GLOBALIZATION AND NATIONAL CAPITALISMS: THEORIZING CONVERGENCE AND DIFFERENTIATION

Hugo Radice
Leeds University Business School

I. Introduction

In an earlier paper (Radice 1998a) I examined the hypotheses that the trends broadly summarized under the heading of globalization involved a real change in the structures and functioning of world capitalism, and that as a result national differences in institutions and practices were being eroded. Looking at the debates over globalization, and at the empirical evidence on three selected institutional sub-systems (capital markets, innovation and corporate governance), I concluded that there was considerable support for both these hypotheses. However, many writers argue that globalization is greatly exaggerated in its extent and effects: recent monograph contributions along these lines by Hirst and Thompson (1996) and Weiss (1998) as well as a raft of shorter contributions (e.g. Wade 1996, Zysman 1996, Kozul-Wright and Rowthorn 1998) have generated wide support for this ‘sceptical’ view of globalization. Equally, although some ‘comparativists’ have charted in particular the erosion of ‘Rhenish’ and/or East Asian models by both external and internal pressures for change (e.g. Streeck 1996, Wilks 1996, Dore 1998), many have maintained that national differences are not being significantly eroded, and this is probably the majority view among students of comparative political economy (e.g. Boyer 1996, Berggren & Nomura 1997 and ‘sceptical’ works already cited).

In these circumstances, the need for case studies and empirical evidence on “the interaction of national models with various transnational economic and political processes” (to quote this workshop’s call for papers) is clear enough, but it is equally the case that this evidence is being interpreted through a great variety of conceptual frameworks, and with different ends in mind. For example, the underlying purpose of many comparative studies recently has been to identify the strengths and weaknesses of different national models in generating international competitiveness, with a rather strong implication that international competitiveness is necessarily, even naturally, the main dynamic structuring growth and change in the world economy. Yet processes of transnational integration may have undermined not only the capacity of nation-states to manage ‘their’ economies along Keynesian-welfarist lines, but also the very economic and political coherence of those economies. In these circumstances, the pursuit of national international competitiveness may become inherently more difficult, even if emphasis shifts to ‘supply-side’ policies.

To take a second example, the emphasis on ‘horizontal’ comparisons of national or regional models has diverted attention away from the ‘vertical’ relations between core and periphery. In development studies, model comparisons have centered on equipping poor societies and their states with the capacity to achieve development, but in the process, the role of external conditions and processes in shaping development has recently been downplayed or
oversimplified, often in explicit reaction against the ‘externalist’ thrust of the older literatures of imperialism and dependency theory.

The present paper considers how far the comparative literature is equipped, theoretically and methodologically, to draw conclusions on convergence from the available empirical evidence. I make no apology for not presenting systematic primary research data on any particular field or subfield; the workshop can judge whether this sort of exercise is valuable. I begin by setting out what I see as the main shared propositions of the comparative literature. Then I set out a series of arguments aimed at relating the issue of convergence and differentiation to generic features of the evolution and functioning of capitalism.

II. A stylized account of comparativism

Comparative studies of national models of capitalism have emerged across all broad social science disciplines, including geography, sociology, politics and economics, examining a wide range of institutions and practices and deploying an equally great variety of concepts and methods. Constructing a stylised ‘benchmark’ account of this literature is therefore a difficult and risky exercise. The account that follows reflects the focus of my own work on transnational corporations, the internationalization of capital and comparative industrial policy and performance, broadly within the framework of heterodox economics, especially the Marxian tradition.

More explicitly and personally, how did I come to be studying and teaching comparative political economy in the 1990s? Looking to understand the reasons for the decades-long relative decline of the UK economy, progressive scholars in Britain from the 1960s sought to challenge the politically-dominant account which laid the blame very largely at the door of organized labour. They assigned responsibility instead to weaknesses in the institutions and practices of capital and of the state, such as the peculiarly outward orientation of British capital inherited from our imperial past; the dominance of financial over industrial interests; the failure of the state to develop policies capable of restructuring and modernizing in areas such as education and training; or the anti-industrial culture of the British establishment. In the classic Marxian account of Fine and Harris (1985) these were the ‘peculiarities’ of the British economy, set against a largely implicit model of success elsewhere; Coates and Hillard (1995) offer a more eclectic collection of readings from these debates (including my own version of the progressive critique, Radice 1995). Meanwhile, a similar body of critical writing developed in the USA, in response to the recognition of declining national economic performance in the 1970s.

By the 1990s, however, there had been a clear shift in focus towards the explicit study of alternative models of capitalism. In the USA, progressives looked especially to Japan, which had become the main performance comparator, with a particular focus on work organization and industrial policy. In the UK, the long years of Thatcherism successfully marginalized ‘old Labour’ policies of public ownership and fiscal redistribution, and encouraged a growing interest in continental Europe. In Germany in particular, British writers - most notably Hutton (1995) - saw the possibility of building a centrist consensus linking the defence of the welfare state to a high-wage, high-productivity economic strategy. What emerged from this was the idea that the weak performance of ‘Anglo-Saxon’ or ‘liberal’
capitalisms could be improved (in pursuit of whatever goals were preferred) by adopting or adapting features of more successful ‘Rheno-Japanese’ or ‘institutionalized’ capitalisms.

A number of important areas of comparative analysis (e.g. corporate governance and work organization) could in principle be studied usefully within the confines of more-or-less mainstream economics, drawing on the Keynesian critique based on uncertainty and the ambiguities of money, or on the ‘new institutionalist’ (but still neo-classical) transactions-cost school (for a critique of which see Dietrich 1994). Neo-institutionalist economists seemed often to believe in the efficacy of a sort of meta-competition between models, in which a superior model (either the ‘economic system’ as a whole, or some separable component thereof) would displace inferior ones simply because rational economic men would choose to adopt it. However, for most social scientists, in order to appraise the feasibility of change, it was clearly necessary to establish the political and social processes through which change could be effected: hence the turn to political science and sociology, where longstanding and rich literatures had been examining precisely these processes.

From these literatures - but drawing especially on Hart (1992), Hollingsworth et al (1994), Whitley (1992a,b, 1994), Berger and Dore (1996) and Crouch and Streeck (1997a) - I suggest the following core principles of the interdisciplinary, historically-informed comparative approach that has now emerged.

First, capitalism is always an ‘institutionalized’ order, in which the normal functioning of both exchange (markets) and command (hierarchies) require that economic behaviour is ‘embedded’ in institutions and practices which are guided by predictable and shared expectations and values. Here a very influential source is Karl Polányi (1944), who drew from his historical account of 19th-century British capitalism the conclusion that capitalism can never succeed in regulating social life exclusively by what he called ‘the market principle’. Because neither land, labour nor money could ever become fully commodified, no sooner had the constraints upon market regulation been removed (in the 1830s) than new constraints had to be developed. But more generally, the sociological traditions stemming from Marx, Durkheim and Weber have provided modern economic sociology with the principle that economic behaviour cannot be separated from social relations centred on the distribution of resources and power, and the social construction of beliefs and institutions (see e.g. Granovetter and Swedberg 1992). An important conclusion from this core principle is that the rationality of economic behaviour - an essential precondition if only market-efficient institutions are to prevail - is in fact contingent on the existing, historically-determined goals and values that guide that behaviour: furthermore, the evolution of economic institutions and practices is highly ‘path-dependent’, with the range of choice about change strongly constrained by the outcome of past choices.

Secondly, these institutions and practices have been historically constructed on a national basis, within the framework of the nation-state, and drawing on shared culture and territory. This does not rule out the conscious construction or reconstruction of these national domains, which has been evident throughout capitalism, most obviously in post-colonial societies since the eighteenth century. However, the specific inheritance that each society bears from its history under prior forms of social order shapes even the most apparently radical exercise in re-engineering. Thus the path of development along which the embedding institutions of capitalism evolve take on a distinct national flavour, and it is highly probable that these national differentia specifica continue to be reproduced. For example, if we
compare Germany, France and Britain (e.g. Lane 1995), we can identify - despite obviously important changes through time - deep historical roots to the institutions and practices that in recent decades have led us to characterize these capitalisms as respectively corporatist, statist and liberal.

Thirdly, these national models in turn generate differences in economic performance, which opens up the possibility of identifying desirable model changes, and acting politically to accomplish them. However, although it may appear possible in principle to derive from performance differences abstract rules to guide institutional design, such an approach is likely to ignore or downplay historically-contingent factors, and contradicts the basic principles of embeddedness and path-dependence. For example, the widespread use of implicit contracting in more ‘institutionalized’ capitalisms is seen as reducing the cost of preparing, agreeing and enforcing contracts, and permitting a more long-term approach to business investment. But as Kester (1996) has pointed out in examining the governance principles of US and Japanese business, the resulting networks of mutual dependence may prevent firms from adapting effectively to changes in circumstances external to these networks; or to put it another way, in order to manage the process of change, such networks need to be able to draw on wider sources of economic power and regulation. Hence, weakening American anti-trust laws might economise on the costs of contracting, especially in risky areas of innovation, but would require a radical recasting of the wider economic role of the US state. Similar considerations explain why, for example, it has not proved feasible to transplant the German model of worker representation to Britain or France, although it is widely argued that it provides an important basis for more consensual shopfloor industrial relations.

Fourthly, despite the difficulties involved in institutional re-engineering, deeper international economic integration and world market competition exposes more and more areas of economic and social life to comparative scrutiny, shaping the agenda of governments and threatening (if the comparisons are adverse) their political legitimacy. The concerns of international and comparative political economy intersect at this point: does a given state have the capacity to respond to the changing nature of the world economy, either by legitimating new national economic priorities (e.g. sacrificing full employment to the pursuit of price stability), or by developing, individually or with other states, new and more effective policy instruments? Again, the present comparative approach eschews abstract political principle (state versus market) in favour of a careful analysis of specific circumstances. Thus, the general concept of state capacity can be successively made more concrete in the form of the developmental state, the East Asian developmental state and finally the South Korean or Taiwanese state; hopefully, comparative analysis then permits successive moves back towards more general conclusions which can be deployed mutatis mutandis in setting the policy agenda for other states (see e.g. Weiss 1998 with regard to state-business relations).

These principles, it seems to me, present the main thrust of the comparativist literature. Yet the comparativist approach can meet a sceptical response, especially from those who feel that the concern with history and with specific cases means that comparativists become, in a sense, captivated by diversity: they may be caught between the notion that variation is possible, desirable and necessary, and the equally powerful notion that because of embeddedness and path-dependence, the engineering of variation is extremely difficult. This is the thrust of Susan Strange’s critical comments in Crouch and Streeck (1997a):

“My quarrel with most comparativists is that they seem to me not to see the wood from the trees, to overlook the common problems while concentrating on the individual differences” (Strange 1997, p.184).
Strange argues that the comparativist approach is biased against the diagnosis of convergence (but not, of course, the prognosis) because it downplays “common systemic trends”. She identifies four of these, all closely interrelated: the speed-up of technological change, which underlies the internationalization of production; the “general decline in the ability of governments to manage their national economies”; the “widening gulf between national government and transnational business” which is “denationalizing the firm”; and lastly the growing dependence of governments on international borrowing.

What these four trends amount to can be called the realist diagnosis of globalization (see for example Perraton et al. 1997). Strange is arguing not only that these trends provide a common agenda to which all ‘national capitalisms’ have to respond, but that they entail in and of themselves changes in those national capitalisms. In their introduction to the volume, Crouch and Streeck (1997b) themselves echo this position. They suggest that institutional variation in capitalism may increasingly be structured along sectoral or subnational regional lines, with growing social inequalities within nations, and they conclude that national diversity may only be able to persist in the framework of transnational governance structures that allow states to restore some measure of democratic economic sovereignty (op. cit. pp.16-17).

This argument will, however, surely not convince those who are sceptical about globalization anyway (for a detailed outline of sceptical views see Radice 1999). Despite Strange’s authoritative knowledge of “casino capitalism” and state-firm relations, it remains open for others to interpret the empirical evidence differently, and to argue that transnational governance structures can themselves only be legitimised ‘from below’ by nation-states which continue to exercise significant sovereignty in economic matters (see notably Hirst and Thompson 1996, especially chs.8 and 9). With the aim of evaluating comparativism, and eventually shedding light on the issue of convergence, it seems necessary instead to develop some arguments not just about the global nature of capitalism, but about the capitalist nature of globalization.

III. Institutions in global capitalism

1. Dimensions of economic action and the process of institutionalization

To begin with the most general point: how are economic institutions and practices constructed in capitalist societies, and how does their variety arise? One approach to this is to define the object of comparison rather narrowly, as in Whitley’s concept of ‘business system’. Whitley’s taxonomic approach (e.g.1994) sets out to map the organizational variety of economic life under capitalism on the basis of three constitutive elements of ‘business systems’: “the nature of firms as economic actors, the nature of inter-firm relations in markets and the nature of authoritative coordination and control systems within firms” (op. cit.p.153). These elements are then elaborated into thirteen characteristics and the empirical interrelations between these characteristics are examined. By looking at the way they vary as a result of differences in state structures, financial systems, cultural features, etc., he arrives finally at a fivefold classification of business systems. These are, with examples, centrifugal (Chinese family business), partitioned (Anglo-Saxon), collaborative (Germany), co-ordinated (Japan) and state-dependent (South Korea) (op. cit. pp.170-175). These business systems, however, have been defined on the basis of ways in which goods and services are produced by firms,
and transacted through markets: the variations are then explained by reference to other characteristics of the surrounding society.

Although Whitley repeatedly posits the interdependence between particular system characteristics and the surrounding society, the causation is in the last analysis one-way, with the business system variations being established “as a result of differences in political and financial systems” (p.175). As Wilkinson (1996) has argued, such an account “replaces an economic determinism with a socio-cultural determinism: economic actors are ‘passively embedded in’, rather than ‘actively engaged with’, a social environment (Whittington 1992)” (Wilkinson 1996, p.434).

The limitations of this approach become clear when Whitley moves on to consider three issues arising from comparative analysis, namely the level of analysis, the sources of change and the effects of internationalization. He sees the underlying institutions - of the state, legal system, finance, education, training, labour markets - as essentially national, and argues that as long as they remain nationally distinct, so will business systems (Whitley 1994 p.176). Further, “because business systems are interdependent with dominant institutions, major changes in their characteristics depend on related changes in associated institutions” (ibid.): again, the causal direction is clear, the only other substantive conclusion being that highly-integrated and cohesive systems will be less liable to change. As for internationalization, those institutions of both business and government that reach out transnationally reflect faithfully their country of origin, and hence “the constitution of ‘global’ institutions and markets therefore reflects patterns of dominance and competition between national ones” (p.178).

But where is the boundary between ‘the business system’ and the surrounding social institutions? Surely if economic action is social, ‘embedded’ and historically contingent (rather than arising from an immutable human nature), it also shapes the social institutions and values in which it is embedded? Acceptable routines are established between trading partners, employers and employees, landlord and tenants, resource owners and tax collectors, and these routines, or elements of them, become institutionalized in laws, associations, codes, etc. But across what economic and political space do these interactions take place, and how is the differentiation of institutions and practices structured and reproduced? In Whitley’s approach, the comparative focus is so confined that the social and political factors shaping the national business system appear as independent variables, which then drives the analysis of change into that broader arena. However, for many other writers, it is taken for granted that this is where comparative analysis should be focused anyway. The analyses of Albert (1993) and Hutton (1995) take this for granted in their broad-brush and explicitly political interventions. A broader approach is also found in more specialised academic work: see for example, in relation to national industrial performance, the literatures on national innovation systems (Nelson 1993) and on industrial policy (Wilks and Wright 1987). Again, Hollingsworth, Schmitter and Streeck (1992) are in no doubt that even if their focus is on economic action, the appropriate scope of comparative analysis is the “governance system”, defined as

“the totality of institutional arrangements - including rules and rule-making agents - that regulate transactions inside and across the boundaries of an economic system” (op.cit. p.8)

Treating these broader social institutions, practices and values as themselves subject to variation and affected by economic behaviour then requires a thorough historical analysis that extends well beyond Whitley’s definition of the ‘business system’. But how to make that analysis manageable? In practice, the field of comparative analysis is frequently derived from
specific policy debates which centre on different segments of the institutional order - e.g. on corporate governance (e.g. Dimsdale and Prevezer 1994), industrial relations (Locke, Kochan and Piore 1995), industrial policy and performance (Hart 1992), education and training (Ashton and Green 1996), etc. In such analyses, the issue of causation is handled by historical investigation of the evolution of particular models, usually national, in which the interaction between behaviour and the surroundings in which it is ‘embedded’ can be reconstructed by careful analysis of debates and decisions.

What is striking about so many of these analyses is that, while often explicitly eschewing ‘economic determinism’, the history that emerges centres ultimately on the pursuit of wealth and power within a generic model of capitalism. What I mean by this is that the history ‘makes sense’ in these terms. If, for example, we ask why important elements of US corporate governance shifted in the first half of this century from a tightly-organised bank-based model (of the robber barons) to stock-market-based managerialism, the explanation would most probably be couched in terms of the way economic and power interests were pursued by bankers, industrialists, workers and the intelligentsia, both through the state and in society at large, and their various victories, defeats and compromises. For the banks, for example, the débâcle of the Wall Street crash obliged them to accept regulations that restricted their direct dominance of corporate finance, but this in turn enabled the eventual construction of a broader stock market which placed the vast life-cycle savings of the workforce at the disposal of big business. The generic model of capitalism that emerges from so many of these studies is one that what I would call ‘historical political economy’, a tradition encompassing Marx, Weber, Schumpeter and Polányi, but going on to modern ‘classics’ in this vein such as Shonfield’s Modern Capitalism. This point is taken up in section IV below.

A further very general issue concerns the economic space over which comparisons are made. First, it can be narrowed down from the whole economy to the sector, especially when the explanandum is economic performance, which can conveniently measured by world market shares or relative productivity growth (as in Hollingsworth et al. 1992, Hart 1992 or the very influential auto sector study by Womack et al. 1990). Here a common and not unreasonable assumption is that firms in the same sector face similar problems stemming from markets or technology, and that their actions, whether independent or collective, jointly shape and are shaped by a specific surrounding environment. It may then be possible, by pooling cross-national comparisons and allowing for sector-specific features, to develop more general hypotheses that can be tested on other sectors. But this assumption involves viewing the economy as consisting of distinct industries or sectors, abstracting from very widespread overlaps arising from business diversification, as well as vertical supply links, common technologies and shared factor markets.

There is also the question of geopolitical level, from local to national to regional to global. In contrast to Whitley’s robust assertion of the primacy of the national level, others look at subnational regions, as in the vast literature on industrial districts (e.g. Amin and Thrift 1994). This literature highlights the roles of networks and associations (two of Hollingsworth et al’s five basic mechanisms of economic coordination, the others being market, hierarchy and state), which grow out of the common interests of producers attracted, for example, by pools of specialist labour. Much of this work has become explicitly policy-driven, as regions compete for national and international investments, and it reveals very clearly the substantial local differences (e.g. in ‘institutional depth’) within particular countries.
But more relevant to this workshop’s concerns is the issue of the supranational and
global ‘system levels’. In particular, it is hard to understand why the national level is
privileged to the extent that it is. Perhaps because the comparativist reading of economic and
business history has been so concerned with national differences, it often seems to be assumed
that this is the ‘natural’ level at which a ‘system’ takes shape. The result is that ‘the world
system’ is seen - most clearly in the case of Whitley’s approach discussed above - as an arena in which national systems interact, rather than a larger system of which nation-states provide
the geopolitical boundaries to more or less differentiated national sub-systems. The call for
papers for this workshop echoes this in announcing a focus on “the interaction of national
models with various transnational economic and political processes”. Yet economic
transactions that cross national borders themselves generate norms and institutions, a socio-
political ‘environment’ in which they are ‘embedded’. I shall come back to this in section
III.3 below.

2. Institutional variety and change

Models of capitalism, then, can be elaborated along a variety of dimensions: they can
focus narrowly on the production and exchange of goods and services, or extend to include
any and all aspects of society; they can be sectoral or economy-wide; they can be local,
national, regional or global. In all cases, they cannot be easily analysed in terms of cause-and-
effect, but rather their historical evolution can be reconstructed to show the interplay between
structure and agency. Can we, however, set out any general principle about the way models of
capitalism change, or are we condemned to a realm of limitless contingency?

Outside the naive approach of the new institutionalist economists, the continued
viability of any particular institutional order depends not on some intrinsic, suprahistorical
superiority, but on its ‘goodness of fit’ with its environment and its evolutionary adaptability: change then comes about when viability is lost. Bearing in mind the issue raised earlier about
where the ‘institutional order’ ends and the ‘environment’ begins, this raises questions
concerning the variability and flexibility of a particular order. Even in fields in which relevant
quantitative data are reasonably available, like corporate finance and governance or labour
markets, it is often unclear how representative a particular model (national or otherwise) is of
its reference population, and still more, the dimensions and extent of variation within the
population. Thus Ashton and Green (1996) set out a critical analysis of the US training and
education system, as a prime example of what they term the ‘low-skill route’ of development.
The system found in mature mass-production manufacturing sectors, in which there is very
little formal training of shop-floor workers either on or off the job, is explained in terms of
historical patterns in US factor and product markets and wider political and cultural features.
Yet while they readily admit that that high-technology and service sectors provide many
examples of companies that follow high-skill training policies, this is treated as an
afterthought. Concluding a cross-national review of industrial relations systems, Locke and
Kochan (1995) ask and then answer this point with regard to industrial relations systems:

Does it still make sense to speak of a distinctive Italian or American industrial relations system if there is
wider variation within each of these countries in terms of employment relations than there is between the
practices characteristic of each country? Every chapter in this book has made clear that these subnational
patterns are worthy of study and should not be so quickly discussed as outliers or exceptions to the
dominant (national) model (op.cit., pp.380-1).
The degree of conformity to a particular model is also likely to differ across different segments of the institutional order or governance system. Just as certain functions are more centrally controlled and uniformly carried out within a capitalist enterprise (finance and personnel providing the polar cases), so system segments that are related more to money and the state are likely to vary less within a model than those related more to production and exchange. By extension, as in the case of many national systems of industrial relations, conformity may replace diversity if the state, for whatever reason and with whatever results, undertakes a major regulatory intervention.

The question of ‘goodness of fit’ unavoidably raises the formidable spectre of functionalism. Of course, the Japanese model of corporate governance ‘fits’ well with the paradigmatic employment relations model, since both are characterized by trust, incomplete contracting, long-termism, etc. What matters is how this pairing (or more generally the ‘Japanese miracle’ model) actually developed, and what points of variation and tension we can observe within it. The present stagnation crisis of the Japanese economy centres *inter alia* on the difficulties that enterprises have, within the paradigm, in shedding workers and restructuring their activities. This certainly implies that the paradigm’s past performance success may have depended more than most comparativists would have thought on a macroeconomic dynamism that is located ‘outside’ it, or in any case is not systematically related to institutional features of Japan. At the least, the crisis is severely testing the flexibility of the model, and is giving rise to substantive changes in the variety of corporate governance and employment relations practices. Generally, a given model centres empirically on a core of actors whose behaviour conforms most closely to it, and outside it there are successive layers of increased variability, which protect and legitimate the core model, but are themselves more exposed to external pressures (e.g. lower tiers in the ‘Toyotist’ supply hierarchy). Under external pressure for change, core actors may be driven to a more fervent assertion of the model, while peripheral actors are more likely to innovate and adapt. Over time, the pressure is transmitted to the ever-more-exposed core.

In the end, however, the functionalist spectre is pushed back (but vampire-like, never actually killed!) only by convincing historical analysis of change. Thus, the Regulation School’s generic order, the *mode of regulation*, is structured around a core which is the *regime of accumulation*, which in turn is the way in which, in concrete historical circumstances, the processes of competition and accumulation are organized within capitalism. If this framework makes good sense of the historical record on the evolution of the institutional order, then it is reasonable to focus on the elements of the regime of accumulation in looking for the seeds of system crisis, adaptation and change.
3. The nation-state and the transnational institutional order

As already indicated, there is nothing *intrinsically* national about the institutional order of capitalism. Transnational economic action entails the construction of institutions and norms, just as surely as does national or local economic action. Indeed historically, from earliest days, an international (transnational, global) order has been constructed which has been central to capitalism’s expansion, consolidation and development. The state’s economic and political structures and practices - not to say the very existence of specific states and even important forms of the state - have developed as much in response to this ‘external’ order as they have to the development of an ‘internal’ order. As McMichael puts it,

..a more comprehensive approach to the state would reveal the ways in which international relations are internalized, or embedded, in state structures and practices (McMichael 1987 p.187).

This, essentially, is why the antinomies of national and global, and of state and market, are so subject to misconception. Of course, ‘globalization’ is currently an ideology of political and economic domination, which for many people challenges the cherished ideals of economic and social harmony and equality embodied in the modern democratic welfare state. But the idea that this particular form of national governance arose by some quasi-natural process from those ideals, which are embodied in the nation-state, is (if here caricatured) plainly ludicrous.

A significant part of the problem is that the necessary focus on the nation-state, as the dominant architect and ‘maintenance engineer’ of both national systems and the international order, has shifted the analytical emphasis of both international and comparative political economy too far away from economic processes and structures. The inside/outside problem of defining the boundaries of models has too often been solved, not theoretically but practically, by centering debates on the policy options facing national governments: for example, what should be done in country X in the field of education and training provision, or financial regulation, or anti-trust laws, to improve national productivity growth. In such a context, in our present age, the most visible source of pressure for change has been ‘outside’, stemming from a ‘world market’ whose increased depth, complexity and salience clearly poses challenges to existing policy structures and methods.

But where in turn does this reified world market come from? In what does it consist, if not in production, trade and investment decisions taken by agents who, while necessarily located in particular countries, are shaping and in turn are embedded in transnational institutions? Quite apart from the ever-growing number of intergovernmental treaties and organizations through which national governments share and coordinate regulatory practices, there is an equally dynamic set of *private* transnational institutions and practices whose presence is no less real and legitimate: international standards agencies, arbitration tribunals, sectoral and functional associations, and of course markets. While these necessarily are run by people who are citizens and residents of specific states, and through legal persons (companies, etc.) which equally must have some nationality, they form in practice institutional elements of a transnational civil society.

Two consequences follow from this. First, the traditional distinction between national and international economic activity has less and less real economic *meaning*. Geographical distance remains important, of course, and ‘distance costs’ include the costs of learning to deal with different national systems, but for example a food processing firm in the UK or Spain can develop just as intimate a relationship with a key machinery supplier which happens to be located in Italy or Japan rather than ‘at home’. Evidence from patent statistics and from
firm-level studies show that the self-generation of technology by firms through R&D remains largely in a firm’s home country, which can be explained by the peculiar mix of tight vertical control and informal horizontal interaction required by commercial knowledge production. But the external sourcing of knowledge, and its cross-border exploitation and application, are growing rapidly, with signs of increasing national specialization by sector (see Archibugi & Michie 1995, Cantwell & Harding 1998). To cite a most up-to-date example in the field of corporate governance, the Financial Times recently reported that, in the aftermath of many national-level inquiries, a transnational ‘headhunting’ firm, Egon Zehnder International, had formed a Global Corporate Governance Advisory Group, bringing together some of the most ‘global’ TNCs, including ABB, Philips, Tata and Daimler-Chrysler, and major banks like Société Générale and Industrial Bank of Japan, to discuss corporate governance issues with a parallel International Investors Advisory Group that includes TIAA-CREF and Calpers of the US and Hermes and PIRC of the UK (Donkin 1999).

Secondly, there has been an excessive focus on state agencies in both international and comparative political economy. The ‘back to the state’ movement, launched most notably by Evans, Rueschemeyer and Skocpol (1985) in repudiation of the perceived economic determinism of much analysis of that period, now itself stands in need of correction. As I have pointed out elsewhere (Radice 1998b), state-centered analyses tend to beg the question of what agencies in society shape the agenda of the state. The fact that the seemingly inexorable liberalization of national financial markets necessarily takes place through national legislative and administrative changes should not obscure the roots of this change in national and transnational economic decisions taken by non-state actors. Although it would be foolish to return to economic determinism, a more sophisticated historical political economy can avoid a structural antinomy between state and market, by charting their mutual interactions as arenas in which processes of competition, capital accumulation and the restructuring of production and markets take place.

4. Public policy implications: towards the transnational state

If the political economy of capitalism is at once national and transnational, then it goes without saying that transnational politics and policies already exist: it cannot seriously be argued that policy objectives within the broad realm of the ‘institutional order’ can be proposed, pursued and implemented completely autonomously within a given nation-state. But if capitalism in one country is no more possible than socialism, that does not therefore imply that national variation is impossible. Just as a given firm can respond to falling long-term profitability by a wide range of strategy centred on finance, markets, costs, products, work organization, management, etc. (or any combination thereof), so it would be absurd to deny the continuing existence of policy trade-offs for national governments. But it is a clear implication of much of the current comparative literature that the range of these trade-offs has narrowed considerably. The enforcement of fiscal discipline by international capital markets is the most obvious case, which has powerful implications for the ability of governments to sustain redistributive welfare policies (Teeple 1995). While progressives in the UK seized upon the Maastricht Treaty’s Social Chapter as their salvation from Thatcherism, they were necessarily recognizing that deeper EU integration - economic as well as political - made a Europe-wide policy essential if the competitive ‘downsizing’ of welfare was to be avoided. (It should be noted in passing that I do not find it helpful simply to treat the EU as ‘a nation-
Consider also the serious efforts made by the financial and business community to preempt effective national regulation of foreign investment through the vehicle of the OECD’s Multilateral Agreement on Investment, or indeed the consequences of the WTO’s implementation of the GATT Uruguay Round. Since such efforts at restricting the regulatory rights of national governments extended explicitly to portfolio investments as well as to direct investments and policies towards them, it has clear implications for a wide range of public policies towards banking, finance and production. The call for ‘transparency’ in financial markets, which has been one of the battle-cries of the ‘Wall Street-Treasury-IMF’ consensus in their political thrust into the East Asian crisis (Wade and Veneroso 1998), provides a further indication that the battle over business regulation is a global one.

But even in the field of employment relations and labour markets, where as noted a greater degree of subnational variation in models is to be expected, policy debates now move seamlessly between national, regional and global levels. The labour ‘side agreement’ in NAFTA, the debate over labour ‘flexibility’ in Europe, the increasing transnational integration of work organization and production, and the issue of ‘labour standards’ in low-cost ‘new wave’ NICs, all provide evidence of this (see e.g. Campbell 1994 and Lee 1997). In response to these issues, and to the erosion of national collective bargaining in many countries, there is renewed urgency and even some optimism about building an effective transnational labour unionism, if with appropriate recognition of the need to transform the scope and content of bargaining objectives (see e.g. Moody 1997, Ramsay 1997). Again, the implication is that employment policies are being shaped by policy communities whose horizons are global as well as regional, national and local.

The overall implication of this is not that the nation-state is being undermined, nor that it is being superseded by regional or global governance, but rather that the transnational dimension of the state, which is intrinsic to it, has become more salient as a result of wider and deeper cross-border economic activity. In short, the state needs to be recognised as a transnational state.

IV: Conclusion: national models, global capitalism and historical political economy

This essay has ranged far and wide. Pulling the threads together, I return to the assertion already made several times about the merits of what I have termed ‘historical political economy’. Precisely because capitalism has always been a global system, the processes now captured by the present reality (and ideology) of globalization are themselves capitalist. For historical political economy, separating ‘the economic’ and ‘the political’ - let alone privileging either one - involves a mistaken abstraction which will lead to faulty diagnosis and prescription. Capitalism is historically founded on a separation of workers from ownership and possession of the means of production. Analytically, this is itself an abstraction: it does not mean that history unfolds as an elemental and predetermined struggle between reified classes, but that economic and political institutions and practices centre on the core dynamics of competition, accumulation and reproduction, which characterise historical capitalism.
Within this conceptual framework, the existence and evolution of national models of capitalism, including national modes of institutionalization of particular arenas of both economic activity and public policy-making, is necessarily contingent in time and space. The application of science and technology to production in the 19th century, within the new framework of capitalist competition and accumulation, created new social and political forces, as well as the mass production and mass markets which they sought to dominate and regulate. Given the inherited structures and processes of the inter-state system, and the spatial limitations of productive organization, what emerged by the end of the century was a global core system of competing powers, each presiding over a more-or-less subject empire; but the system as a whole was able to sustain for a considerable period a functioning world-economy, based in principle upon free trade and in practice on colonial exploitation.

For about a century, until the 1970s, a ‘billiard-ball’ model of world capitalism (if with increasing numbers of balls and increasingly complex rules and breaches thereof) was relatively appropriate, especially during the more stable periods of British and later American hegemony. One consequence of this relative salience of the national aspect of capitalism, relative to the transnational, was that economic and social conflicts were to a considerable degree resolved and managed within nation-states and with a considerable variety of ‘models’. In short, the billiard-balls were actually constructed in different ways, and the superior performance of one or the other tended both to indicate the superiority of its model (the ‘American way’, for instance) and the potential for adopting and adapting aspects of it. However, periods of hegemonic challenge and resulting global economic and political crisis promoted more acute national differentiation, and eventually nearly half a century of acute inter-system conflict (for a fascinating view of the attractions of national solutions at the lowest ebb of world capitalism see Keynes 1933).

A striking feature of the period of slower growth and (at times and in places) economic crises since the end of the postwar boom has been that world capitalism has not reverted to the economic dislocation and autarchy of the 1930s. This, above all, signals that the balance between the national and global aspects of capitalism has shifted. Despite the frequent threat of trade wars, not to mention the failure to restore truly systematic transnational financial regulation since the breakdown of Bretton Woods, international trade, production and finance have continued to expand relative to global production levels. Despite ever-increasing inequalities between countries, and indeed within many countries, there has never been such widespread acceptance and support, in terms of politics in power, for the capitalist system, and for its existing global order.

In this historical context, while it remains true that models still differ, and that capitalism continues to generate variety in both economic behaviour and social institutions, the deeper transnational economic integration is leading to a growing transnationalization of the institutions and practices of capitalism. In some spheres, notably those related to money and capital, national variations are becoming visibly less important, and all the evidence seems to point towards the dominance of a largely ‘Anglo-Saxon’ model - although it is vital to recognize the very large gaps that exist between the idealized Anglo-Saxon model (transparency, liquidity, competition, etc.) and the reality (dominance of the biggest players, pervasive insider behaviour, regulatory bias, etc.). In other spheres, notably those related to labour and to political practice, the evidence points to ‘Janus-faced’ institutions and practices, developing national variations on global themes and often in the context of transnational
counterpart institutions. In terms of the issues raised in the call for papers, I think this helps at least in clarifying some important lines of debate.

References


