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RESEARCH ARTICLE

Capitalist diversity or unevenness? Uneven and combined development, growth models and the crisis in the eurozone periphery

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The ‘unevenness’ of European capitalism has been well established by Comparative Political Economy (CPE) as central to the origins of the eurozone crisis. The influential ‘growth models’ perspective has shown how the integration of export-led models in the ‘core’ with demand-led models in the periphery has led to the build-up of destructive current and capital account imbalances. However, CPE approaches are limited by their methodological nationalism, which stands in their way of adequately theorising the international dimensions of the crisis. In contrast, recent scholarship on Uneven and Combined Development (U&CD) and the global financial crash is more suited to overcome methodological nationalism, but existing contributions are let down by their lack of mid-range International Political Economy (IPE) concepts and their limited engagement with CPE. The main contribution of this article is to develop a new account of the origins of the eurozone crisis in Portugal and Ireland, by developing a framework that synthesises recent U&CD scholarship on the eurozone crisis and new developments in CPE, namely, the growth models perspective (GMP). This article shows how the GMP provides U&CD with two key mid-range analytical tools, namely the notion of the ‘dominant growth coalition’ (DGC), and a wider conception of European multiplicity. The DGC concept makes it possible for U&CD analysis to account for peripheral politics, while also recognising the wider multiplicity beyond relations of core-periphery dependency. In turn, U&CD makes it possible for the GMP to take the international more seriously in its analysis of the political economy of capitalist diversity.

Key words uneven and combined development • growth models • eurozone crisis • Portugal • Ireland

Key messages
- Contributes a new U&CD understanding of the eurozone crisis.
- Theorises the crisis in Portugal and Ireland in a way that avoids problems of internalism and externalism.
- Develops a new theoretical framework by bringing U&CD and the growth models perspective (GMP) into dialogue.
Introduction

With some notable and important exceptions (Bieler and Morton, 2018; Antunes de Oliveira, 2021; Germann, 2021), very little has been written from the perspective of Uneven and Combined Development (U&CD) on the causes and consequences of the eurozone crisis. This is surprising, given how the perils of integrating multiple, diverse models of European capitalism are widely acknowledged as central to its outbreak. Scholarship from Comparative Political Economy (CPE) (Hall, 2014; 2018; Johnston and Regan, 2016) and critical political economy (Lapavitsas et al, 2012; Ebenau et al, 2015; Bruff, 2021) has shown how, in different ways, under monetary union, economies in the eurozone core were set up to prosper, while peripheral economies struggled, leading to the build-up of toxic imbalances. For CPE, capitalist diversity, or unevenness, is fundamental to the causes and the ongoing consequences of the eurozone crisis.

However, CPE approaches have theorised the unevenness of European capitalism in often problematic ways. On the one hand, it is a set of comparative approaches that are methodologically nationalist by design. On the other, existing accounts tend to reproduce two persistent and problematic narratives. The first is a story about peripheral institutional shortcomings. Countries including Greece, Ireland and Portugal exhibit path-dependent, institutional set-ups which leave them prone to falling competitiveness, fragile public finances and inadequate regulation (see Dooley, 2019a: 2). The second typically emphasises the ways in which the growth strategies of Germany and other countries, combined with the novel institutional architecture of the euro, locked the eurozone periphery into precarious, uncompetitive and debt-led patterns of growth. Both stories are reproduced within CPE scholarship (see Hall, 2014).

These two explanations present a dichotomy between internalist and externalist causes of the crisis; the periphery either failed to adequately reform itself into ‘mature’ development, or found its mature development thwarted by the European core. The first tendency draws upon problematic assumptions of methodological nationalism and unilinear development, whereas the latter downplays peripheral politics, reducing their growth trajectories to a function of the interests of Germany and other powerful European economies (Dooley, 2019a: 2).

This article argues that U&CD is in a privileged position to overcome such shortcomings within existing CPE scholarship. However, to do this, U&CD needs to overcome two of its own shortcomings, namely its lack of mid-range International Political Economy (IPE) concepts and its limited engagement with CPE. The main contribution of this article is to develop a new account of the origins of the crisis in the eurozone periphery by developing a framework that synthesises recent U&CD scholarship on the eurozone crisis and new developments in CPE, that is, the growth models perspective (Baccarro et al, 2022).

To show the potential of this framework, I focus on the critical cases of Ireland and Portugal. Along with Greece, Spain and Cyprus, Portugal and Ireland were among the
hardest hit by the eurozone crisis, each compelled to seek emergency bailouts from the International Monetary Fund, the European Union and the European Central Bank (IMF-EU-ECB). Ireland and Portugal have been selected as they represent two very different crises and are examples of intra-periphery unevenness. While Ireland exhibited, prima facie, sound public finances and overheated GDP growth during the 2000s, Portugal struggled with public debt, fiscal deficits and stagnating growth during the same period. I propose that the framework developed here can explain both dissimilar crises.

For each case I trace the development of precarious growth models to three specific dynamics of U&CD: China’s export surge, multiple post-Fordist transformations and European integration. Attempts at late industrialisation gave rise to different powerful business elites in Portugal and Ireland respectively, protected private industrialists in the former, and a combination of foreign capital and domestic property developers in the latter. These different business elites interacted with these three dynamics of world unevenness in very different ways, driving two distinctive, but equally fragile combined growth models; debt-and-export-led growth in Ireland and semi-protectionism in Portugal.

This article comprises three sections. First, I critically engage with the emerging literature on U&CD and the eurozone crisis. Second, I introduce the CPE literature on ‘growth models’, and show that it contains useful mid-level analytical tools which can be combined fruitfully with a U&CD approach to develop this article’s analytical framework. The final section applies the framework to the cases of Portugal and Ireland.

**U&CD and the eurozone crisis**

The idea of U&CD first appeared in the writings of Leon Trotsky. Through the seminal work of Justin Rosenberg (see 2006 and 2016 especially) and others (e.g., Matin, 2013; Anievas and Nişancıoğlu, 2015; Anievas and Matin, 2016), it has experienced something of a rebirth in the past two decades. U&CD begins with a simple observation. The human world is made up of numerous co-existing (multiplicity) and diverse (unevenness) societies (Rosenberg, 2016). From this simple observation stems a more radical causal claim, namely that the development of any society is always and necessarily co-constituted by the fact that multiple societies exist, and that societies interact with each other (combination). Late-industrialising societies are compelled to follow after first movers and are subject to a ‘whip of external necessity’ to catch up ‘on pain of losing their independence’ (Rosenberg and Boyle, 2019: 37). Yet late-industrialising societies are also presented with an opportunity arising from the fact of multiplicity, or a ‘privilege of backwardness’. They can skip over the steps of development that first movers had to slog through. The result for the late-industrialising society is ‘combined development’, an accelerated form of historical change that results in an amalgamation of old and new social forms (Rosenberg, 2016). This section critically engages with emerging U&CD literature on the eurozone crisis. I show that although the nascent literature opens new and valuable ways to understand the origins of the eurozone crisis, it is nevertheless constrained by two key shortcomings, namely, its importation of mid-range concepts from a version of dependency theory and its neglect of peripheral politics.
Core-periphery analysis and dependent industrialisation

Four analytical steps of a U&CD approach can be distilled from existing U&CD literature which analyses the eurozone and global financial crises (see Serfati, 2016; Bieler and Morton, 2018; Rosenberg and Boyle, 2019; Antunes de Oliveira, 2021; Germann, 2021). First, U&CD approaches begin by mapping the historically specific conjuncture of world unevenness and combination that gave rise to the eurozone crisis. From the late 1970s, China’s much delayed but unprecedented industrialisation (A’Zami and Liu, 2022) coincided with neoliberal restructuring and trade liberalisation in the West, as Rosenberg (2021) puts it, multiplying the ‘big country’ effects of China’s industrialisation. This had at least two consequences: it ‘produced a major “trade shock” that hastened the decline of manufacturing employment’ in the West, and China’s growing dollar reserves, reinvested as capital lending in the US, contributed to the expansion of private credit, thereby playing a direct role in the 2008 subprime mortgage crisis (Rosenberg, 2021).

The second step involves a shift in the level of analysis, to situate these wider conditions into the ‘narrower’ context of European integration and Economic and Monetary Union (EMU) (Bieler and Morton, 2018: 218–19). From the moment of EEC/EC accession, the European periphery found themselves joining a new ‘transnational integration regime’ (Bruszt and Langbein, 2020) with rules around trade liberalisation and competition that removed crucial ‘protectionist’ tools. A process of ‘dependent industrialisation’ ensued, whereby the economies of the European periphery became ‘locked into heightened relations of uneven and combined development’ (Bieler and Morton, 2018: 229), trapped with ‘forms of industry based on low-level technology; a division of labour where labour productivity is kept low and highly skilled labour is reproduced in the countries elsewhere in and beyond Europe’ (2018: 230). Put simply, peripheral development ‘was sub-ordinated to requirements of the European political economy’ (Serfati, 2016; Bieler and Morton, 2018: 230).

Step three connects this pre-history to dynamics of core-periphery dependency taking place during the EMU period. Bieler and Morton (2018) and Serfati (2016) critically draw on the so-called ‘post-Keynesian’ or ‘core-periphery’ analysis of Lapavitsas et al (2012) and others to show how the unevenness of eurozone capitalism is characterised by trade surplus countries in the core, and trade deficit countries in the periphery. EMU integrated core and peripheral member states in such a way that favoured the export-led, low-wage economies like Germany, and was ill-suited for the demand-led models of the periphery. Trade surplus countries need trade deficit countries, and as Bieler and Morton show (2018: 225, 226), the eurozone periphery accounts for a large percentage of Germany’s trade surplus. Germany, in turn, recycled its trade surplus as Foreign Direct Investment (FDI) and bank lending to the periphery, which fuelled their indebtedness.

Finally, increasing peripheral indebtedness and demand-led growth during the period of euro-membership coincided with China joining the World Trade Organization (WTO) in 2001 and Central and Eastern European countries (CEECs) joining the EU from 2004. These developments created yet more competitive pressures for peripheral manufacturing sectors. Thus, the EU and the euro trapped the countries of the European periphery – ‘stuck in initial specialization, dependent upon foreign capital – including loans by core countries banks’ (Serfati, 2016). The U&CD account can be summed up in a single sentence: EU integration ‘locked in’ unevenness and peripheral dependency, to the benefit of the core.
Mid-range concepts within U&CD

The aforementioned articulation of U&CD is empirically intuitive and theoretically attractive and is drawn on heavily by this article. However, there is scope to realise the potential of U&CD more fully. As Antunes de Oliveira sharply identifies, existing U&CD-IPE research tends to lack mid-range, operational, policy-oriented concepts which can be applied to specific case studies such as the eurozone crisis. Practically, this means in the absence of mid-range tools, existing accounts have relied on other IPE theories to guide the case study analysis, and this has the effect of somewhat diluting the abstract claims of interactivity and multiplicity. In particular, existing U&CD accounts of the eurozone crisis draw on dependency-type assumptions. While such relations are an important part of the story, a more dialectical approach would imply that the fact of political multiplicity was always going to lead to divergent patterns of development and that a core-periphery dependency dynamic is not necessarily required to explain patterns of uneven development. In other words, we don’t necessarily need a story of being ‘locked in’ or of being ‘taken advantage of’ by the core to tell a story about the limitations of late developing economies trying to develop export-led patterns of growth.

Indeed, as I show elsewhere (Dooley, 2019b), it is unlikely that the relatively small economies of Greece, Portugal and Ireland could have acted as major sources of Germany’s trade surplus, and it is even less conceivable that Germany required the underdevelopment of these countries for its own growth prior to 2009. These three countries made up only 3.03 per cent of Germany’s average trade surplus from 2003 to 2007, and this even includes a German trade deficit with Ireland. Furthermore, although core countries such as Germany did lend heavily to the eurozone periphery, for neither Portugal nor Ireland was Germany the most important lender during the period 2005–2009 (Dooley, 2019b: 73–6). It is similarly uncertain whether European integration ‘underdeveloped’ peripheral European countries, or whether it simply failed to generate an upgrading of their respective manufacturing bases: two very different claims. EU accession certainly created severe challenges for domestic manufacturing in these countries, but it did not have an inevitable, homogenous, or purely ‘external’ impact.

Second, importing core-periphery analysis into U&CD narrowly conceptualises multiplicity and downplays the analytical role of politics. As such, recent scholarship has not yet contributed detailed analysis of the politics of peripheral policymakers, class actors and class fractions in navigating their own unevenness, their own interactions with the outside world and crafting their own responses to the whip of external necessity and privilege of backwardness. In sum, what is required then is a U&CD approach equipped with different mid-level concepts that can better connect the abstract claims to the empirical case study research, in a way that jettisons certain assumptions of dependency and reinjects a focus on the distinctive histories of Portugal, Ireland and other peripheral countries. In the next section, I show how an engagement with CPE can provide the tools to do exactly this.

Theoretical approach: combining U&CD and CPE

I first show that recent U&CD approaches have exhibited a somewhat limited engagement with more recent CPE literature, overlooking so-called ‘growth models’
perspectives (GMP) (see especially Baccaro et al, 2022). I then demonstrate how the GMP provides two useful mid-range conceptual tools for U&CD, making it possible to contribute an analytical framework that takes both the politics of peripheral capitalism, and the consequences of multiplicity, more seriously.

The growth models perspective

Germann (2021), Antunes de Oliveira (2021) and Bieler and Morton (2018) each contribute important critiques of CPE as a step towards developing their own U&CD theoretical frameworks. Criticisms are levelled against specific versions of CPE, namely, first- and second-generation Varieties of Capitalism (VoC) approaches (Hancké, 2013; Hall, 2014; Johnston and Regan, 2016). While the empirical detail VoC provides is typically praised, it comes at an ‘intellectual cost’ (Germann, 2021: 39). Namely, VoC is ahistorical, neglects the role of politics, is too deductive and methodologically nationalist (Bieler and Morton, 2018: 212; Germann, 2021: 38).

These criticisms of VoC are important and valid, but notably absent from the previously mentioned reviews are ‘demand-side’ CPE approaches (see Amable and Palombarini, 2009; Baccarro and Pontusson, 2016; 2019; Baccaro et al, 2022). The GMP typically begins with the observation that growing dysfunctions within Fordism led to the demise of wage-led growth across European economies from the 1970s onwards. In the post-Fordist era, advanced capitalist countries followed different, often unstable, strategies to replace the ‘faltering wage driver’ (Baccaro et al, 2022: 33–5). Influenced by the regulation school and post-Keynesian macroeconomics, the GMP emerged as a corrective to VoC and differs from it in at least three key respects. First, whereas for VoC, economic output is determined by the supply-side, ‘growth models are pinned down by the relative contribution of different components of aggregate demand’ (Hope and Soskice, 2016), such as German export-led growth, or UK consumption-led growth. It’s also possible to have a ‘balanced’ export and consumption-led model as in Sweden, stagnant growth as in Italy, or peripheral growth models dependent on occupying niche positions within global value and wealth chains, such as in Ireland’s FDI-led growth (Baccaro et al, 2022: 41–2). Crucially, growth models are more numerous and more unstable than the ideal types within VoC (Streeck, 2016).

Second, politics matters. Baccaro, Blyth and Pontusson (2022) contribute the concept of DGCs, coalitions of organised producer group interests, to elected and unelected political elites. The different sectors, classes and political elites in a DGC are united behind a common macroeconomic policy agenda known as a ‘policy paradigm’ (Baccaro et al, 2022: 54–5). DGCs are hierarchical, led by and in the interests of dominant business elites who can influence public policy in a way that benefits their sector, even to the detriment of other sectors (Baccaro and Pontusson, 2019). Dominant business elites have structural power to influence policymakers through their contribution to economic growth, to employment, through lobbying, and through claims to act in the ‘national interest’ (Baccaro et al, 2022). This structural power, which in turn can differ in strength across time and place, provides dominant business elites with a corresponding degree of agency, in the sense that policymakers will attempt to secure their interests at the same time as they navigate the impact of the international. Subordinate social groups such as labour and capitalists from different sectors may be either bought-off, integrated (brought in), or marginalised, and
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may lose out on the direction that the growth model is being steered in (see Hopkin and Voss, 2022: 568).

Third, the GMP has begun the attempt to bridge CPE and IPE (Baccarro et al, 2022: 44). Two aspects of this are relevant to this article. First, it recognises that growth models with greater capabilities can determine ‘the structure and payoffs to the system overall’ and models with less capabilities can find paths to growth closed off by their specific location within that system, e.g., countries at the lower and top ends of global supply chains (Baccarro et al, 2022: 46–7). Second, individual growth models will face balance of payments constraints, but some countries (e.g., the US and the UK) have greater monetary power to ease these constraints than others (Baccarro et al, 2022: 47). This still-emerging strand of GMP scholarship represents the potential of a more fruitful dialogue between U&CD and CPE than has been attempted to date.

As such, the GMP is more than capable of acting as a theory of change, is methodologically capable of avoiding reverting to ‘ideal types’, and foreground politics and social conflict in their analysis. Nevertheless, grounded as it is within CPE, the GMP is only beginning to address its own methodological nationalism. I outline in the next section how a dialogue between U&CD and growth models can contribute a new framework that overcomes the limits of both.

Analytical framework

As Rosenberg et al (2022) advise, U&CD analysis should first start with unevenness, ‘specifying the differential actors, histories, capacities, viewpoints and social forces involved in a given situation’ (Rosenberg et al, 2022: 5). Second, U&CD looks at how these different variables of unevenness combine with each other to ‘produce new causal logics’. Finally, U&CD traces ‘the operation of these logics to see how far they explain the particular developments (or outcomes) we are trying to understand’ (Rosenberg et al, 2022: 5). The case studies in section three will follow this broad framework. Here I outline how the GMP can provide the necessary mid-range conceptual tools to guide U&CD analysis of the specific cases of Portugal and Ireland.

As outlined earlier, the first analytical step is to trace the relevant conjuncture of unevenness. Trotsky’s original formulation focused on early and late industrialisers in the context of the spread of capitalist industrialisation during the 19th and 20th centuries. Recent U&CD scholarship (especially Germann, 2021 and Antunes de Oliveira, 2021) argues that, in the late 20th and 21st centuries when most countries are already industrialised, capitalist development takes place in a context of ‘advanced unevenness’. Even if we assume that every country has gone through their own industrial revolution, we know that this has resulted in multiple and different types of capitalism, and this specific configuration of unevenness has consequences for the development of any specific growth model that we would miss if we only focused on one’s internal development (Germann, 2021).

Building on Rosenberg and Boyle (2019), for this article, the relevant conjuncture of advanced unevenness is the pre-crisis period between 1986 and 2008, characterised by the collapse of Fordism, China’s delayed industrialisation and the completion of the EU Single Market and Economic and Monetary Union (EMU). As shown, existing U&CD analysis of the eurozone crisis has already identified all three as relevant. However, European unevenness tends to be narrowly conceived as the hierarchical
divide between core and periphery. This article differs by drawing on the GMP, recognising that post-Fordist transformations have resulted in a wider and more diverse terrain of unevenness. European capitalism is divided into debt-led models, which are in turn sub-divided by the degree of their balance of payments constraint, export-led models, sub-divided by the sectoral composition of their exports and position in supply chains, FDI-led models, niche peripheral models, stagnant and balanced models (see Blyth et al, 2022). Drawing on the GMP in this way makes it possible to claim that Portugal and Ireland’s pre-crisis combined development is shaped not only by core export-led models, but more broadly by this wider terrain of multiplicity.

The second step is to trace the causal logics of combination. To start, it is important to recognise that while national governments may wish to support public policy that benefits their own dominant business elites, nevertheless as Germann puts it, ‘states may find their own policy choices foreclosed by the decisions of other’ growth models external to their own borders (Germann, 2021: 47). For U&CD, the first causal mechanism of combination is ‘the whip of external necessity’, which is defined by David Blagden (Rosenberg et al, 2022) as an ‘existential imperative to emulate more advanced centres’ productive modes, lest such leaders coerce/destroy developmental laggards’ (Rosenberg et al, 2022). The second causal mechanism is the ‘privilege of backwardness’, where the emulation of early developers allows late industrialisers to progress ‘straight from A to an emulated C rather than moving through the slow and costly development of intermediate stage B’ (Germann, 2021: 41).

For the cases of Portugal and Ireland, it is expected that European integration would compel these two countries to emulate features of advanced capitalist countries (ACCs) in preparation for the Single Market and the euro, and that this would create constraints (e.g., less protectionism, less fiscal and monetary autonomy) as well as opportunities (e.g., access to cheap finance, integration into new supply and wealth chains) resulting in hybrid forms of development. Overlapping with this, the collapse of Fordism would be expected to restructure European capitalism into multiple and diverse growth models. This new multiplicity would have consequences for Portugal and Ireland’s development along, but also beyond, the lines suggested by core-periphery analysis. Third, it would be expected that China’s late industrialisation would close off certain strategies of export-led growth for European growth models, especially those premised upon cost-competitive manufacturing, while opening new commercial opportunities for other export-led models, as in the case of Germany.

The third step involves analysing the causal logic of the aforementioned three variables of unevenness in combining with the development of Portugal and Ireland’s pre-crisis growth models by drawing on the central concept of the DGC from Baccarro, Blyth and Pontusson (2022). DGC can add value as a mid-range concept to U&CD because it makes it possible to study how national policymakers and dominant business elites navigated the aforementioned three vectors of unevenness as they attempted to steer national growth models in directions which benefited the relatively powerful fractions of capital operating within their borders. National policymakers’ attempts to balance the interests of dominant business elites within the DGC, while responding to the constraints and opportunities of advanced unevenness, results in hybrid forms of development in Portugal and Ireland that cannot be reduced to either the domestic or systemic level alone.

In sum, the GMP can contribute two key mid-range concepts to the U&CD framework. First, the dominant growth coalitions concept allows us to pay greater
attention to the class politics of Portugal and Ireland’s combined development as they navigated a specific historical conjuncture of unevenness. Second, outlining the wider multiplicity of post-Fordist growth models in Europe makes it possible to trace the causal role of a wider terrain of unevenness in Portugal and Ireland’s crisis in a way that moves beyond relations of core-periphery dependency.

The uneven and combined development of Portugal and Ireland’s crisis

This section applies the preceding U&CD-CPE framework to explain the origins of the eurozone crisis in Portugal and Ireland. It begins with unevenness. Building on Rosenberg and Boyle (2019), three major and intersecting world-historic transformations are relevant to the unevenness of the period 1986–2008. Second, it traces the historical evolution of Portugal and Ireland’s growth models, highlighting the emergence of different dominant growth coalitions. Finally, it shows how the three vectors of unevenness, occurring simultaneously, combined with Portugal and Ireland’s specific growth models, and led to their respective crises.

Advanced unevenness in the pre-crisis conjuncture

First, China’s much delayed but unprecedented industrialisation profoundly shaped the unevenness of the pre-crisis conjuncture (Rosenberg and Boyle, 2019). During the period from the 1980s to the 2000s, China’s export surge was driven in part by its ‘privileges of backwardness’, its rapid ‘activation’ of an ‘enormous reservoir of healthy [and highly competitive] educated labour’ and its ability to ‘skip stages’ by importing advanced managerial skills and technologies (Rosenberg and Boyle, 2019: 39–40). But the specific timing of China’s industrialisation, coinciding with the digital revolution and the liberalisation of the global economy, turbocharged the size and scope of China’s take-off (Rosenberg and Boyle, 2019: 41). Two major consequences of China’s delayed but ‘supercharged’ industrialisation are noted here. First, the transfer of manufacturing industry from the Global North to the Global South hastened deindustrialisation in ACCs, especially once China acceded to the WTO in 2001 (Rosenberg and Boyle, 2019: 44). Second, it accelerated the rise of global value chains, as ACCs became increasingly ‘post-industrial’ (Rosenberg and Boyle, 2019: 39, 46). Both consequences, as I will show, had clear impacts on the possibilities of specific strategies of export-led growth in the eurozone periphery.

Second, following the crisis of Fordism, advanced capitalist countries were undergoing neoliberal transformations at the same moment as China’s industrialisation (Rosenberg and Boyle, 2019). It goes without saying that there is a mountain of literature contesting the term ‘neoliberalism’. For the purposes of this article, I follow Rosenberg and Boyle (2019) who describe this transformation as comprising the following developments: fiscal contraction, the undermining of organised labour, the liberalisation of capital flows and the offshoring of manufacturing from the Global North, leading to the rise of global supply chains and partial de-industrialisation in Europe (Rosenberg and Boyle, 2019: 39). These processes combined with and were partially facilitated by a revolution in ICT (Rosenberg and Boyle, 2019: 39).

Existing U&CD scholarship recognises this transformation, focusing on a core-periphery divide in Europe. However, the unevenness resulting from the crisis of Fordism is much more diverse. The GMP identifies a wide array of different solutions
to the problem of maintaining capitalist growth following declining wage-led growth. First, countries including the UK (Crouch, 2009; Hay, 2011), Spain (Clúa-Losada, 2018) and others (Dooley, 2019a) followed demand and/or debt-led growth models. Relatively high growth rates in the 1990s and 2000s were associated with a declining wage share in aggregate demand and an increased rentier income share in aggregate demand (Onaran et al, 2011: 638). This was associated with construction booms in the US and Spain, the growing power of banking and finance (especially in the City of London) and the decline of manufacturing (Lavery et al, 2019). For debt-led models, growth also tended to be associated with a balance of payments constraint, reflecting increased private indebtedness, declining exports and increased imports (Buendía, 2018: 57). Yet this constraint did not impact all countries equally, and different levels of monetary power play a key role here (notably in the case of the US, see Baccarro et al, 2022: 48). Debt-led growth is only sustainable if the current account constraint can be relaxed, as was the case in Ireland and Portugal during the 2000s when lenders were temporarily willing to treat all eurozone debt as of equal risk (Baccarro et al, 2022: 52).

Second, countries including Germany followed export-led growth models. The growth of net-exports is traded off against sluggish domestic consumption, via excessive wage restraint and low inflation (Baccaro and Pontusson, 2016: 191). As is well recognised by existing core-periphery scholarship, throughout the 2000s, other European ACCs struggled to compete with Germany’s low unit labour costs, and Germany’s current account surplus translated into high levels of capital lending to the rest of Europe, contributing to private and public indebtedness across specific countries in the eurozone (Lapavitsas et al, 2012). Yet, the GMP recognises different kinds of export-led growth within Europe. It matters which hierarchical position an economy finds itself occupying within global supply chains, for instance, the integration of CEECs into German-controlled supply chains. The specific sectors a country specialises in also matters for foreign demand for exports. Countries can specialise in exports that are relatively price-sensitive or insensitive, with different implications for their feasibility in specific historical conjunctures.

Finally, beyond the different kinds of demand and export-led models outlined earlier, other growth models exist in Europe. Countries such as Ireland and Hungary have been described as FDI-led, and a range of niche peripheral growth strategies, as well as stagnant growth models have also been posited (Baccarro et al, 2022). Intra-ACC unevenness in Europe is thus considerably more diverse than a divide between core and periphery. For Portugal and Ireland, the consequences of this pattern of unevenness are expected to be as follows. As recognised by core-periphery analysis, strategies of price-sensitive, export-led growth will be difficult because of Germany’s excessive competitiveness. Debt-led growth in the periphery will in turn be financed by capital lending from the core. Yet in addition, the integration of CEECs into German supply chains further challenges price-sensitive export-led growth in Portugal but does not have the same impact on Ireland’s exporting of ICT services and pharmaceuticals. In turn, as will be seen, Ireland’s successful niche strategy of FDI-led growth constrains that same niche opening up to other peripheral growth models.

The final and overlapping feature of this world-historic conjuncture is the so-called ‘re-launch’ of European integration, beginning with the Single European Act in 1986 and culminating with the ‘completion’ of the Single Market in 1993 and the introduction of the euro in 1999. Three major aspects of this project are relevant
The first are the Maastricht criteria, which contributed to rising exchange rates for some, privatisations to meet public finance targets, a commitment to deflationary policy and to a declining share of public spending in aggregate demand. Second, member states were required to abolish tariffs, eliminate non-tariff barriers, delegate regulatory authority to the supranational level and eliminate various other protectionist mechanisms (Bruszt and Lanbein, 2020: 298). In addition, once joining the euro, member states also lost the power to regain competitiveness via currency devaluation. Finally, and related, European financial integration and EMU greatly liberalised and deregulated finance and banking across Europe (Dooley, 2019a). The consequences of this final feature are that ACCs were subject to the twin pressures of declining protectionism and intensifying financialisation through their participation in European integration.

Portugal and Ireland’s late industrialisations

Before analysing how these three features of advanced unevenness interacted with Portugal and Ireland’s growth models, their respective growth models and dominant growth coalitions must first be established, prior to their interaction with the aforementioned features of advanced unevenness. To begin, while Western Europe enjoyed the so-called ‘golden age’ of capitalism, countries in what would become the ‘eurozone periphery’ spent the 20th century trying to catch up with their industrialised neighbours. By independence in 1922, the 26 counties of the new Irish Free State were severely deindustrialised, with an industrial labour force of only about 100,000, accounting for only 10 per cent of total employment in 1926 (O’Malley, 1981: 34). By the early 20th century, approximately 60 per cent of Portugal’s workforce was employed in the primary sector (Amaral, 2019: 45).

For Ireland, the first attempts to industrialise began in the 1930s. The newly elected Fianna Fáil government introduced tariffs against British imports and import substitution industrialisation (ISI) (Ó Gráda and O’Rourke, 2022). Obstacles were put in place for foreign enterprises, and new state-owned companies were set up (Bielenberg and Ryan, 2016: 13–14). Irish ISI was a failure. As protected industry relied heavily on imported inputs and because it was directed towards the very small home market, the small potential of domestic demand acted as a ceiling for this growth strategy, and a re-orientation to a free-trade regime followed (Bielenberg and Ryan, 2016: 76).

For Portugal, the 1930s were marked by Olivier Salazar’s rise to dictator (Costa et al, 2016: 300–1). The authoritarian Estado Novo regime also pursued ISI as a strategy of late industrialisation largely in light industry (Schwartz and Etchemendy, 2014). An important consequence of this period is the consolidation of a newly powerful class of private indigenous industrial capital in Portugal, with strong links to the authoritarian Salazar state. These state-supported industrialists, often referred to as the ‘seven families’, developed manufacturing via inputs of raw materials from Portuguese colonies (Marques, 2015: 1018; Etchemendy, 2011: 278).

In Ireland, the ending of protectionist policies between the 1950s and 1970s had severe consequences for indigenous industry with 44 per cent of firms closing (Lains, 2003: 672). This pattern of ‘creative destruction’ lasted right up until the mid-1990s. Simultaneously, Irish governments introduced grants and tax concessions to encourage
exporters and dismantled protectionist barriers (Kirby, 2010: 20). The Industrial Development Authority (IDA) became a key (semi-state) agency and played a ‘hunter-gatherer’ role in attracting US FDI (O’Hearn, 1998; Ó Riain, 2014; Kirby, 2010: 20). Crucially, the IDA identified electronics as a key sector in 1974 and secured significant investment in that area (O’Hearn, 1998: 40).

Portugal was slower to move away from protectionism. In the 1950s and 1960s, the Estado Novo did pursue free-trade policies, but retained various protections and concessions for favoured industrialists (Costa et al, 2016: 308). This ‘semi-protectionist’ growth strategy allowed Portugal to intensify industrialisation, gain new export markets in Europe and impressive growth rates, while still protecting those state-supported industries. The strategy also led to a concentration of wealth in the hands of, and the growing power of, industrialists in protected sectors (Costa et al, 2016: 310, 330–1). Although many of these firms were nationalised following the 1974 revolution, the election of the centre-right Partido Social Democata-led (PSD) government in the 1980s began to reverse these privatisations in the context of preparing for the 1986 EEC accession, ensuring the ongoing influence of protected, albeit somewhat reconfigured, companies on the eve of European relaunch (Etchemendy, 2011: 279).

A key difference between Portugal and Ireland’s pre-existing growth models and dominant growth coalitions is important here. First, while Portuguese ISI aimed to protect and advance the interests of powerful private enterprises, Irish ISI was short-lived, primarily state-owned and partially aimed at diluting the influence of existing powerful (predominantly British) business capitalists (Bielenberg and Ryan, 2016: 75). As such, Ireland did not join the EEC with a DGC led by a powerful, indigenous industrial class representing price-sensitive manufacturing sectors, whereas Portugal did.

**Combination: debt-and-export-led growth and semi-protectionism**

China’s export surge, the uneven neoliberal transition of ACC economies and the introduction of both the EU Single Market and the euro combined with Portugal and Ireland’s respective growth models in very different, but similarly precarious ways during the 1986–2008 conjuncture. Ireland joined the EEC in 1973. Business elites associated with Irish ISI were unable to block Ireland’s trade liberalisation. Irish ISI was a failure in terms of both growth and employment, removing two key aspects of structural power that indigenous firms could use to influence government (Murphy, 1997: 59). As such, between 1972 and 1987, manufacturing employment declined in Ireland, while FDI firms, mainly from the US, gradually replaced former ISI firms (Li et al, 2007: 5).

The emergence of various post-Fordist regimes impacted Ireland primarily via its integration into US global supply and wealth chains. The failure of ISI allowed Ireland to take advantage of a privilege of backwardness, importing a new capitalist class centred around emerging, relatively price-insensitive sectors including ICT and pharmaceuticals, mainly from the US, without effective opposition from the previously protected capitalist class. O’Hearn also notes that Ireland was able to attract new waves of ICT investment in the late 1980s because ICT investments tend to cluster together, and Ireland was one of the only European states that already had a degree of agglomeration (O’Hearn, 2000: 8). From 1980 to 2000 Ireland attracted 40 per cent
of US electronics FDI that went to Europe (Ó Riain, 2014: 52). Ireland specialised in manufacturing sectors which were well-suited to benefit from the liberalising of global trade, the completion of the EU Single Market and the emergence of global value chains.

Yet, while EU integration was crucial to Ireland’s niche strategy of FDI-led growth, EU financial integration led to a more damaging, parallel trajectory of growth. Fianna Fáil-led governments between 1997 and 2008 were, as Bohle and Regan argue, ‘historically anchored’ within domestic non-exporting business sectors, primarily property development and banking, and their public policy during the bubble period was influenced by their close links to these interests (2021: 32–3). In turn, these domestic business elites were empowered by specific dynamics of European integration which spurred a more competitive, deregulated and liberalised banking environment in Ireland. New entrants to the Irish market, falling interest rates and the introduction of the euro drove excessive borrowing by Irish banks from the UK, Germany and others (Dooley 2019a), fuelling a destructive property bubble. Both export-led models and demand-led models with softer balance of payments constraints were particularly important to funding Ireland’s credit boom. Between 2005 and 2009, the UK was Ireland’s biggest lender, accounting for an average of 27 per cent of total claims, followed closely by Germany during the same period at 26 per cent (Dooley, 2019b). As such, despite the relative strength of its export-led growth, debt-led growth overwhelmed Ireland’s growth trajectory in the years leading up to its crisis.

Portugal joined the EEC in 1986, following a period of revolutionary turmoil which temporarily excised the influence of the indigenous industrial class through ‘constitutionally irreversible nationalisations’ of firms in key industrial as well as banks and insurance firms (Mortágua, 2019). From 1985 to 1995, successive centre-right PSD-led governments carried through reforms which reversed the nationalisations of the Socialist governments (Etchemendy, 2011: 266). EU accession was used as the context to reprivatise and re-empower the previously protected Portuguese industrial classes (Schwartz and Etchemendy, 2014; Etchemendy, 2011: 266; Amaral, 2019: 277; Mortágua, 2019). In particular, pressures to liberalise, deregulate and privatise associated with European integration led to reconstitution, albeit in different forms, of many of the previous owners of large conglomerates (Mortágua, 2019: 45). The logic of protectionism prevailed in the context of EEC trade liberalisation, and limits were placed on foreign ownership (Amaral, 2019: 291). Mortágua quotes former Prime Minister António Guterres, who openly stated that the goal was to ‘promote economic groups in Portugal… we need them because otherwise, foreigners will come to control our companies and the economic strategy will be determined from outside’ (quoted in Mortágua, 2019: 43).

This ‘semi-protectionist’ strategy of using European integration to favour Portugal’s long dominant capitalist class proved contradictory. Over the course of the 20th century, Portuguese industry had been protected to the point of becoming monopolies or oligarchies, and thereby, were particularly uncompetitive (Amaral, 2019). By 1992, member states including Portugal had committed to eliminate tariff and non-tariff barriers between each other (Amaral, 2019: 278). Once this was achieved, Portugal’s competitiveness deteriorated, as for the first time protected industries were confronted by the full weight of European competition (Amaral, 2019: 294). Strong declines in Portugal’s defining exports, such as textiles and footwear, were registered throughout the 1990s and 2000s (Amaral, 2019: 295). In addition to the removal of protectionist
measures, to participate in the euro Portugal adopted a hard exchange rate policy from 1986 onwards (Amaral, 2019: 281). This led to a significant real appreciation of the escudo, damaging the competitiveness of Portugal’s low-cost manufacturing exports (Amaral, 2019: 281).

At least three obstacles prevented Portugal from emulating Ireland’s ‘Celtic Tiger’ success in the 1990s. First, the DGC of policymakers and indigenous Portuguese capital were preoccupied with using European integration to reprivatise and reconstitute the old oligopolistic firms, which limited foreign investment. Second, as ICT companies tend to locate close to each other, the ‘cluster effect’ (Bohle and Regan, 2021) means that few countries can occupy the niche position Ireland carved out for itself in the 1990s (O’Hearn, 2000: 8). US FDI inflows to Ireland confronts Portugal as a vector of unevenness, placing an obstacle to the emulation of that developmental path for the latter. Third, the emergence of export-led models and debt-led models in Europe were of further significance for Portugal. In the late 1980s and early 1990s Portugal was able to benefit from post-Fordist offshoring and slot itself, partially, into Germany’s electronics and electrical supply chains, taking advantage of relatively low labour costs (Silva and Moreira, 2019: 267). Yet finally, FDI-led growth in Central and Eastern Europe led to the exit of numerous manufacturing plants from Portugal in the years to follow. Marques et al note that the existence of new EU FDI-led growth models created a severe competitiveness challenge to Portugal, as it struggled to compete with countries specialising in similar price-sensitive exports but with lower production costs and higher human capital (2016: 446).

Like Ireland, in parallel to its declining export-competitiveness, Portugal’s demand-led growth led to growing trade deficits which were funded by borrowing from other European countries. As expected by core-periphery analysis, rising levels of private debt in Portugal during the 1990s and 2000s were financed by large capital flows originating from Germany (19 per cent of total claims), but the largest creditor was neighbouring debt-led Spain (32.9 per cent of total claims) (Dooley, 2019b). Because Portuguese debt was considered as safe as German debt, its balance of payments constraint was temporarily eased, allowing indebtedness to increase throughout the 1990s and 2000s, while at the same time, Portuguese GDP growth remained anaemic. Following the sudden cessation of capital flows in 2008, Portugal’s levels of public and private debt, combined with its stagnant growth, contributed to a crisis in confidence in Portugal on behalf of investors and to its unfeasible rising bond yields by 2011 (Dooley, 2017).

Finally, as Ireland specialised in exports which were relatively price-insensitive, it was more insulated from competitive pressures stemming from China’s export surge in the 1990s and 2000s. In contrast, as post-revolution Portugal encountered EEC/ EU trade liberalisation in 1980s and 1990s, its growth model was underpinned by exports from sectors which were highly price-sensitive and vulnerable to price competition from abroad (Costa et al, 2016: 333). In the 2000s, China and other East Asian countries, together with the new Central and Eastern European EU member states, could dramatically out-compete Portuguese manufacturing in precisely the sectors Portugal had specialised in. Stagnation in the 2000s was compounded by Portugal activating the EU’s Excessive Deficit Procedure which led to government contractionary fiscal policy (Amaral, 2019: 285). As Amaral put it, ‘the last available growth engine disappeared thus’ (Amaral, 2019: 287).

As such, Portugal is not so much a case of ‘dependent deindustrialisation’, but rather, causality stems from a new terrain of European multiplicity that includes
different kinds of FDI-led growth across the EU’s new peripheries, demand-led growth in neighbouring Spain and the export-led growth of Germany and China. Portugal’s options were in turn constrained by the strategies of its DGC to use European integration, relatively unsuccessfully, to reproduce their dominant position within Portugal’s political economy. As indigenous business elites in Ireland had less structural power than those in Portugal, Ireland was less constrained than Portugal to navigate the triple unevenness of 1986–2008, allowing it to take more advantage of its privilege of backwardness. Nevertheless, this agency did not spare Ireland from the perils of European financial integration.

Conclusion

This article has presented a ‘first cut’ in exploring the potential of combining U&CD and the GMP for explaining the origins of the eurozone crisis. Existing U&CD scholarship has explained the various debt and competitiveness crises in the eurozone periphery as the products of core-periphery dependency, wherein countries such as Portugal and Ireland were in some way ‘underdeveloped’ in the interests of core capital. In contrast, this article has shown how Portugal and Ireland faced three key variables of world-historic unevenness, which interacted with pre-existing dominant growth coalitions to produce two new forms of combined Portuguese and Irish development. In doing so, it has highlighted the causal implications of a wider terrain of post-Fordist European unevenness and emphasised the importance of analysing the politics of state and business elite actors within these countries who were the ones navigating the three key vectors of unevenness outlined here.

Irish policymakers’ early strategies of industrialisation challenged the entrenched powerful (British) business actors, and unlike Portugal, led to the establishment of state- and semi-state-owned ISI enterprises. Unlike Portugal, however, this approach was abandoned in the post-war era, leaving Ireland effectively without a powerful indigenous capitalist class. By the 1990s, Ireland had developed an FDI model of growth that was highly reliant on membership of the EU Single Market and the euro. However, European integration also created a hybrid model of growth for Ireland. Following the rules of European financial integration led to the empowerment of new classes of property developers and newly liberated banks, who together took advantage of European financial integration to fuel a property bubble.

In contrast, Portuguese state and business elites responded to the challenge of late industrialisation by pursuing a specific policy of ISI; supporting private industrialists with colonial links. From the 1980s onwards, right-wing governments used the process of European integration to reconsolidate the power of many of the same powerful business actors that had been supported by the Estado Novo regime. This meant that in the 1990s, the Portuguese state was still providing forms of protectionism to specific kinds of economic activity that were unproductive, while at the same time, explicitly limiting foreign investment. Far from being ‘locked in’ to low-value production to suit the interests of the core, Portuguese state and business actors were responding to European integration in a highly purposive way, which nevertheless left them vulnerable to the removal of protectionist tools and competition from East Asia and Central and Eastern Europe in the 2000s. The contradictions between protectionism and openness are obvious and explain the stagnation of the Portuguese economy from the mid-1990s until its bailout in 2011.
Overall, while U&CD makes it possible to move beyond the internal/external dichotomy evident in existing CPE scholarship, this article shows how the GMP provides U&CD with two key mid-range analytical tools, namely the notion of the ‘dominant growth coalition’, and a wider conception of European multiplicity. The DGC concept makes it possible for U&CD analysis to account for peripheral politics, while also recognising the wider multiplicity beyond relations of core-periphery dependency. In turn, U&CD makes it possible for the GMP to take the international more seriously in its analysis of the political economy of capitalist diversity.

Notes
1 Referred to here as ‘core-periphery analysis’ because it is taken up far beyond post-Keynesian scholarship, appearing in historical materialist, liberal-intergovernmentalist, new-institutionalist accounts, and as I argue here, now U&CD approaches (see Dooley, 2019b for a summary).
2 Bieler and Morton draw partially on this post-Keynesian approach, but they also develop an important critique of it, recognising that core-periphery unevenness within Europe long predates EMU, and cannot be overcome by fixing institutional design flaws (2018: 227).
3 It should be noted that this article is engaging with a particular conception of dependency theory, that found within core-periphery analysis of the eurozone, not dependency theory in general. See Vukov (2021) for an instance of the diversity and vibrancy of contemporary dependency theory scholarship.
4 As recognised by Bieler and Morton in the case of Portugal (2018).

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