



## ADJUSTMENT PATHS PETER A. HALL

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Like many people in Germany, I spent much of the year thinking about the impact of global market forces on the prosperity of European societies and on the capacity of their governments to provide social protection. Such issues are unavoidable in Berlin, a city that is spending, by some accounts, 700,000 euros an hour simply to pay the interest on its existing debt. In the leafy Grunewald, we were largely insulated from the effects of fiscal crisis, not least by the notable generosity of the staff of the Wissenschaftskolleg and its supporters. Even for its regular residents, Berlin remains the most livable of any major European

capital, full of life, cultural ferment, and engaged intellectual debate. To come to know it better was a joy.

Still, one cannot help but worry about the economic problems facing Europe, and my worrying took the form of sustained reflection about the future of the German model, which occupies a special place among the “varieties of capitalism”. In the first half of the year, I completed several articles outlining and refining the approach to comparative capitalism that I have been developing with David Soskice and other collaborators. One of my core preoccupations was how to specify the “institutional complementarities” that link different spheres of the political economy. I believe, for instance, that the economic effectiveness of the institutions that regulate a nation’s labor markets depends on the character of the institutions regulating its corporate governance. If this is correct, the implications are profound. They mean that governments should not reform labor markets without considering corresponding reform of capital markets.

Since theories of this sort are still in an early stage of development, one of the problems with which I have been grappling is to understand precisely how institutions in one sphere of the political economy condition the operation of those in other spheres. Similarly, one has to ask: what range of institutional variation in each sphere is compatible with efficiency in other spheres? Much of my year was devoted to such issues. I took advantage of proximity to German sources to consider how the institutional complementarities that this nation has displayed might be affected by the development of a low-wage service sector and to ask whether recent reforms in corporate governance have inspired fundamental shifts in how German firms secure capital and relate to one another.

The broader issues in this research program concern the politics of economic and social change. I came to the Kolleg interested in exploring how European societies respond to the opening of international markets, planning to compare previous eras to the contemporary period, but I found myself concentrating on the past two decades as a case against which to assess earlier episodes. It is difficult to imagine a better site for such an inquiry than Berlin during a year of intense conflict about the proposals of Agenda 2010 that are being enacted by the Schröder government. However, I also completed an edited volume that examines the relationship between social, economic, and political change in France over the past two decades. In its introduction, I consider how contemporary political conflicts are linked to changes in the patterns of popular well-being inspired by social and economic change. I have begun work on two further papers, one that elaborates a framework for understanding the politics of institutional change from a varieties-of-capitalism perspec-

tive, using recent developments in Germany as the core case, and another that explores the relationship between changes in the industrial relations system and institutional reform in the sphere of corporate governance across the major European political economies. These will feed into the wider project about the negotiation of economic flexibility and social change that remains my core intellectual endeavor.

The year also provided a welcome opportunity to read and write about another of my longstanding preoccupations, namely, the methodologies of the social sciences. Stimulated by contact with scholars at the Kolleg working in cognitive science and cultural studies, I wrote two essays, one about the use my own discipline has made of the comparative method and another about the value of what I call systematic process analysis. After a year of colloquia in literary studies, history, and philosophy, I have come away convinced that, while there are important differences between the humanities and social sciences, the enterprises in which we are engaged are all ultimately interpretive and marked by many commonalities.

One of the most rewarding features of the year, for me as well as for Rosemary Taylor, my partner, who found the Kolleg a congenial place in which to pursue her own scholarly work, has been our engagement with the other scholars from all over the world working in a multitude of disciplines at the Kolleg. Although I can identify only a few passages in my work they have influenced so far, their impact on my intellectual viewpoint will ultimately be profound. They have opened up new worlds to us, new ways of seeing, that are intensely stimulating. Moreover, from the first day of the intensive German course, our interactions were suffused by a warm camaraderie. Intense intellectual engagement with a group of people who are as remarkable as their ideas has been an extraordinary pleasure and a distinctive dimension of our year at the Kolleg. We leave Berlin grateful for the opportunity to be here, with new friends, new ideas, and fond memories of a fascinating city, deeply-textured and full of promise notwithstanding its dilemmas.