



Comparative Capitalisms

- I. The Study of Comparative Capitalisms**
- II. How do Capitalisms Differ?**
- III. Ideal Types of Capitalism**
 - a. Liberal Market Economy**
 - b. Organized (Social) Market Economy**
 - c. Statist Economy**
 - d. Oligarchic Economy**
- IV. Capitalist Performance in a Global Economy**



I. The Study of Comparative Capitalisms

- 'Comparative Capitalisms' evolved from multiple disciplines with multiple theoretical perspectives
- Three commonalities across literature:
 - (1) National economic systems are characterized by *distinct institutional configurations*
 - (2) Institutional differences provide *comparative institutional advantages*
 - (3) Economic systems are noted for *institutional path dependency*



II. How do Capitalist Economies Differ?

- *Four Key Dimensions of Difference:*
 - A. Organization of Business
 - B. Organization of Labor
 - C. Role of the State
 - D. Economic Culture



A. The Organization of Business

- Corporate Finance
 - Equity capital v. bank financed
- Corporate Governance
 - Anglo-American shareholder model
 - German co-determination
- Inter-Firm Relations
 - Arm's-length, contractual
 - Informal coordination (e.g., Japanese *keiretsu*)
- Conditions for Entrepreneurialism



B. The Organization of Labor

- Level of Unionization
 - Overall Levels
 - Collective Bargaining Coverage
- Centralization/Coordination of Wage Bargaining
 - “Peak Unions” v. “Craft Unions”
 - Centralized Negotiation
- Workforce Skills
 - Vocational v. General



C. The Role of the State

- Size of the State Sector
 - State expenditure as a % of GDP: Sweden = 56% (highest); US = 37% (second lowest...Korea = 30%)
- Regulation of Product Markets
 - World Bank's "Ease of Doing Business" Rankings - Singapore #1; US #3; UK #6; Japan #12; Germany #20; France #31; China #83; India #120
- Regulation of Labor Markets
 - Employment Protection Legislation (EPL)



D. Economic Culture

- Values of Social Partnership and Stability
 - EX: nearly twice as many Swedes (62%) think that both labor and management should have a say in how a business is run as Americans (34%)
- Egalitarian v. Individualist values
 - EX: Correlation between welfare spending and egalitarian values
- Propensity for Entrepreneurialism
 - EX: Entrepreneurial activity in US nearly double that in UK



III. Ideal Types of Capitalism


- (A) Liberal Market Economy
- (B) Organized (Social) Market Economy
- (C) Statist Economy
- (D) Oligarchic Economy



A. Liberal Market Economies

- **Business:** Equity finance (pushing focus on to short term profits); managerial autonomy; distant, contractual relations between firms
- **Labor:** contractual and transient industrial relations (downsizing common); relatively weak unions; focus on general, transferable skills
- **State:** smaller overall state spending; minimalist and market-supporting regulatory structure; few EPLs
- **Culture:** individualistic; entrepreneurial

EX: United States, United Kingdom, Ireland, Canada, Australia, New Zealand



B. Coordinated (Social) Market Economies

- **Business:** 'big business' dominated; bank financing and patient capital; non-market coordination between firms (insider information); sharing of technological and organizational know-how; limited managerial autonomy
- **Labor:** strong unions, often represented by 'peak organizations'; centralized and coordinated wage bargaining (wage equalization); workforce stability; emphasis on vocational education
- **State:** large welfare states and high taxes; moderate to high levels of product and labor market regulation
- **Culture:** strong emphasis on social partnership; collective over individual values; weakly inculcated (individual) entrepreneurialism

EX: Germany (Social Market); northern Europe; Scandinavia



B. Statist Economies

- **Business:** big business dominated; bank financing (w/state guidance); often close coordination/ cooperation with state as mediator
- **Labor:** generally weak and decentralized unions
- **State:** (some) direct state control (esp. banks); more 'administrative guidance' to private companies; industrial policies to promote particular industries/sectors; producer-oriented policies
- **Culture:** skepticism of (fully) free market/support for state intervention; 'paternalistic collectivism'

EX: France, Japan, South Korea, *China* ?



D. Oligarchic Economies

- **Business:** dominated by large industries (generally extracting natural resources) industries; undiversified economies; limited industrial base; extensive informal sector
- **Labor:** oppressed; high inequality
- **State:** controlled by/working for oligarchs; corrupt
- **Culture:** elite dominated; 'zero-sum' economic culture; low entrepreneurialism

EX: Russia, Latin America, much of Middle East, Africa

IV. Capitalist Performance in the Global Era

