

Research frontiers in Economic Sociology and Labour Studies (ResFron ESLS)

Seminar

Mediterranean capitalism:
a “long and winding road” to competitiveness

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In spite of all their differences, Southern European economies have recently come to share poor performance problems. As globalization has progressed and the Great Recession has hit them hard, they have found it difficult to pinpoint their possible competitive advantages vis-à-vis the other advanced economies. In the literature there are three main explanations for such a poor performance: a) the features of the “Mediterranean social model” that in a way or other would hinder the competitiveness of these economies; b) the peripheral position of these economies in the Eurozone, which implies they have to pay the costs of its bad design; c) their low degree of investment in R&D and highly skilled human capital, which hinders their ability to innovate and to follow a “high road” to competitiveness.

This paper puts forward two arguments, using both quantitative and qualitative evidence to support them. First, although the three factors above are listed in a decreasing order of popularity in both the scholarly and the public debate, their explanatory power is inversely proportional to such popularity, as the first two accounts suffer from serious flaws while the third one is supported by very compelling evidence. Second, in spite of the harsh austerity policies that have contributed to a partial dismantling of their social model, comparative data show that Southern European economies continue to be far more densely regulated than either the Anglo-Saxon or the Central-Eastern European ones, and this may work as a “beneficial constraint” preventing them from definitely choosing a “low road” of price competition with deregulated economies.

Hence, the only solution to regaining competitiveness seems to be an extraordinary effort by Southern European states to invest in R&D and highly skilled human capital. As it is not just a question of size but also of quality of expenditure aimed at supporting innovation, however, very selective neo-Keynesian policies would be needed and this poses a problem of institutional capability. The way out is, therefore, a very “long and winding road”.