and organizational forms (Haveman and Rao, 1997). Indeed, they see various organizational forms as the embodiment of "institutional logics" strongly tied to the external environment. There is, Haveman and Rao argue, a recursive relationship between institutions and organizations: first, organizations "materialize" (specific) institutions; secondly, (general) institutions legitimize organizations (Haveman and Rao, 1997). In this way, the two authors successfully blend organizational agency or practice with the neo-institutionalist theories of Meyer and Rowan (1977) and DiMaggio and Powell (1983).

However, two important limitations characterize this literature, which thus makes it non suitable to address the questions we have formulated at the outset of this study. First, organizational diversity is conceived as a temporary or transitory stage. This is especially true of the Haveman and Rao study – less of the works by Schneiberg, who is more sensitive to the persistence of not-for-profit (especially cooperative) organizational forms within contemporary capitalism. Secondly, none of these works, exactly like the previous works within organization theory cited above, refers to the macro institutional framework. Yet, as argued above, macro institutional coherence cannot but generate effects on non-random organizational diversity. What are those effects? And how can we think about them?

4. How to go forward? Prevailing logics and degrees of diversity

As seen above, the IC hypothesis does not easily fit with or accommodate organizational diversity – especially organizational diversity in banking and finance. On the other hand, social scientific studies of organizational heterogeneity are not interested in the questions raised by CC studies – and have problems of their own. Yet, given the relevance of organizational diversity in banking (especially, but limitedly, with regard to systemic stability in finance), it would be useful to combine insights from the two literatures, so as to gain an understanding of the macro-institutional underpinnings of organizational diversity; the bases for cross-country differences in diversity; and the conditions for its evolution over time. The rest of this section, therefore, delineates the possible ways to do this.

First, we formulate the hypothesis that **institutional configurations**, regardless of the degree of their cohesiveness, do **support certain logics of action at the system level**; and that **the degree to which one logic prevails depends on the stability of the institutional configuration**. In other words, there will be a prevailing logic if the particular institutional configuration is stable; no prevailing logic if the institutional configuration is undergoing change or crisis.

This first hypothesis is very much in line with works by the French Regulationist School, which, as Boyer has forcefully and consistently argued over the past two decades, promotes an approach equally suited to analyze stability and change in macro-institutional frameworks (Boyer, 2000,

2005 and 2015). It is, therefore, compatible with a flexible view of the IC hypothesis as spelled out by Amable (2016). Indeed, the stability of the institutional configuration is not predicated upon the nature of institutional complementarities. We are not arguing that institutional complementarities are irrelevant; we do accept that a certain degree of order arises, at the system level, as the result of institutional complementarities. We agree with the more recent literature, however, that no specific outcome can be attributed to specific (kinds of) institutional complementarities (see, for instance, the argument developed by Witt and Jackson, 2016).

Secondly, we hypothesize that **prevailing logics always entail stable degrees of organizational diversity**; **but such degrees may vary according to the nature of the prevailing logic**. Importantly, as should be clear from the first hypothesis, we see prevailing logics as not necessarily tied to any specific institutional configuration – or, for that matter, to any specific institutional complementarity. Two opposite examples can be provided by looking at British banking in the 1970s and again in the 2000s. In both cases, a certain logic prevailed: in the 1970s, the prevailing logic was that of banking market segmentation and government control over prices (interest rates); in the 2000s, the prevailing logic was that of de-segmentation and interest rate liberalization. The 1970s prevailing logic was associated with a high degree of organizational diversity in banking, epitomized by the competitive strength of mutual financial institutions such as building societies; in the 2000s, by contrast, the prevailing logic was associated with decreased diversity – and the dominance of large for-profit integrated banking groups. This hypothesis implies that contested logics entail varying degrees of organizational diversity.

Third, we hypothesize that **weak institutional complementarities, regardless of the prevailing logic they are supporting, sustain a greater degree of organizational diversity**. This hypothesis is the logical combination of the IC hypothesis with the neo-institutional theories discussed in section 3 above: weak institutional complementarities do not imply the absence of a prevailing logic: as discussed in recent studies (most notably, Witt and Jackson, 2016; but see also Jackson and Deeg, 2006), the opposite might be true. However, weak institutional complementarities equally provide support for various organizational forms to survive and coexist, weakening isomorphic pressures at field (or population) level. An example might be provided by the French financial system in the 1980s and 1990s. In the midst of tremendous change (especially in banking and financial regulation), the French banking system was characterized by the co-existence of a nationalized banking sector, pro-market financial regulation and the resilience of not-for-profit financial institutions. These weak institutional complementarities provided various organizational forms differential support and legitimacy, thus limiting isomorphism.

Fourth, we formulate the hypothesis that **law and regulation may substitute for institutional complementarities in times of (radical) macro institutional change**. Law and regulation were briefly mentioned in the previous sections; they are mostly ignored, both in the CC literature and in large strands of organization theory. In the first case, this is due to the fact that law and regulation are seen in instrumental terms; as instruments to the working of non-legal institutions. In the second case, the underestimation of law and regulation owes to the fact that the latter are somehow dissolved in organizations' general institutional environment. Yet, as reminded above,

law and regulation are especially important in the financial sector: they effectively circumscribe financial institutions' behavior through limitations on the nature and variety of possible organizational forms. In presence of weak or weakening institutional complementarities, therefore, law and regulation can directly affect organizational diversity, regardless, once again, the existence of a prevailing logic. A good example of this can be given by the 1986 reform of building societies in the UK – a momentous regulatory change that occurred in the midst of radical institutional change and tipped the balance in favor of a dramatic decline in organizational diversity.

Altogether, these four hypotheses delineate a dynamic framework connecting law, institutional complementarities, prevailing logics and organizational diversity. This preliminary framework, while acknowledging the importance of institutional complementarities for organizational diversity, implies (i) the absence of a univocal relationship between the latter two; and (ii) the neutrality of institutional complementarities regarding the degree of organizational diversity.

Conclusion

Institutional complementarities matter for trajectories of national models of capitalism; they also matter for our understanding of evolving "varieties within capitalism" (Butzbach, 2007). In this sense, then, following Amable (2016) and others, one can still conceptualize a more dynamic and flexible version of the IC hypothesis, even against the background of a CC analysis more sensitive than earlier waves of studies to the importance of non-random behavioral diversity within organizations in a given economy. In particular, the preliminary framework delineated above suggests linking this more flexible IC hypothesis with the population ecology and neo-institutional concerns for heterogeneity within field and /or populations of organizations. An especially important element to add to our current understanding of institutional complementarities, in our view, is law. Our understanding of the relationship between legal and non-legal institutions should be improved, especially given the very important role of law and legal institutions in the development of contemporary capitalism (see Hodgson, 2015).

As it stands, however, this preliminary theoretical framework presents two important limitations, which should be address in future works. First, shifting the focus of analysis from individual organizations to system-level organizational diversity may imply a decreased attention paid to agency. Yet, this is precisely what critics of earlier version of the IC hypothesis blamed the hypothesis for: its excessive rigidity and functionalism stifled agency and, in particular, agent's ability to change the institutional framework in which they operated (Peck and Theodore, 2007). A lot has changed since then, and in its current guise the IC hypothesis is much more sensitive to this aspect (see Amable, 2016). Not, however, in the framework proposed above. This may and should be address in the future.

A second major limitation of the suggested framework lies in its ignorance of money. This, however, is arguably a limitation common to many, if not all, CC studies, where money as an institution is conspicuously absent. Yet the monetary institution stands at the center of domestic financial systems; and it is bound to play a role with regard to the degrees of heterogeneity within

finance and banking. May, for instance, crypto currencies entail growing diversity within finance? Does, on the other hand, monetary policy work towards homogeneity? These are important questions that, again, deserve a more complete treatment in the future.

References

Acharya, V.V., & T. Yorulmazer (2007), "Too Many To Fail – An Analysis of Time-Inconsistency in Bank Closure Policies", *Journal of Financial Intermediation*, 16, 1-31.

Amable, B. (2016). Institutional complementarities in the dynamic comparative analysis of capitalism. *Journal of Institutional Economics*, *12*(1), 79-103.

Amable, B. (2003). *The diversity of modern capitalism*. Oxford: Oxford University.

Amable, B. (2000), 'Institutional Complementarity and Diversity of Social Systems of Innovation and Production', *Review of International Political Economy*, **7**(4): 645–687.

Amable, B., Ernst, E., & Palombarini, S. (2005). How do financial markets affect industrial relations: an institutional complementarity approach. *Socio-Economic Review*, *3*(2), 311-330.

Amable, B., & Palombarini, S. (2008). A neorealist approach to institutional change and the diversity of capitalism. *Socio-economic review*, *7*(1), 123-143.

Aoki, M. (2001) Toward a Comparative Institutional Analysis, Cambridge, MIT Press.

Aoki, M. (1994), 'The Contingent Governance of Teams: Analysis of institutional Complementarity', *International Economic Review*, **35**(3): 657–676.

Ayadi, R., De Groen, W. P., Sassi, I., Mathlouthi, W., Rey, H., & Aubry, O. (2016). Banking Business Models Monitor 2015 Europe.

Beckert, J. (2010a). Institutional isomorphism revisited: convergence and divergence in institutional change. *Sociological Theory*, 28, 150-167.

Berger, S. and M. Piore (1980), *Dualism and Discontinuity in Industrial Societies*, Cambridge: Cambridge University Press.

Berk, G. and Schneiberg, M. (2005). Varieties in capitalism, varieties of association: collaborative learning in American industry, 1900-1925. *Politics and Society*, 33, 1, 46-87.

Blyth, M. (1997), "Any More Bright Ideas: The Ideational Turn in Comparative Political Economy", *Comparative Politics*, 29, 229–50

Bottazzi, G., Dosi, G., Jacoby, N., Secchi, A., & Tamagni, F. (2010). Corporate performances and market selection: some comparative evidence. *Industrial and Corporate Change*, 19, 6, 1953-1996.

Boyer, Robert (2015), *Économie Politique des Capitalismes*, Paris: La Découverte.

Boyer, R. (2005). Coherence, diversity, and the evolution of capitalisms—the institutional complementarity hypothesis. *Evolutionary and Institutional Economics Review*, *2*(1), 43-80.

Boyer, R. (2000) "Is a Finance-led Growth Regime a Viable Alternative to Fordism? A Preliminary Analysis", *Economy and Society*, 29:1, 111-145

Campbell, J. L. (2011) 'The US Financial Crisis: Lessons for Theories of Institutional Complementarity', Socio-Economic Review, 9, 211–234.

Campbell, J.L. (2010), "Institutional Reproduction and Change", in Morgan et al. (eds.), *The Oxford Handbook of Comparative Institutional Analysis*, 87-116

Carroll, G.R. (1984). Organizational Ecology. *Annual Review of Sociology*, 10, 71-93.

Carroll, G.R., Harrison, J.R., & McKendrick, D.G. (2012). Selection and variation in organizational evolution. *Industrial and Corporate Change*, 21, 1, 217-243.

Crouch, C. (2010), "Complementarity", in Campbell et al. (eds.), *The Oxford Handbook of Comparative Institutional Analysis*, 117-138

Crouch, C. (2005), "Models of Capitalism", *New Political Economy*, 10:4, 439-456

Deeg, R. and G. Jackson (2007), "Towards a More Dynamic Theory of Capitalist Variety", *Socio-Economic Review 5*, 149–179
DiMaggio, P.J., & Powell, W.W. (1991). Introduction. In P.J. DiMaggio & W.W. Powell (Eds.), *New Institutionalism in Organizational Analysis* (1-38). Chicago: Chicago University Press
DiMaggio, P. J., & Powell, W.W. (1983). The iron cage revisited: institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48, 2, 147-160.
Djelic, M. L. (2010). Institutional Perspectives—Working Towards Coherence or Irreconcilable Diversity?. In *The Oxford handbook of comparative institutional analysis*.
Dosi, G., Lechevalier, S., & Secchi, A. (2010). Introduction: interfirm heterogeneity – nature, sources and consequences for industrial dynamics. *Industrial and Corporate Change*, 19, 6, 1867-1890.
Feldmann, M., & Kuokštis, V. (2017). Currency boards, depoliticization and macroeconomic stability: the political economy of institutional complementarities. *Policy Studies*, *38*(4), 356-374.
Grabher, G. and D. Stark (1997), "Organizing Diversity: Evolutionary Theory, Network Analysis and Postsocialism", *Regional Studies* 31, 533-544.
Haldane, A. G., & May, R.M. (2011), "Systemic risk in banking ecosystems", Nature, 469, 20, 351-355.
Hall, P.A. (2010a), "Historical Institutionalism in Rationalist and Sociological Perspective", in Mahoney and Thelen (eds.), *Explaining Institutional Change*.
Hall, P.A. (2010b), "Politics as a Process Structured in Time and Space", *Unpublished working paper, available at http://scholar.harvard.edu/sites/scholar.iq.harvard.edu/files/hall/files/causallogicsapsa.pdf*
Hall, P.A. and K. Thelen (2009), "Institutional Change in Varieties of Capitalism", *Socio-Economic Review* vol.7, 7–34
Hall, P.A. and D.W.Gingerich (2009), "Varieties of Capitalism and Institutional Complementarities in the Political Economy: An Empirical Analysis", *British Journal of Political Science*, vol. 39 n.3, 449-482
Hall, P. A. and D.W. Gingerich (2004), "Varieties of Capitalism and Institutional Complementarities in the Macroeconomy", *MPIfG Discussion Paper 04/5*, Cologne: Max Planck Institute for the Study of Societies
Hall, P.A. and D. Soskice (2001a),"An Introduction to 'Varieties of Capitalism'", in *Varieties of Capitalism*.
Hall, P.A. and D. Soskice (2001b, eds.), *Varieties of Capitalism*. *The Institutional Foundations of Comparative Advantage*, Oxford: Oxford University Press.
Hall, P. A., & Taylor, R. C. (1996). Political science and the three new institutionalisms. *Political studies*, *44*(5), 936-957.
Hannan, M. T., & Freeman, J. (1984). Structural inertia and change. *American Sociological Review,* 49, 2, 149-164.
Hannan, M. T., & Freeman, J. (1977). The population ecology of organizations. *The American Journal of Sociology*, 82, 5, 929-964.
Haveman, H.A., & Rao, H. (1997). Structuring a theory of moral sentiments: institutional and organizational coevolution in the early thrift industry. *American Journal of Sociology*, 102, 6, 1606-1651.
Hodgson, G. M. (2015). *Conceptualizing capitalism: Institutions, evolution, future*. University of Chicago Press.
Hoopes, D. G., Madsen, T. L., & Walker, G. (2003). Why is there a resource-based view? Towards a theory of competitive heterogeneity. *Strategic Management Journal*, 24, 889-902.

Höpner, M. (2005). What connects industrial relations and corporate governance? Explaining institutional complementarity. *Socio-Economic Review*, *3*(2), 331-358.
Hsu, G., & Hannan, M. T. (2005). Identities, genres, and organizational forms. *Organization Science*, *16*(5), 474-490.
Jackson, G. and R. Deeg (2006), "How Many Varieties of Capitalism? Comparing the Comparative Institutional Analyses of Capitalist Diversity", *Max Planck Institute MPIfG Discussion Paper 06/2*
Jackson, G. and R. Deeg (2008), "From Comparing Capitalism to the Politics of Institutional Change", *Review of International Political Economy*, 15:4, 680–709
Kang, N., & Moon, J. (2011). Institutional complementarity between corporate governance and corporate social responsibility: A comparative institutional analysis of three capitalisms. *Socio-Economic Review*, *10*(1), 85-108.
Kenworthy, L. (2006), "Institutional Coherence and Macroeconomic Performance", *Socio-Economic Review* 4, 69–91
Landini, F. (2012) 'Technology, Property Rights and Organizational Diversity in the Software Industry', Structural Change and Economic Dynamics, 23, 137–150.
Landini, F., & Pagano, U. (2018). Stakeholders' conflicts and corporate assets: an institutional meta-complementarities approach. *Socio-Economic Review* (in press).
Lechevalier, S., Debanes, P., & Shin, W. (2017). Financialization and industrial policies in Japan and Korea: Evolving institutional complementarities and loss of state capabilities. *Structural Change and Economic Dynamics*.
Lee, SH (2012). A study of the form of organizations: towards an integrative framework of population ecology and institutionalism. *International Journal of Business and Management*, 7, 10, 108-115.
Liikanen, A. (2012), *High level expert group on reforming the structure of the EU Banking Sector*, Brussels: European Commission.
Michie, J., & Oughton, C. (2013), "Measuring Diversity in Financial Services Markets: A Diversity Index", *Centre for Financial and Management Studies Discussion Paper Series*, n.113.
Michie, J. (2011), "Promoting Corporate Diversity in the Financial Services Sector", *Policy Studies*, 32, 4, 309-323.
Palier, B., & Thelen, K. (2012). Dualization and institutional complementarities. In P. Emmenegger, S. Häusermann, B. Palier & M. Seeleib-Kaiser (eds.), *The Age of Dualization: The changing face of inequality in deindustrializing societies*, 201.
Peck, J., & Theodore, N. (2007). Variegated capitalism. *Progress in human geography*, *31*(6), 731-772.
Quack, S. and G. Morgan (1999), "Introduction", in Quack, S., G. Morgan and R. Whitley (eds.), *National Capitalisms, Global Competition and Economic Performance*, Amsterdam: John Benjamins Publishing Company
Schneiberg, M. (2012b). Towards a pragmatist social science? Accomplishments and analytic challenges in the empirical study of institutions. *Socio-Economic Review*, 10, 581-604.
Schneiberg, M. (2011). Towards an organizationally diverse American capitalism? Cooperative, mutual and local, state-owned enterprise. *Seattle University Law Review*, 34, 1409-1434.
Schneiberg, M., King, M., & Smith, T. (2008). Social movements and organizational form: Cooperative alternatives to corporations in the American insurance, dairy and grain industries. *American Sociological Review*, 73, 635-667.
Thelen, K. (2010), *"Beyond Comparative Statics: Historical Institutional Approaches to Stability and Change in the Political Economy of Labour", in Morgan et al. (eds.) The Oxford Handbook of Comparative Institutional Analysis*, 41-62

Thelen, K. and S. Steinmo (1992), “Historical Institutionalism in Comparative Politics”, in Steinmo, S., K. Thelen and F. Longstreth (eds.), *Structuring Politics. Historical Institutionalism in Comparative Analysis*, Cambridge: Cambridge University Press.
Witt, M. A., & Jackson, G. (2016). Varieties of Capitalism and institutional comparative advantage: A test and reinterpretation. *Journal of International Business Studies*, *47*(7), 778-806.
Zysman, J. (1983), *Governments, Markets and Growth. Financial Systems and the Politics of Industrial Change*, Ithaca, NY: Cornell University Press.