"Varieties of Capitalism" Roundtable

The debate about the idea of "varieties of capitalism," which was formalized by Peter Hall and David Soskice in their 2001 book on the subject, has attracted the work of business historians, as well as of political scientists, and economists.[1]

The underlying idea that capitalism takes a variety of forms has been a staple of the business history literature for decades. It was manifested, for example, in the long-running debate about British "economic decline" from the late nineteenth century that regularly cited alleged differences between the British, German, and U.S. business and financial systems.[2] Financial historians have a long tradition of comparing banking and financial systems and contrasting their relative effectiveness for economic growth.[3] Alfred Chandler's *Scale and Scope* formally compared the capitalist models of the United States, Britain, and Germany.[4] As Gary Herrigel and Jonathan Zeitlin suggest below, the underlying assumption of this tradition differs from that of the "varieties" approach: the business history literature begins with the supposition that one system works better than others, and that the historical trend is toward convergence on the optimal system, a view that has been explicitly denied by some authors.[5]

As part of our special issue, we asked a number of prominent scholars to share their thoughts about how business history can contribute to the "varieties" literature, which has been conventionally criticized as ahistorical, at least in its original formulation. In these short essays, they respond to a series of questions that we posed: How does the varieties-of-capitalism hypothesis contrast with theories of the firm? How can they be reconciled? How can the study of firms help us to distinguish the nature of capitalism in different countries? How does the existence of multinationals fit into the varieties-of-capitalism thesis?

THE EDITORS

[1] Peter Hall and David Soskice, eds., *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford, 2001).

[2] Most of the literature made such comparisons implicitly. A number of influential works, such as William P. Kennedy, *Industrial Structure Capital Markets and the Origins of British Economic Decline* (Cambridge, U.K., 1987), made them more formally.

[3] This goes back to at least Rondo Cameron, *Banking in the Early Stages of Industrialization* (Oxford, 1967). A more recent study is by Youseff Cassis, ed., *Finance and Financiers in European History, 1880–1960* (Cambridge, U.K., 2002).

[4] Alfred D. Chandler Jr. with the assistance of Takashi Hikino, *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, Mass., 1990).

[5] Thomas K. McCraw, ed., *Creating Modern Capitalism: How Entrepreneurs, Companies, and Countries Triumphed in Three Industrial Revolutions* (Cambridge, Mass., 1997).

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Multinational Enterprises and the Varieties of Capitalism

Mira Wilkins

Florida International University

When, in 2001, Peter A. Hall and David Soskice published their edited volume, *Varieties of Capitalism*, my initial reaction was, What a wonderful title![6] Comparative economic systems courses had for decades contrasted "capitalist and socialist systems," and then there were the mixed systems combining the two (Yugoslavia was frequently given as an example). These courses looked at the degrees of greater or lesser state involvement, often referencing Sweden, as "the middle way."[7]

Charles F. Stewart and George B. Simmons, in their 1964 book *A Bibliography of International Business*, devoted a 124-page segment to "comparative business systems." In their introduction, they pointed to the spectrum of national government policy-making that went from Soviet style to relatively unfettered free enterprise, to which they added, "While it is well to delineate the extremes, it is the amorphous in-between where opportunities lie for the businessman interested in overseas operations . . . [W]hile there is obviously no place in the Soviet system for private enterprise, perhaps not so obvious is the fact that the American businessman cannot expect the relative *laissez-faire* that he knows at home."[8] In short, in their introduction, Stewart and Simmons were considering the experiences of U.S. business abroad within the varieties of capitalism in nonsocialist countries.

Twenty-five years later, as the failure of command societies became obvious (with the fall of the Berlin wall and then the breakup of the Soviet Union), it seemed ever more imperative to focus on and study what were clearly the many faces of capitalism. And then, from that time of recognition that command societies did not work until the present, Yugoslavia disappeared as a country and Sweden's "middle way" was no longer considered to be exceptional. Many believers in the efficacy of markets, from the 1980s onward, would have been surprised at (indeed would have found quaint) Stewart and Simmons's comments that America in the 1960s had an economy that was relatively laissez-faire.

[6] Hall and Soskice, *Varieties of Capitalism.*

[7] The phrase came from the title of Marquis W. Childs, *Sweden: The Middle Way* (New Haven, 1938). This popular book was reprinted in the 1960s.

[8] Charles F. Stewart and George B. Simmons, *A Bibliography of International Business* (New York, 1964), 1–124, with the quoted passage on p. 4. Of course, they were wrong. The Soviet system did allow for certain private enterprise, long before its collapse. But that was another matter.

Economists who looked to the Washington consensus, with its emphasis on markets, would certainly argue that, quite to the contrary, government by the 1960s was ubiquitous in American life (as well as in the economies of other "capitalist" countries around the world).[9] Comparative economic studies is at present a field that considers questions related to the transition from centrally planned to market economies. The phrase "emerging and mature market economies" is certainly a reflection of the varieties of capitalism. Clearly, many types of capitalism have coexisted and continue to coexist—now even including communist China. By 2010 (and indeed much earlier), commentators were writing about the Chinese model of "state capitalism."[10]

It must be said that no economic historian ever had the illusion that all capitalist systems were identical (alike perhaps, but far from the same). Moreover, and of great importance, with the passage of time, every economic historian has come to recognize that capitalism took on different forms, not only between different countries but also within individual countries. The capitalism of late-nineteenth-century America, the New Deal, the Kennedy-Johnson era, and the Reagan administration were, for instance, very different. So, too, it almost goes without saying that National Socialism in Hitler's Germany (often labeled by its critics as capitalism) and the capitalism of West Germany of the 1950s were different from one another and not the same as the capitalism of today's united Germany. Thus, although the title and the essays within the Hall and Soskice volume are new and refreshing, the underlying view of capitalism as many faceted is long standing and familiar to students of comparative economic systems, as well as to economic and business historians.

For this round table, Walter Friedman and Geoffrey Jones asked me to comment on a range of topics related to the varieties of capitalism, the most intriguing of which was, "How do multinationals fit into the varieties of capitalism thesis?" I want to discuss possible new challenges for scholarship—in seeking to determine how, if at all, multinational enterprises change the nature of capitalism in host states. Do they change the nature of capitalism within their home countries?[11] In my

[9] Indeed, one did not have to be an advocate of the free markets (or to look at the matter retrospectively) to find the Stewart-Simmons comment somewhat "quaint." In the 1960s, as an example, when foreign banks were considering investing in the United States and trying to figure out the complexities of American state and national policies on bank regulations, they found a total absence of "laissez-faire"—at least in the banking sector.

[10] Ian Bremmer, *The End of the Free Market: Who Wins the War between States and Corporations* (New York, 2010). See also reviews of the book in the *Economist*, 5 June 2010, and the *New York Times*, 6 June 2010.

[11] It is the convention for students of multinational enterprise to use the terms "home" as the country where the multinational is headquartered and "host" as the country that hosts the activities of the foreign-owned multinational (the locale where the latter does business abroad).

discussion, I view multinational corporations as part and parcel of capitalism.

While there were "proto-multinationals" (that is, some aspects of firms that resembled the modern firm going back, some argue, two thousand years before the present era), what we now identify as the modern multinational enterprise dates from the mid- to late-nineteenth century.[12] If capitalism can be defined as a system that relies on enterprises to accumulate and allocate capital, multinational enterprises have to be recognized as central to the "global system."

That definition of capitalism is perhaps too cursory. But this is not the place for me to try to undertake the challenging task of defining, or even gleaning, the meaning of capitalism. I should note, however, that definitions of the essence of capitalism have varied and shifted over time.[13] Many scholars routinely assume that inherent in capitalist systems is the notion of crises. Should we be discussing the varieties of responses to crises? Definitions, however, are not my topic, except to point out the elusive characteristics of capitalism. My goal is to approach the topic, seeing capitalism as basically a system that pays heed to firms and markets.

While the notion of capitalism or capitalist systems generally has dealt with the role of firms and markets, so, too, variations in capitalism involve different legal systems and different approaches by states toward establishing "the rules of the game"—including attitudes toward (and the actual amount and nature of) state ownership and regulations. The state as owner can be an active or a passive player in the decisions made by firms. Regulations that constrain and/or enhance markets (domestic and/or international) can include everything from protection of national industry (general or by sector), antitrust or competition rules, financial-sector strictures, corporate governance rules, tax policies, national-security concerns, labor laws, immigration rules, consumer-protection regulations, environmental protection rulings, and so on (a list that barely begins to cover the regulatory gambit). What citizens expect and what they get from their government have become integral to the varieties in capitalism. The extent of inequality within a country helps us understand other aspects of capitalism. From one country to another (and from one industry to another within countries, and from

[12] Mira Wilkins, "The History of the Multinational Enterprise," in *The Oxford Handbook of International Business*, ed. Alan M. Rugman (Oxford, 2nd ed., 2009), 3–38, esp. 16–17; and Geoffrey Jones, *Multinationals and Global Capitalism from the Nineteenth to the Twenty-first Century* (Oxford, 2005), 16–17.

[13] See, for example, Werner Sombart, "Capitalism," in *Encyclopedia of Social Sciences*, vol. 3 (New York, 1930), 195–208; Joseph A. Schumpeter, *Capitalism, Socialism and Democracy* (New York, 1942); Richard A. Posner, *The Crisis of Capitalist Democracy* (Cambridge, Mass., 2010); and Joyce Appleby, *The Relentless Revolution: A History of Capitalism* (New York, 2010).

one firm to another within countries), there are differences in productivity that vary through time. The way resources are employed and deployed—as they affect productivity performance—delineate differences in capitalism. Attitudes toward entrepreneurial behavior can represent profound dissimilarities. Firms within particular nations themselves can be proxies for varieties within capitalism (family business, managerial enterprise, state-owned companies). Capitalism connotes not only an economic system, but also political, social, cultural, and religious conditions and traditions. More generally, the extent of heterogeneity in "beliefs" within any country is inseparable from our thinking about a "capitalist economy" and the varieties of capitalism.[14]

Where then does the history of multinational enterprise fit into this multiplicity of story lines? Multinational enterprises are defined as firms that cross borders, making foreign direct investments. As I outline the characteristics of multinational enterprises, I want to emphasize that within this general picture there is wide diversity (heterogeneity). Multinationals can be family firms; they can be state-owned businesses; they can be publicly traded enterprises (or they can combine these not necessarily separate features).[15] The integration abroad can be vertical (forward and/or backward), horizontal, or diversified (related or unrelated), but most often combining all three—in different countries, differing settings, and through time. An understanding of the multinational must take into account its international role in distribution and purchasing, as well as in transportation, manufacturing, mining, oil production, financial services, and so forth—a coterie of different involvements of integrated enterprises.[16]

By definition, as multinational enterprises cross over borders, they disseminate a package of business attributes, including not only capital but also product, process, research and development methods and findings, intellectual property (including patents and trademarks), technical and managerial knowhow, logistical expertise, entrepreneurial talents, and the like. Multinational enterprises send across borders technologies and knowledge, both explicit and tacit, which are diffused

[14] Note the formidable literature on "religion and capitalism" and "democracy and capitalism." Among the ongoing contributions in the last few years are Rachel M. McCleary and Robert J. Barro, "Religion and Economy," *Journal of Economic Perspectives* 20, no. 2 (2006): 49–72; and Daron Acemoglu, James Robinson, and Pierre Yared, "Income and Democracy," *American Economic Review* 98, no. 3 (2008): 808–42.

[15] A "family firm" may (and frequently does) have outside-the-family (or families) shareholders. Often "state-owned" businesses are not 100 percent owned by the state. Publicly traded firms can be family dominated or have partial state ownership.

[16] There are problems in defining what constitutes the multinational enterprise, which I have explored elsewhere. See Mira Wilkins, "Defining a Firm: History and Theory," in *Multinationals: Theory and History*, ed. Peter Hertner and Geoffrey Jones (Aldershot, 1986), 80–95.

within the organization. Management matters. Not only do multinationals transmit from one country to another advanced managerial and technological accomplishments; they also transfer norms—ways of doing business. Moreover, within countries they (and their employees and those other firms stimulated by their existence) become a basis for taxation; they are a generator of revenue for local and national host governments. (Their earnings from international business activities are also a taxable source of income in home countries.)

While there is an existing literature on small and medium-sized multinationals and on multinationals from developing countries, it is important to recognize that because a multinational goes over borders it is by definition multiunit: it can start as a small business; it often deals with (or acquires) small businesses; its outposts abroad in particular countries may be small businesses (within the host nation), but the multinational enterprise itself is not small if it persists as a multinational enterprise. Likewise, there are now many multinationals headquartered in developing countries, but they remain in the minority. Some multinational enterprises operate in 150 countries. Some operate in only a few.[17] There is a large literature on the choices of location by individual and groups of multinational enterprise and the rationales behind those choices. Conditions within individual nations obviously affect whether an individual multinational will invest within any one of them.

This said, if a multinational develops business within a particular country, transfers from one country to another within that multinational enterprise will vary by enterprise and by host country, but such transfers frequently have substantial linkage effects outside the individual multinational enterprise—as the firm provides employment and teaches employees (who may then go to work for others or found their own spin-off enterprises), as it develops supplier and distribution arrangements and engages other firms in its endeavors, and as its activities stimulate competition.[18] These transfers do not, however, guarantee absorption within the host economy of what has been transferred. What a single multinational enterprise transfers to a host country, what linkage effects occur, and to what extent a host country's firms and entrepreneurs are able to absorb and to advance based on the practices of foreign multinational enterprises vary sharply by country and

[17] My definition is broad enough to encompass a firm that operates in a single foreign country, which was often the case as I traced the beginnings of the history of individual multinational enterprises.

[18] These linkages vary by circumstances, industries, and history. I do not see joint ventures as a "magic bullet" to provide for transfer and absorption; in fact, at times they are counterproductive to the process. Yet they can be part of the transfer process. Sometimes, a multinational enterprise's presence within a particular host country can be so small as to have minimal external linkages.

by industry—and over time—and serve in different manners to influence and to transform national "capitalist" economies. In addition, how and the extent to which host governments not only form policies to optimize the linkage benefits of multinationals' presence, but also use (along with the size of) tax revenues created by the economic activities of multinationals, diverge sharply. The degree to which firms within a country are able to imitate, to build on what has been diffused, and to move beyond what foreign multinationals have to offer is frequently an indicator of the success of capitalism (and a sign of which firms and markets are able to perform as effective actors in growth).[19]

When, for example, a multinational enterprise's business is nationalized or expropriated, sometimes there is successful absorption of its offerings within the host country. This was true of some of the host state-owned oil companies that were able to internalize and expand on what the multinational enterprises had transferred—in Saudi Arabia, for instance.[20] In other cases, nationalized firms have been unable (for a range of reasons) to keep up and to absorb fully and to build on what multinationals had introduced. Part of the reasons for the variations may rest on how the subsequent relations with multinational enterprises developed.

Multinationals have likewise come to absorb ideas within host nations. Multinationals may acquire companies, hoping to learn from their acquisitions (this is only successful if the multinationals have a basis for incorporating the learning from abroad). When, for example, the host nation is an economically advanced one—such as the United States—there have been sizable transfers from the subsidiary back to the parent (and throughout the multinational enterprise).[21] This brings us to the insights of the application-and-adaptation model, initially introduced to me by Tetsuo Abo.[22] The argument is grounded in the assumption that a multinational enterprise when it invests abroad must

[19] I have explored some of these ideas in more detail in my books and in different contexts in articles. On the latter, see, for instance, Mira Wilkins, "The Role of Private Business in the International Diffusion of Technology," *Journal of Economic History* 34 (Mar. 1974): 166–88; Mira Wilkins, "The Contributions of Foreign Business to Japanese Economic Development," in *Foreign Business in Japan before World War II*, ed. Takeshi Yuzawa and Masaru Udagawa (Tokyo, 1990), 35–57, and "Response" to comment in the latter, 59–60; and Mira Wilkins, "Multinational Enterprises and Economic Change," in *Australian Economic History Review* 38, no. 2 (1998): 103–34.

[20] The first generation Saudi engineers, technicians, and managers were all trained within the context of the multinational enterprise that operated in that country.

[21] This may happen through acquisitions, but often happens through the course of time as subsidiaries develop their own activities and expertise.

[22] Abo has discussed this model in a number of different contexts. See, for example, Tetsuo Abo, ed., *Hybrid Factory: The Japanese Production System in the United States* (Oxford, 1994).

have something going for it to succeed—to overcome what is now referred to as the "liability of foreignness." This advantage is embodied in the package of attributes that the business transfers. Yet because conditions are different abroad (from factor costs, to government rules and regulations, to cultural norms), the multinational enterprise not only applies what it knows but also adapts to national (or local) circumstances. Abo's insight was that if there was too much adaptation the multinational would lose its advantage. And this was certainly true. But we also know now, with some inward multinationals in the United States in particular (in pharmaceuticals and facets of the oil industry, for example), that subsidiaries became the innovators and transferred back to the parent multinational new research and development findings. In these cases, the learning became a two-way street, and the "adaptation" enhanced the entire multinational enterprise. All this should lead to more homogeneity in capitalist systems—convergence—but does it?

That the presence of a multinational enterprise within a host country, even with the vast improvements in communication mediation during the twenty-first century, does not necessarily or automatically (or even in the long run) create international homogeneity is caused by the persistence of variations in, and the histories of, national economies.[23] What changes and what does not by virtue of a nation's openness to multinational enterprise becomes worth studying and appears to be associated with the notion that, when a multinational operates abroad, it does not (cannot) transfer without alteration what it does at home. When it acquires host-country companies and when it sets up activities anew, its activities evolve, and how they change over time becomes central to the outsider's impact. Moreover, as governments tax and obtain revenues, different political configurations and considerations may mitigate the most advantageous use of revenues.[24] What is important is that, as multinationals expand and have expanded over time, they become the basis for stimulating others to imitate and innovate, copy and excel, borrow and surpass—in home as well as host countries (and on a global basis). Thus absorption should not be understood as a cloning process, but as a dynamic one. The pace at which multinationals transfer, and countries absorb and move beyond the contributions of the multinationals headquartered outside the host nation's boundaries

[23] For a thoughtful article on the impact of computer-mediated transactions and combinatorial innovation, see Hal R. Varian, "Computer Mediated Transactions," *American Economic Review* 100 (May 2010): 1–10. Varian believes that "one interesting implication of computer mediated transactions among knowledge workers is that interactions are no longer constrained by time or distance" (p. 8). I disagree: time zones plus language and understanding constraints do persist, speed in communications notwithstanding.

[24] If multinationals are taxed by a corrupt government, the revenues are clearly not used in the "most advantageous" manner for a national economy.

(and those headquartered abroad are able to learn from their foreign affiliates), continues to vary greatly by country—and not so clearly in a systematic or straightforward manner. Nothing is automatic. And how governments respond to multinationals and use the revenues that can be generated by the participation of multinational enterprises varies sharply. The consequences are sustained variations in national capitalism on a global basis. It is unlikely that there is a single model for successful development.

One of the challenges for students of the history of multinational enterprise is to discover which interactions (and which government policies in what context) stimulate national economic growth over long periods and which ones retard long-run successes within different capitalist systems.[25] What makes one society and not another able to borrow from, and effectively shape, the contributions of multinational enterprises toward national goals? Research on the history of multinational enterprise and the experiences they face as they undertake international business helps us to understand differences in capitalist systems and spotlights key issues related to the successes and failures in capitalist economies. A challenge for scholars is to determine why the same multinational enterprise affects capitalism in host states in both similar and dissimilar manners. And much more systematic research is required on how multinationals—over time—impact capitalist systems within individual nations. Why is one society more able to capture the benefits of globalization than another and to take advantage of its offerings, and how does this ability alter through time? The study of multinational enterprise casts light on the pace of growth in individual capitalist economies. In thinking about multinationals and capitalist systems, a number of questions surface: Is one single type of capitalism "better" than another? Can we or should we identify capitalism with free markets and free enterprise? Has one type of capitalist past—with its adjustments and refinements over time—been superior to others? Why has there been sustained divergence in a global economy? Why is there persistence of differences? Research on the historical experience of multinationals assists us in providing insights and tentative answers to these queries.

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[25] Can the presence of multinationals bring negative externalities? Of course. My argument is, however, that a careful study of the historical record shows far more desirable outcomes than adverse ones.

Varieties of Capitalism and Business History

Kathleen Thelen

Massachusetts Institute of Technology

The "varieties-of-capitalism" framework as articulated by Peter Hall and David Soskice has become a standard point of reference in the literature on the political economies of the most advanced industrial countries. It draws attention to important differences in the institutional arrangements one finds in so-called coordinated market economies that distinguish them from liberal market economies.[26] From the beginning, this body of work has challenged the idea that contemporary market pressures (globalization, the decline of manufacturing) will drive a convergence on a single "best" or "most efficient" model of capitalism. Instead, the idea at the heart of the varieties-of-capitalism framework has been to insist that models represent two different ways to organize capitalism: they operate according to different logics, but both are seen to be durable, even in face of new strains. Thus, beyond being an extraordinarily influential argument, this has also been a kind of reassuring one, for many people worry about a breakdown of the institutions characteristic of coordinated market economies, which are widely considered to support a more egalitarian form of capitalism.

In the meantime, however, even sympathetic scholars have begun criticizing the "varieties" framework for overemphasizing the resilience of existing models of capitalism in the face of evidence that many of the central institutional arrangements that define particular countries, especially many "coordinated market economies," are under strain and in some cases have become the objects of explicit reform efforts. The most skeptical observers see in these changes a pervasive shift toward "liberalization," and they assert that such a shift challenges the varieties-of-capitalism framework at its most basic, by undermining the distinction on which the framework is premised—between coordinated and liberal market economies.[27] For defenders of the varieties perspective, the typical (not unreasonable) response consists of a defense of the core distinction between coordinated and liberal economies.[28] The result,

[26] Including but not limited to coordinated collective bargaining, arrangements for worker participation and voice at the plant level, coordinated systems of vocational education and training, and particular kinds of financial institutions.

[27] Wolfgang Streeck, *Re-forming Capitalism: Institutional Change in the German Political Economy* (Oxford, 2009).

[28] Peter A. Hall and Daniel Gingerich, "Spielarten des Kapitalismus und institutionelle Komplementaritäten in der Makroökonomie: Eine empirische Analyse," *Berliner Journal für Soziologie* (Winter 2004).

though, is often an inconclusive debate about whether, in any particular empirical case, the glass is half empty or half full (e.g., whether, say, German collective bargaining is still "coordinated" or whether the flexibility that has more recently characterized bargaining arrangements have or will reach a—usually unspecified—tipping point).

One of the problems here is that contemporary debates on the future of egalitarian capitalism tend to conflate two phenomena that came together empirically in the period since World War II, but that historically and analytically are completely separate. "Coordinated" capitalism featuring strong nonliberal elements—particularly strong employer organization and coordination—stretches back to the period of early industrialization, and historically was not particularly redistributive (indeed, employers mostly organized among themselves originally in order not to cooperate, but to do battle, with emerging unions). "Egalitarian" capitalism, as it has evolved since World War II of course also features nonliberal elements and seems to thrive best in "coordinated" market economies, but it follows a completely different political logic and is obviously causally connected to full labor incorporation and partisan politics in the context of stable democratic development.

Sorting out the relation between "coordinated" capitalism and "egalitarian" capitalism is a task that is best approached from a historical perspective. This is something that political scientists have begun to tackle, but business historians have a crucial role to play in dialog with these historically minded political economists.[29] Historical analysis shows that labor strength and employer strength do not stand in a zero-sum relation to one another, but in fact go hand in hand.[30] It is no coincidence that the countries we associate with more egalitarian outcomes feature a high degree of coordination on both sides of the class divide, while the less egalitarian "liberal" market economies are characterized by fragmented unions *and* weak employer associations. While a high degree of employer coordination is clearly not sufficient to generate egalitarian outcomes, coordination on the employer side does appear to be very useful and perhaps even necessary for sustaining high levels of social solidarity.

[29] See, for example, Torben Iversen and David Soskice, "Distribution and Redistribution: The Shadow from the Nineteenth Century," *World Politics* (2009): 438–86; Herbert Kitschelt et al., "Convergence and Divergence in Advanced Capitalist Democracies," in *Continuity and Change in Contemporary Capitalism*, ed. Herbert Kitschelt et al. (New York, 1999); Peter Swenson, *Capitalists Against Markets* (New York, 2002); Kathleen Thelen, *How Institutions Evolve: The Political Economy of Skills in Comparative-Historical Perspective* (New York, 2004); Cathie Jo Martin and Duane Swank, *In Search of Self* (Boston University, unpublished manuscript).

[30] Swenson, *Capitalists Against Markets*; Isabela Mares, "The Sources of Business Interest in Social Insurance," *World Politics* 55, no. 2 (2003); Cathie Jo Martin, *Stuck in Neutral: Business and the Politics of Human Capital Investment Policy* (Princeton, 2000).

Beyond these insights, however, much work remains to be done to understand what allows coordinated capitalism to take on a more egalitarian form. Many of the political-economic institutions that we now associate with egalitarian capitalism—centralized collective bargaining, industrial democracy (codetermination), and strong systems for skill formation—were not designed with redistribution in mind and in fact predated the heyday of egalitarian capitalism by many decades.[31] It is thus necessary to trace historically the creation and ongoing transformation of the main labor-market institutions over a long period of time. Only by tracking the adaptation of these institutions to the myriad economic and political changes that took place over the course of the twentieth century can we gain insight into the possibilities for the survival and adaptation of these institutions in the present crisis.

Business History and the Comparative Analysis of Capitalisms

Richard Whitley

Manchester Business School, University of Manchester

The success of many Japanese and, later, South Korean and other Asian, companies in North American and European markets in the last third or so of the twentieth century stimulated numerous comparisons of "Asian" with "Western" forms of capitalism. While many of these were grossly oversimplified and often reproduced journalistic stereotypes, rather than engaging in systematic comparative analysis, they represented an increasing realization not only that there were various ways of organizing market economies, but also that these were not necessarily ordered in terms of their relative efficiency or modernity, as had often been assumed by those advocating the adoption of U.S. business models and regulatory institutions in Western Europe in the early postwar period.[32]

[31] Swenson, *Capitalists Against Markets*; Thelen, *How Institutions Evolve*.

[32] Marie-Laure Djelic, *Exporting the American Model: The Postwar Transformation of European Business* (Oxford, 1998); Ruggero Ranieri, "Remodelling the Italian Steel Industry: Americanization, Modernization and Mass Production," in *Americanization and Its Limits: Reworking U.S. Technology and Management in Postwar Europe and Japan*, ed.

Over the past three decades or so, these comparative analyses have moved away from broad-brush associations of particular institutional features, such as the developmental state or capital market–based financial systems and competitive success in certain markets, to more detailed accounts of the processes through which specific kinds of societal institutions governing property rights, capital, product, and labor markets encourage strategic actors, such as firms, to develop distinctive organizational capabilities that generate competitive advantages in particular industries.[33] Different combinations of institutional regimes with particular patterns of economic cooperation and competition have begun to be seen as generating distinctive kinds of advantages that led to contrasting patterns of technological specialization and sectoral success. As Hall and Soskice put it: “The institutional structure of a particular political economy provides firms with advantages for engaging in specific types of activities there. Firms . . . produce some kinds of goods more efficiently than others because of the institutional support they receive for those activities in the political economy.”[34]

Critical factors in explaining these national differences in sectoral specialization were variations in coordination mechanisms and constraints on opportunism. Wolfgang Streeck, for instance, suggested that institutional constraints on West German employers’ labor-management policies, together with other contextual features, encouraged them to invest in training and to collaborate with labor unions in ways that led to the development of what became known as diversified quality production in cars and other medium-high technology industries.[35] More recently, Steven Casper and Richard Whitley have suggested that variations in modes of socioeconomic coordination across three European countries have affected entrepreneurial technology firms’ strategies for dealing with appropriability and competence destruction risks in the biotechnology and Internet software industries, such that their relative success in different subsectors differs between Britain, Germany, and Sweden.[36]

Jonathan Zeitlin and Gary Herrigel (Oxford, 2000), 236–68; Jonathan Zeitlin, “Americanizing British Engineering? Strategic Debate, Selective Adaptation, and Hybrid Innovation in Postwar Reconstruction,” in *Americanization and Its Limits*, 123–52.

[33] Chalmers Johnson, *MITI and the Japanese Miracle* (Stanford, 1982); John Zysman, *Governments, Markets and Growth: Financial Systems and the Politics of Industrial Change* (Ithaca, N.Y., 1983).

[34] Peter Hall and David Soskice, “An Introduction to Varieties of Capitalism,” in *Varieties of Capitalism*, 37.

[35] Wolfgang Streeck, *Social Institutions and Economic Performance: Studies of Industrial Relations in Advanced Capitalist Economies* (London, 1992).

[36] Steven Casper and Richard Whitley, “Managing Competences in Entrepreneurial Technology Firms: A Comparative Institutional Analysis of Germany, Sweden, and the U.K.,” *Research Policy* 33 (2004): 89–106.

Many of these analyses remain focused on the nation state as the primary unit of analysis, and they study particular national economies as emblematic of different ideal types of capitalism without considering —or at least systematically and empirically investigating—how particular nationally dominant institutions and interest groups deviated from such ideal types and led to divergent economic structures and outcomes.[37] All too often, national economies were assumed to be more or less "liberal" or "coordinated" and were treated as internally coherent entities that could readily be compared with each other as internally homogenous and externally heterogeneous kinds of market economy, in which mutually reinforcing national institutions governing capital and labor markets generated consistent patterns of firm governance and behavior across sectors and regions. Histories of individual companies and industries were only of interest to these kinds of comparisons insofar as they illustrated the general patterns being considered. In concentrating on the systemic logics of economic action generated by different kinds of institutional arrangements at the national level, they rendered irrelevant detailed accounts of how particular firms developed, except as instances of how these logics were manifested in practice.

The breakdown of the Bretton Woods system and declining national economic autarky, together with the rise of Silicon Valley and increasing acknowledgment of subnational regional systems of economic organization, as well as a general reaction against oversimplified models of capitalism, stimulated numerous criticisms of "not enough variety" and insufficient appreciation of conflicting interests and logics within national political and economic systems, as well as of how these changed.[38] Additionally, dissatisfaction with both the common identification of particular countries' institutions and patterns of economic organization with theoretical types, and the presumption of high levels of national institutional complementarity generating homogenous outcomes, have led to more systematic analyses of different types of complementarity, as well as to increased interest in the conditions under

[37] Bruno Amable, *The Diversity of Modern Capitalism* (Oxford, 2003); and Richard Whitley, *Business Systems and Organisational Capabilities: The Institutional Structuring of Competitive Competences* (Oxford, 2007).

[38] Hans-Joachim Braczyk, Philip Cooke, and Martin Heidenreich, eds., *Regional Innovation Systems: The Role of Governances in a Globalized World* (London, 1998; republ. 2003); AnnaLee Saxenian, *Regional Advantage: Culture and Competition in Silicon Valley and Route 128* (Cambridge, Mass., 1994); Matthew Allen, "The Varieties of Capitalism Paradigm: Not Enough Variety?" *Socio-Economic Review* 2 (2004): 87–107; Richard Deeg and Gregory Jackson, "Towards a More Dynamic Theory of Capitalist Variety," *Socio-Economic Review* 5 (2007): 149–79; Wolfgang Streeck, *Re-forming Capitalism* (Oxford, 2009).

which institutions and different kinds of coordination and control systems develop and change.[39]

In particular, the comparative business-systems framework has focused on how differences in specific state structures, financial and labor market institutions, and other conventions governing economic and political activities encourage certain patterns of economic organization to become dominant and lead to varied kinds of authority relations within and between firms.[40] Work in this approach attempts to identify the circumstances in which contrasting types of firms, growth strategies, and market relations become dominant in different sectors, regions, and societies, and the processes through which they change. It therefore explicitly considers how variations in the extent of national homogeneity of business systems come about and alter in different kinds of capitalism.

In exploring these variations and changes, detailed accounts of business growth and patterns of industrial development, such as those produced by many business historians, can provide important evidence of how particular institutional contexts and the broader business environment impinge upon the decisions of strategic actors and their consequences in specific empirical situations, as well as how such actors attempt to shape that environment with varying degrees of success.[41] As Zeitlin has suggested in his summary of the "historical alternatives" approach to business history, such accounts can illuminate how various kinds of firms, interest groups, and other agents came to act in particular ways in certain circumstances, and how these actions generated specific outcomes in those contexts.[42] By emphasizing the important role of actors' self-understanding and knowledge of possible alternatives in an environment structured by dominant national and international institutions, interest groups, and other firms, this approach highlights the contingent nature of market behavior and economic outcomes, as well as the critical role of particular actors in explaining patterns of capitalist development.

[39] Colin Crouch, *Capitalist Diversity and Change: Recombinant Governance and Institutional Entrepreneurs* (Oxford, 2005); Wolfgang Streeck and Kathleen Thelen, eds., *Beyond Continuity: Institutional Change in Advanced Political Economies* (Oxford, 2005); Glenn Morgan, Richard Whitley, and Eli Moen, eds., *Changing Capitalisms? Internationalisation, Institutional Change, and Systems of Economic Organisation* (Oxford, 2005).

[40] See the following by Richard Whitley: *Business Systems in East Asia: Firms, Markets and Societies* (London, 1992); *Divergent Capitalisms: The Social Structuring and Change of Business Systems* (Oxford, 1999); and *Business Systems and Organisational Capabilities* (Oxford, 2007).

[41] Peer Hull Kristensen and Jonathan Zeitlin, *Local Players in Global Games: The Strategic Constitution of a Multinational Corporation* (Oxford, 2005).

[42] Jonathan Zeitlin, "The Historical Alternatives Approach," in *The Oxford Handbook of Business History*, ed. Geoffrey Jones and Jonathan Zeitlin (Oxford, 2008), 120–40.

However, it is important to recognize that such contingency and strategic choices are structured and ordered by actors' contexts, including prevalent economic logics and dominant coalitions of interest groups, that constrain and support the establishment of particular kinds of actors and economic rationalities. Who becomes an important strategic actor with significant resources that enable them to act in particular ways that generate specific outcomes varies considerably between differently organized market economies, as the comparative capitalisms literature has shown, and it is a key role of historical accounts of economic change to clarify how and why such variations occur. This means that the nature and behavior of firms and other economic actors cannot be assumed to reflect a single rationality, but must be taken as problematic and analyzed as contextually relative phenomena.

Once uncertainty is accepted as endemic to market economies, and knowledge is understood to be always incomplete, then how actors comprehend the world does indeed become critical to any analysis of their behavior and consequent outcomes. Since such perceptions, valuations, and decisions are constructed from previous experiences, background knowledge, and organizational routines and are influenced by prevalent conventions, rules of the game, and other actors' interests, business historians necessarily have to consider how different kinds of actors came to understand the world in different ways in different circumstances. Additionally, the contexts that led to different outcomes from similar kinds of actions, such as the deregulation of parts of the British and Japanese financial services industries in 1986 and 1996, are also important topics for business historians to study in surveying the varied mechanisms and factors that lead to distinct patterns of market change in different societies.[43]

This kind of historical analysis requires the use of generic descriptive terms of economic actors and their strategic logics that enable similarities and differences to be identified and distinguished. Once alternatives are being considered, comparisons are inevitable, and they necessarily involve using conceptual categories and some kind of theoretical framework for contrasting different situations, rationalities, and outcomes. The more such categories and frameworks are commensurate with broader comparative analyses of economic organization and change, the more business historical work will contribute to and indeed help to direct, the latter.

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[43] Henry Laurence, *Money Rules: The New Politics of Finance in Britain and Japan* (Ithaca, N.Y., 2001).

Latin American Business History and Varieties of Capitalism[44]

Rory M. Miller
University of Liverpool Management School

The interest in the "varieties of capitalism" (henceforth VoC) approach that has grown since the turn of the century finds Latin American business history confronting a paradox. On the one hand, case studies of individual firms have proliferated during the last two decades, especially in Mexico, Argentina, and Colombia, as a new generation of researchers has entered the field. This has stimulated overseas interest in its development, with the publication, for example, of special issues of three of the major journals, *Enterprise and Society* (2004), *Business History Review* (2008), and *Entreprises et Histoire* (2009). Yet, on the other hand, studies of Latin American business have not yet entered the disciplinary mainstream. The index of the *Oxford Handbook of Business History*, published in 2008, includes just two entries for Argentina, seven for Brazil, and six for Mexico, the three largest economies in the region.[45] This is despite the inclusion of individual chapters on family business, business groups, and business–government relations, subjects where the Latin American experience ought to have at least something to contribute.

The reasons for this isolation are doubtless, in part, linguistic, since much of the new work has been published in Spanish or Portuguese. However, it also reflects a problem that has long worried senior figures in Latin America, namely, a lack of theoretical content in scholarship that would help to link the region to broader conceptual debates. María Inés Barbero, for example, considers much Latin American business history to be "descriptive and relatively short on analysis."[46] What the growing interest of business historians in the VoC framework may offer to specialists in Latin America, therefore, is an opportunity to reconnect with the mainstream.

In 2009, Ben Ross Schneider published an article bringing contemporary Latin America into the VoC debate. He argues that a distinct

[44] My thanks are due to Carlos Dávila, Stephanie Decker, and Raúl García Heras for their critical remarks on the first draft of this essay. Unfortunately, for reasons of space, I have not been able to address all their comments.

[45] Geoffrey Jones and Jonathan Zeitlin, eds., *The Oxford Handbook of Business History* (Oxford, 2008).

[46] María Inés Barbero, "Business History in Latin America: A Historiographical Perspective," *Business History Review* 82 (Autumn 2008): 572.

form of capitalism exists in Latin America, which he labels “hierarchical market capitalism.”[47] Drawing on the popular formulation of the VoC framework developed by Peter A. Hall and David Soskice, Schneider identifies particular characteristics that differentiate Latin American countries from liberal market economies and coordinated market economies: the dominance of diversified family business groups in both large and small economies; the important role played by multinational enterprise, especially of U.S. origin; the overall weakness of labor, which for the most part is unorganized, informal, and highly mobile; and the lack of investment in improving education, skills, and training.[48] Thus, Schneider argues, business, even in the largest countries, is dominated by a relatively small number of domestic and foreign enterprises, underpinned by the state, both in the import-substitution-industrialization (ISI) period, when it protected and subsidized domestic business groups while generally remaining open to foreign investment in manufacturing, and in the more recent “market” phase, when economies have been opened further to foreign investment, and multinational companies and domestic business groups, between them, have reaped the majority of the rewards from privatization and liberalization.[49] Schneider, however, laments the relative lack of research in business history that might explain how this variety of capitalism has evolved—in particular “how local capitalists built and organized their firms.”[50]

The dominance of family business groups internalizing markets for finance and management talent, diversifying into unrelated business sectors in Latin America, and interacting, in a changing variety of ways, with foreign firms and the state, is undisputed, though the explanations for them may differ.[51] Their history, and indeed that of the state’s direct

[47] Ben Ross Schneider, “Hierarchical Market Economies and Varieties of Capitalism in Latin America,” *Journal of Latin American Studies* 41 (Aug. 2009): 553–75.

[48] The latter points differentiate Latin America from emerging economies in Pacific Asia.

[49] This comment is generalizing about the role of the state: during the ISI period there was a substantial degree of economic nationalism which was most evident in the nationalization of mining, energy and public utilities, the reservation of “basic industries” for state-owned enterprise (SOEs), and, at times, the enforced use of joint ventures between foreign and domestic business. Some of the SOEs remain important business leaders, such as, for example, Codelco, the Chilean copper-mining corporation, or Petrobras, the Brazilian state oil company.

[50] Schneider, “Hierarchical Market Economies,” 555.

[51] See, for example, Nathaniel Leff, “Industrial Organization and Entrepreneurship in the Developing Countries: The Economic Groups,” *Economic Development and Cultural Change* 26 (July 1978): 661–75; Mauro Guillén, “Business Groups in Emerging Economies: A Resource-Based View,” *Academy of Management Journal* 43 (June 2000): 362–80. Mario Cerutti, ed., *Empresas y grupos empresariales en América Latina, España, y Portugal* (Monterrey, 2005), contains six essays on Latin American groups. I completed this essay before seeing a copy of Asli M. Colpan, Takashi Hikino, and James R. Lincoln, *The Oxford Handbook of Business Groups* (Oxford, 2010), which contains four chapters on individual Latin American countries (Argentina, Brazil, Chile, and Mexico).

and indirect role in business, is fundamental not only to an understanding of the evolution of the Latin American variety of capitalism, but also to comparisons between business groups in this region and others where they predominate. A number of questions arise that, for reasons of space, cannot be explored fully here: the reasons for the initial development of diversified family groups during the later nineteenth century (contrary to the opinions of some authors who have seen them as creations of the ISI period); the sources of their agility and flexibility in confronting a highly uncertain environment and multiple crises in the twentieth; the relations between business elites and the state; their interconnections with finance and, hence, the evolution of their corporate governance (an important issue in the early formulations of the VoC literature); and the reasons for the failure of those that could not transform themselves quickly during periods of rapid change, such as in the inflationary phases that marked postwar Latin America or the change in economic paradigm that occurred in the late 1980s to early 1990s.[52]

One problem in analyzing these groups has been that, in the mid-twentieth century, the most dynamic and the safest areas of growth for them were often in spheres of the economy that were not subject either to competition from multinationals with technological or branding advantages or to ownership, control, and regulation by the state. Generally, there is relatively little research on sectors where locally owned business groups predominated in the ISI period: agribusiness, construction, and urbanization; internal passenger transport and freight distribution; the media and publishing; and, to a lesser extent, light, low-technology manufacturing. With its emphasis on the interconnections between business and the institutional environment, the VoC approach suggests questions about how such groups developed strategies that allowed them to prosper in the context of growing state involvement in business and foreign multinationals' penetration of Latin American markets. It also, through its emphasis on the links between the financial and nonfinancial sectors, draws attention to the evolution of banks and stock markets in a region marked historically by a "savings gap" and shortages of capital and credit.[53]

Another area where the VoC approach might stimulate research in Latin American business history and provide an analytical dimension that it currently lacks comes from the emphasis on industrial relations

[52] For a rare example of a corporate history analyzing failure, see Marcelo Rougier and Jorge Schvarzer, *Las grandes empresas no mueren de pie: El (o) caso de SIAM* (Buenos Aires, 2006).

[53] Some of the most important advances in business history in Latin America have been in banking and finance, but the focus, until recently, has been on the early part of the twentieth century: see Carlos Marichal, "Banking History and Archives in Latin America," *Business History Review* 82 (Autumn 2008): 585–602.

and human-resource development. Both have been largely absent from Latin American business history, perhaps because historians of the business elite and historians of labor have tended to inhabit different ideological worlds.[54] The relatively scant attention given to human resources in Latin American business schools is not only a sign of the problems of education and training in Latin American firms that Schneider highlights, but also an obstacle to understanding what has led to the lack of investment in human capital resources. However, the VoC explanation of the different institutional environments in which firms and countries have achieved competitive success is much less attentive to the evolution of senior management capabilities. Yet this is a vital area if we are to understand recent developments in Latin American capitalism: not just the survival and reorientation of diversified family business groups through the years of economic crisis between the mid-1970s and early 1990s, but also the growth of the so-called *multilatinas*, firms of Latin American origin that have become successful at an international level, such as Grupo Carso or Cemex (Mexico), Petrobras, Embraer, Vale, and CSN (Brazil), or the Luksic group or retailing multinationals like Falabella and Ripley from Chile.[55]

This, however, raises a further question that specialists in Latin America need to consider. Schneider argues largely for homogeneity in the Latin American variety of capitalism: the similarities in the role of diversified family business groups and multinational firms, the weakness of labor organization, and the high levels of informality and poor levels of education and training are sufficient for him to argue persuasively that Latin American capitalism differs from other regions of the world. But, from within Latin America, there do appear to be some clear differences, between, for example, the successful transformation of large business groups in Mexico, Brazil, and Chile, and the less prosperous fates of those in Argentina and Peru, following liberalization, that need historical explanations.[56] Colombia, where both multinationals and state

[54] An exception is James P. Brennan, *The Labor Wars in Córdoba, 1955–1976: Ideology, Work and Politics in an Argentine Industrial City* (Cambridge, Mass., 1994), which uses the archives of multinational automobile firms. For further comment on the ways in which "dependency theory" divided historians of business and labor, see Rory M. Miller, *Foreign Firms and Business History in Latin America* (Bogotá, 2010), ch. 1.

[55] Alvaro Cuervo-Cazurra, "The Multinationalization of Developing Country MNEs: The Case of the Multilatinas," *Journal of International Management* 14 (June 2008): 138–54. For some case studies, see Lourdes Casanova and Matthew Fraser, eds., *From Multilatinas to Global Latinas: The New Latin American Multinationals* (Inter-American Development Bank, n.d.), on line at www.iadb.org/intal/intalcdi/PE/2009/03415.pdf.

[56] For an Argentine exception, see Daniel Friel, "Applying the Varieties of Capitalism Approach to Argentina: Institutions and the Strategy of Arcor," paper presented at the 2009 Congress of the Latin American Studies Association, on line at http://lasa.international.pitt.edu/members/congress-papers/lasa2009/files/FrielDaniel.pdf.

enterprise played a much smaller role in the twentieth century than in other South American countries, is different again. And there are contrasts in business structures and dynamism even between the resource-rich countries Venezuela and Ecuador, which seem to be classic examples of the "resource curse," on the one hand, and Chile and Brazil, on the other.[57] Should we be talking about different subvarieties of capitalism within Latin America, and, if so, how they are characterized and what explains them?

One of the great contributions of the VoC literature is that, since its early stages, when, like Chandler, it focused primarily on differences in business structures among the traditional large, advanced industrial economies, it has expanded to encompass "emerging markets" in Eastern Europe and East Asia and, more recently, Latin America. With its "firm's-eye view of the world," in Ben Schneider's phrase, this literature may offer business historians of Latin America not just a framework for deepening the analysis of the evolution of business in their own countries and the region as a whole, but also, due to its comparative emphasis, an opportunity for Latin American specialists to answer new questions and thereby to enhance their connections with the wider world of business historians.[58]

Business History and the Varieties of Coordination

Cathie Jo Martin

Boston University

Social scientists and business historians writing in the varieties-of-capitalism tradition share an interest in the origins and evolution of capitalism; yet the two types of scholars have little else in common, at least at first glance. For comparative political economists, the economic structure and competitive strategies that are largely determined

[57] On Petrobras, for example, see Eva Dantas and Martin Bell, "Latecomer Firms and the Emergence and Development of Knowledge Networks: The Case of Petrobras in Brazil," *Research Policy* 38 (June 2009): 829–44.

[58] The quotation is from Schneider, "Hierarchical Market Economies," 555.

by the availability of worker skills (developed, in some cases, through preindustrial guilds) drive political and institutional choice. For business historians, historically contingent agency takes firms, economic communities, and national economies down divergent paths; economic institutions, and even the foundational laws, synthesizing the dynamics of material exchange are socially constructed. Thus, where the former see economic parsimony and a few models largely determined by economic need and reinforced by institutional complementarities, the latter see manifold possibilities made possible by cultural distinction and microeconomic agency.

Two works come to mind in laying out these, albeit simplified, distinctions: The touchstone of the comparative political economy subfield is *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (2001), edited by Peter Hall and David Soskice. Hall and Soskice distinguish between two models: in the liberal market economy (LME), firms' competitive strategies and general employment growth rely on low-wage, low-skilled jobs; in the coordinated market economy (CME), companies compete in market niches using highly skilled workers and derive economic advantage from human assets and institutional coordination. CME firms, workers, and governments seek to develop collective organizational mechanisms (including advanced welfare states) to enhance their export position in the areas of wage negotiations, training, research and development, and product standards. LMEs have traditionally had less open economies and are less likely to pursue profits through high-skilled production; therefore, employers derive profits by squeezing rather than by cooperating with organized labor and have more limited needs from systems of social protection and training.

In contrast, *Creating Nordic Capitalism: The Business History of a Competitive Periphery* (2008), edited by Susanna Fellman, Martin Iversen, Hans Sjögren, and Lars Thue, exemplifies how historians approach the topic of variation in competitive strategies. Contrary to conventional wisdom, the Nordic "model" of consensus and collaboration looked radically different in the middle of the nineteenth century, when liberal ideas swept the frozen North just as these ideas famously captured the hearts and minds of the Anglo world. Yet, struggling to cope with peripheral development, individual firms and agents ultimately happened on a competitive strategy that capitalized on cooperative arrangements, and the rest is history.[59]

[59] For a fascinating discussion of German economic development, see Colleen Dunlavy and Thomas Welskopp, "Peculiarities and Myths: Comparing U.S. and German Capitalism," German Historical Institute *Bulletin* no. 41 (Fall 2007): 33–64.

How does one reconcile these snail's-eye and bird's-eye views of advanced capitalist development, and what can these literatures contribute to one another? My first (and perhaps obvious) answer is that political agency becomes more important at the origins and points of transformation of economic institutions. Not all historical moments are created equal, and contingency decided by a simple twist of fate can make worlds of difference to subsequent outcomes at critical junctures, when available alternatives seem rather vaster, and crises often make radical action more probable. Timing is often everything in relationships, stand-up comedy, and economic institutional change.[60]

Second, yet even at these fluid moments, strategic choices are bounded, and invention must resonate with some deeper logic within a community, economy, or society: the divergence of scholarly opinion concerns the degrees and sources of constraint, whether these be cultural and ideological predisposition, the predilections of the power elite, or (in the political economic world view) the availability of skills in the workforce. In other words, political contestation at a critical juncture often leads to the new definition of economic problems or the creation of institutional capacities that shape future economic development, but one wonders what—if anything—delimits these political struggles. Scholars of every ilk largely agree that we cannot dismiss all institutional constraints on action; but the question is, Do the dominant approaches to understanding varieties of capitalism identify the true institutional constraints on strategic agency? To my mind, neither political economists nor business historians (with a few exceptions) have paid sufficient attention to the political rules of the game that shape employers' struggles to construct their economic and social collective identities.

Third, I offer my own view of the origins of capitalist forms: the structure of political competition (largely set by the characteristics of party systems and governmental structures) shapes the strategic choices of political actors at critical historical junctures in economic development. Countries with two-party systems and federal governance are much less likely to develop cooperative arrangements than those with multiparty competition and centralized governance. In the former, large umbrella parties contain diverse interests, employers are often dispersed across parties, and parties on the right can reasonably hope to win electoral majorities, and thus have little reason either to compromise with the other parties or to delegate policy-making authority to private channels. Right-oriented parties do little to nurture strong

[60] Karen Orren and Stephen Skowronek, *The Search for American Political Development* (Cambridge, U.K., 2004).

employers’ associations, and a fragmented, pluralist system of business representation emerges. In countries with multiparty systems, however, one is more likely to find partisan organizations dedicated to the interests of specific social groups (such as labor, business, and farmers), and parties have political incentives to cooperate with each other to form governing coalitions. Moreover, business-oriented parties, recognizing their limited chances of winning an electoral majority, seek to nurture business allies and to delegate policy-making power to social actors in private institutions. In this way, the structure of political competition constrains agency, enables certain types of institutional outcomes, and has a feedback impact on the evolution of the political economy.[61]

I have shown how these political arrangements have constrained agency and the outcomes of political struggle at the dawn of the twentieth century, a period of enhanced opportunity for industrial change. Ideas of cooperation and nationalist economic development appealed to employers and their political allies across the Western world as vehicles for solving challenges associated with the rise of national economies, the globalization of trade, and the need to transfer regulatory privilege from agriculture to industry. While experiments in building peak employers’ associations articulated similar ambitions for high levels of nonmarket coordination, these parallel experiments ultimately produced different organizational forms; and party competition played a major role in producing these diverse outcomes. Government-party entrepreneurs took the lead in forming national peak employers’ associations (to assist with political ambitions); however, party competition made employers and their government allies face much stiffer objections to coordination and labor-market self-regulation in some countries than in others. For example, in the United States, the effort to form highly coordinated industrial relations was defeated by Democratic congressional opponents representing nonindustrial interests and engaged in sectional disputes.[62] In Denmark, the Right Party sought a deal between business and labor against agriculture and moved policy-making into private corporatist channels, because it feared being overruled by a farmer-labor alliance in the legislature. The establishment of the Danish system in the 1890s had a huge impact on successive waves of policy-making.[63] Thus, while ideas and agency deeply influence economic development at critical junctures, the dynamics of political

[61] Cathie Jo Martin and Duane Swank, “The Political Origins of Coordinated Capitalism: Business Organization, Party Systems, and State Structure in the Age of Innocence,” *American Political Science Review* 102, no. 2 (2008): 181–98.

[62] Cathie Jo Martin, “Sectional Parties, Divided Business,” *Studies in American Political Development* 20, no. 2 (2006).

[63] Martin and Swank, “The Political Origins of Coordinated Capitalism.”

engagement have a huge impact on how struggles to create new institutions are ultimately resolved.

To conclude, there is a dynamic and mutually reinforcing relationship between the spheres of industrial relations and political party competition.[64] Political structures have a feedback impact on economic development: two-party systems with little incentives to nurture strong national employers' associations rewarded employers who engaged in low-skills competition and hampered future collective skills-building institutions. The historical investigations of the circumstances surrounding the emergence of national patterns of business organization and strategic competition help scholars to unravel the reciprocal influences of these two spheres and highlight the element of historical contingency that is overlooked in less historically grounded studies.

Varieties of Capitalism in the "American Century"

V. R. Berghahn

Columbia University

When Peter Hall's and David Soskice's *Varieties of Capitalism* appeared in 2001, theirs was not only an important and widely discussed publication in its own right, but also a very welcome one, representing a valiant effort to shift the focus of research and argument in macroeconomics, business studies, and political science toward political economy and away from the neoclassical orthodoxies and the faith in mathematical modeling, rational choice, and allegedly irrefutable efficiency and self-regulatory power of "The Market."

This effort may not have been immediately successful, given how deeply those orthodoxies had become rooted in the social sciences since the 1980s. But with the recent crisis of the global economy, which has also cast a deep shadow over the viability of those elegant mathematical equations, the prospects of a wider acceptance of the VoC paradigm seem to have become brighter.

Beyond this big picture, there are of course also the debates that

[64] Ibid., 182.

VoC has unleashed among a smaller circle of political economists. However, I am not concerned here with the often very constructive criticisms that social scientists have advanced in recent years, many of which are conveniently to be found in David Coates's anthology, *Varieties of Capitalism: Varieties of Approaches* (2005), and the volume *Beyond Varieties of Capitalism: Conflict, Contradictions, and Complementarities in the European Economy*, edited by Bob Hancke, Martin Rhodes, and Mark Thatcher (2007). My comments are those of a historian who is more interested in the evolution of capitalisms around the world than in their future. Above all, they represent yet another attempt to create a dialogue between business history and political economy. A glance at the bibliographies of the above two volumes will show a virtually total absence in the VoC debate of important work, especially on business and consumer cultures. It would also seem desirable to get away from the static institutionalism and path-dependency arguments and invite a stronger dose of the notion of change and transformation.

If the juxtaposition of an Anglo-American LME and continental European CMEs is still central to VoC, this raises the question of the interaction between the two regions and, with it, the usefulness of the concept of "Americanization." Were the paths taken by CMEs "bent" by the gravitational pull of the United States, the hegemonic power of the West, and if so, how far? This pull, as the studies by Frank Costigliola (*Awkward Dominion: American Political, Economic, and Cultural Relations with Europe, 1919–1933* [1984]) and Mary Nolan (*Visions of Modernity: American Business and the Modernization of Germany* [1994]) have shown, had become tangible enough in Europe's industries when Taylorism and Fordism became widely studied and in many cases adopted and adapted, but also rejected. Adaptation is important to the historical argument, because it indicates that technological, organizational, and attitudinal transfers were never exact replicas of American ideas and practices of how to manage a modern capitalist economy. There were always "creolizations." In this sense, research on business history has provided many fresh insights into both the development of individual firms and larger national business cultures.

Still, by 1945, with the beginning of the short "American Century" (Henry Luce's characterization), the scales had visibly tilted toward a finely calibrated adoption of practices and ideas that had been developed across the Atlantic and were now urged on the capitalisms of Western Europe. When, from the 1980s onward, the American model metamorphosed into a neoclassical capitalism, Britain under Margaret Thatcher was the first country to embrace it most explicitly. However, the capitalisms of continental Europe, whether in its "Rhenish" or "Scandinavian" variant, also came under the hegemonic pressure of an

American system that was propelled not only by a technological revolution, but also by the alleged "free play" of its market forces, liberated from government regulations, and with its welfare-state structures gradually dismantled or privatized.

Critical of "Americanization" as a propellant of change in the path-dependent Western European economies, Gary Herrigel and Jonathan Zeitlin have pointed to the "limits of Americanization" by concentrating, in VoC fashion, on the persistence of institutions and the countervailing powers of large, home-grown organizations, such as trade unions. However, the key argument about the strong gravitational pull of American capitalism upon Western Europe during the cold war has always been that it was comprehensive, rather than just about institutions that had been moving along a particular path. Business historians have also been concerned with changing mentalities, generational shifts, and aspects of economic and cultural behavior on the part of European producers, as well as consumers and the not-so-hidden persuaders. To be sure, these cultural objects of study were less tangible than institutional structures, but since a good deal of historical work has been done over the past ten years, VoC research should at least have appeared in their reading lists and perhaps should even have been read with some benefit.

After the collapse of the Soviet bloc when the United States emerged so unambiguously as the dominant capitalist power, the Eastern Europeans also came under the American spell, sometimes, especially where spearheaded by neoclassical American economists, often with disastrous results. Furthermore, during the 1990s, the United States also projected its military might with triumphalist unilateralism into Europe, the Middle East, and other regions of the world, arguably with even more disastrous results.

This unilateralism has now hit the rocks. America is suffering from "imperial overstretch" (according to Paul M. Kennedy in *Rise and Fall of the Great Powers*). This is now also true with respect to the global economy that, in the 1990s, behind the smokescreen of "globalization," was in effect still being "Americanized." However, the gravitational pull of the hegemonic capitalist power is now weakening. Apart from CMEs, VoC research has turned to other regions to study the "state capitalism" of China and other emergent VoCs. With all the argument about "globalization," whether of the orthodox neoclassical or the orthodox Marxist kind, also in states of crisis, this may explain why the VoC paradigm offers a *comparatiste* approach to global capitalism that is more promising than the orthodoxies of the past. But the dialogue between business history and devotees of VoC should still be worthwhile if we begin to take each other's publications more seriously.

The "Varieties of Capitalism" Approach as an Analytical Tool for Business Historians

Martin Jes Iversen

Centre for Business History, Copenhagen Business School

Alfred D. Chandler is sometimes associated with a conservative, "industrial-managerial" research agenda, but his methodological insights are nevertheless highly relevant. In 1971, Chandler stated, "A historian's task is not merely to borrow other people's theories or even to test their theories for them. It is to use existing concepts and models to explore the data he has collected in order to answer his own particular questions and concerns."[65] With Chandler's methodological dictum in mind, future business historical research can benefit considerably from the varieties-of-capitalism approach.

The VoC approach as introduced by Peter Hall and David Soskice in 2001 qualifies as one of the most influential and agenda-setting social science concepts of the past ten years.[66] Hall and Soskice built on a long political-economic tradition in attempting to formulate macro-characteristics of national political economies, but as Bob Hancké, Martin Rhodes, and Mark Thatcher have emphasized, their main contribution was to provide "micro-foundations to a more general theory of cross-national capitalist organization."[67] These foundations make their approach directly relevant to business history. Surprisingly neglected by most observers, the basis of Hall and Soskice's argument originated in the aging Chandlerian strategy-structure theory that already in the early 1960s emphasized the need for coherence between corporate growth strategies (diversification) and organizational structures (the M-form).[68] While the early Chandler focused on internal corporate dynamics, these two political economists suggested that all companies are embedded in a specific variation of economic institutional structures, and that these frameworks offer a specific set of strategic opportunities. As explicitly stated in their introduction, one of the most important

[65] Alfred D. Chandler Jr., "Business History as Institutional History," in *Approaches to American Economic History*, ed. George Rogers Taylor and Lucius F. Ellsworth (Charlottesville, Va., 1971).

[66] Hall and Soskice, *Varieties of Capitalism*. The extensive VoC literature illustrates this, and a search for "Varieties" and "Capitalism" in EBSCOHost results in 283 academic peer-reviewed articles.

[67] Bob Hancké, Martin Rhodes, and Mark Thatcher, "Beyond Varieties of Capitalism," in *Debating Varieties of Capitalism: A Reader*, ed. Bob Hancké (Oxford, 2009), 273–301.

[68] Alfred D. Chandler Jr., *Strategy and Structure: Chapters in the History of the American Industrial Enterprise* (Cambridge, 1962), Hall and Soskice, *Varieties of Capitalism*, 15.

implications of the VoC analysis is that the approach "predicts systematic differences in corporate strategy across nations, and differences that parallel the overarching institutional structures of the political economy."[69] In this way, institutional structure conditions corporate strategy. Hall and Soskice continued with the introduction of two fundamental types of coordinating mechanisms: the liberal market economies (LMEs, such as the U.S. and Great Britain) and coordinated market economies (CMEs, such as Germany, Scandinavian countries, and the Netherlands). The identification of these characteristic market structures made it possible to predict corporate strategic behavior—for instance, that CME companies would have a tendency to prefer long-term investments, while LME firms would aim for short-term profits. In terms of innovation, LME firms would tend to accomplish radical changes, entailing substantial shifts in production lines, while CME firms would maintain long-term competitiveness through more incremental improvements.

The VoC framework is elegant, simple, and apparently usable in various types of analyses. It is also provocative and has been subject to severe critiques, such as the charge that it is unable to explain the dynamics of change. The purpose of my essay is not to touch upon the critique, but rather to suggest two critical ways in which business historians can use the VoC approach as a forceful analytical tool.

The first critical VoC idea is that institutional structure conditions corporate strategy. Institutional structure refers to the systemic relations between the firm and public authorities, competitors, suppliers, and customers. In other words, how is the market surrounding the corporation organized, and what are its influences on corporate strategies? Exploring this question would yield an important contribution to the business historical research in terms of an enhanced focus on the changing relations between firms and institutional settings. How did these relations change over time? Were the relations marked by liberal or coordinated capitalist principles?

In the book *Creating Nordic Capitalism*, which I wrote with Susana Fellman, Hans Sjögren, and Lars Thue, we investigated the changing nature of relations between firms and the state, the labor market, the financial institutions, and the educational systems.[70] The result was that in the four Nordic countries, regarded by Hall and Soskice as typical CMEs, the business systems changed fundamentally over time, from manifesting very liberal relations in the early capitalist phases of the nineteenth century, shifting to very coordinated relations in the

[69] Ibid.

[70] Susanna Fellman et al., eds., *Creating Nordic Capitalism: The Business History of a Competitive Periphery* (Basingstoke, 2008).

mid-twentieth century, and ending up in more market-based mechanisms in the last decade of the twentieth century. The contemporary Nordic institutional setting thus resulted from a complicated chronological journey that encompassed aspects from both the liberal and coordinated market economies. The intriguing questions are, Why did the institutional setting change fundamentally over time? and What consequences has this institutional journey had for changing corporate strategies? Regarded in a long-term perspective, did institutional structure condition corporate strategy?

A second important concept concerns the view of public institutions as corporate resources. As Peter Hall and Kathleen Thelen have emphasized, the VoC approach regards capitalism as a "terrain peopled with entrepreneurial actors . . . [and] constrained by the existing rules and institutions but also looking for ways to make institutions work for them."[71] We should regard institutions as corporate resources that over time have provided opportunities for entrepreneurial actors. Business historical researchers have traditionally regarded the legal, institutional setting as external to the firm, part of the contextual setting. The VoC approach suggests that, by contrast, such elements as the labor-market system or the national standard regimes are potentially important resources for firms. An interesting business history project would be to investigate changing institutional settings as a possible source for national competitive advantages, including analyses of how firms participated in shaping these institutions and how they made use of them. Svenolof Karlsson and Anders Lugn's recent book on L. M. Ericsson illustrates how the Swedish company developed technological competence through its historically close ties to the national telecommunication departments and thus used formal and informal relations with the state as an essential corporate resource.[72] The critical question remains how firms, viewed in historical perspective, shaped institutional settings and used these settings as important resources in their growth.

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[71] Peter Hall and Kathleen Thelen, "Institutional Change in Varieties of Capitalism," in *Debating Varieties of Capitalism*, 273–300.

[72] Svenolof Karlsson and Anders Lugn, *Changing the World: The Story of Lars Magnus Ericsson and His Successors* (Stockholm, 2010).

Alternatives to Varieties of Capitalism

Gary Herrigel
University of Chicago
Jonathan Zeitlin
University of Amsterdam

With the successful recovery of Europe and Japan after World War II, the remarkable industrialization of South Korea and Taiwan in the late twentieth century, and the rapid emergence of China, India, and Brazil in the twenty-first, it has become increasingly difficult to maintain either that industrialization occurs in only one way, or that all industrializing economies are converging on a particular form. Instead, it is apparent that different political economies develop varied organizational forms and governance architectures over time. Such differences are not only self-sustaining but also self-proliferating. Industrialization is a process of continuous recomposition of actors, firms, markets, and states. As a result, even when players in different locations compete with common technologies and in common markets, their interactions do not produce convergence around specific organizational and governance forms across political economies. Differences among successful, as well as unsuccessful, political economies both persist and change over time. Scholars of comparative political economies and business systems, including business historians, thus need to be attentive to the existence of many broadly competitive ways to organize production processes, industries, firms, systems of corporate governance, labor markets, financial systems, and welfare states.

The challenge that these developments pose to business historians is clear. In order to contribute fruitfully to the understanding of the variety-producing dynamics of capitalist development, business historians need to shed—if they have not done so already—the old Chandlerian paradigm of a teleological hierarchy among global business systems, where the best and most competitive paths lead in the direction that the United States has already traversed. Instead, the field needs to embrace theoretical approaches that recognize the broad array of interesting and viable corporate forms, production systems, and constellations of market–state relations that global industrialization has produced (and is still producing) over the last two hundred years. Moreover, it must also develop the capacity to analyze the ways those relations change over time.

Plainly, the very fact of this symposium in the pages of the flagship journal for business historians suggests that some believe that the "varieties of capitalism" research program is a place to look for guidance on these matters. We think this is a mistake. True, work in the VoC tradition initially made helpful arguments in the direction of the kinds of dynamics we note above—in particular by highlighting the competitiveness of non-American business systems and the ways in which cooperation, as well as market processes, could have beneficial competitive effects. But the trend of recent debates in contemporary comparative political economy, economic geography, and economic and organizational sociology has revealed such significant theoretical and empirical lacunae and cul-de-sacs in the VoC paradigm as to make the framework of limited value even as a heuristic. We believe that progress in understanding the problems of variety and change in political-economic practice is needed. But this progress cannot be achieved within the fundamentally static and structuralist VoC paradigm. Let us elaborate:

VoC makes four main claims. First, its proponents argue that institutions precede markets. That is, markets emerge within, and are defined by, institutional rules and systems that constrain actors from behaving in certain ways and "enable" them to act in others. These institutional systems are historical products and, as a result, evolve out of mélanges of rules and constraints formed at different points in time and adapted to contemporary circumstances. VoC suggests that these historical institutional systems can currently be broadly classified into two distinct types of market economy: liberal market economies (LMEs) and coordinated market economies (CMEs). In the former, resources in the political economy are allocated overwhelmingly through arms-length market exchange. In the latter, market exchanges are supplemented at many critical points by processes of institutional coordination among societal stakeholders.

Second, VoC argues that successful national political economies are composed of complementary institutional systems. For example, it is claimed that cooperative wage-setting systems in a CME like Germany are complemented by a robust vocational training system, concentrated ownership in corporate governance, a financial system dominated by relational banking, and respectful macro-relations between independent central banks and national stakeholder organizations in the labor market. In CMEs, this system of complementary arrangements encourages the formation of industry- and firm-specific skills and mutual stakeholder commitments, while sustaining higher relative wages and encouraging producers to pursue market strategies that emphasize technological sophistication and production quality, rather than price competitiveness. Arrangements in an LME such as the United States are quite different but nonetheless internally complementary: market-based wage setting is matched by a strong higher education system and highly dispersed corporate ownership supported by deep securities markets. This structure encourages the formation of generic skills while both enabling greater risk-taking with new technologies and favoring price-based competition in product markets.

Third, VoC claims that the complementary institutional systems in CMEs and LMEs are path dependent. The complementary institutions create self-reinforcing feedback loops that push development in the respective political economies along familiar paths and make departures from traditional practices very difficult. For example, reform in wage-setting arrangements without initiating reform in related and complementary systems of corporate governance or vocational training is likely to be unsuccessful and, indeed, will experience difficulty finding traction. As a result, VoC scholars emphasize developmental continuity over change, and they often view challenges to institutional systems, such as the introduction of market-based corporate governance relations into a CME, as potential sources of paralysis or crisis in the political economy.

Fourth, VoC claims that distinctive institutional systems, CMEs and LMEs, have characteristic comparative advantages in the global economy. These comparative advantages follow from the organization of institutions. Thus, CMEs have a comparative institutional advantage in sectors where incremental improvements shape competitive dynamics. Their cooperative arrangements make radical recomposition of production relations difficult, but create incentives among all cooperating stakeholders to improve the competitive position of the system to which they are committed. Players within market-permeated LMEs, on the other hand, have great incentives to take risks. Firms have access to speculative finance, rely on employees with generic skills, and are not constrained by stakeholder-based cooperation commitments. As a result, those economies are capable of rapid reallocation of resources and are thus highly competitive in sectors driven by radical innovation.

Criticism of all these claims has been widespread and substantial. Many researchers, for example, have shown that the notion of comparative institutional advantage is empirically problematic. Case studies of the steel and biotech industries and quantitative analyses of National Bureau of Economic Research patent data (summarized by Edward Lorenz) show no systematic concentration of radical innovation in LMEs or gradual innovation in CMEs.[73] Indeed, if the U.S.

[73] Gary Herrigel, *Manufacturing Possibilities: Creative Action and Industrial Recomposition in the United States, Germany and France* (Oxford, 2010); Andrea Herrmann, "Rethinking the Link between Labour Market Flexibility and Corporate Competitiveness: A

case is removed from the data, the claimed VoC correlations move from weak to nonexistent. The evidence is simply overwhelming that both forms of innovation may be found in economies categorized within either type.[74]

VoC arguments about complementarity and path dependence have also been challenged. Much of the initial wave of criticisms of the VoC framework emphasized the problematic functionalist character of the underlying theoretical conception and, presciently, worried about its capacity to account for system change.[75] Subsequent quantitative and case study–based work has shown the posited feedback loops and reproduction mechanisms in specific political economies to be far less constraining than the theoretical models assert. Lorenz, for example, found, in his large-scale quantitative study of patents in developed economies, that radical innovations occurred in both CMEs and LMEs in ways that were not consistent with VoC claims about institutional complementarity. In particular, he found that cooperative workplace relations were compatible with high levels of labor mobility and the production of transferable skills. Herrigel shows that, far from being trapped in path-dependent feedback loops reproducing familiar institutional arrangements, industrial actors in the machinery and automobile sectors in Germany and the United States act creatively against existing incentives and constraints. Producers in both countries devise effective solutions to the integration of design and production, both within and between firms, which involve admixtures of stakeholder cooperation and arms-length market exchange that neither type is supposed to encourage.[76]

The VoC typology itself has been roundly criticized. On the one hand, scholars sympathetic to its institutionalist and functionalist commitments have pointed out that the opposition between CME and LME is overly simplistic, making it difficult to capture institutional dynamics and arrangements in play across a broad array of cases beyond Germany, Japan, the United States, and Britain. This criticism initially gave rise to a proliferation of additional types of national political economies,

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Critique of the Institutionalist Literature," *Socio-Economic Review* 6 (2008): 637–69; Knut Lange, "Institutional Embeddedness and the Strategic Leeway of Actors: The Case of the German Therapeutical Biotech Industry," *Socio-Economic Review* 7 (2009): 181–207; Edward Lorenz, "The Varieties of Capitalism Hypothesis about Labour Markets, Skills and Innovation: What's Right with It and What's Wrong with It," unpublished manuscript, University of Nice, 2010.

[74] See, above all, Crouch, *Capitalist Diversity and Change*.

[75] Chris Howell, "Varieties of Capitalism: And Then There Was One?" *Comparative Politics* 36, no. 1 (2003): 103–24; Bob Hancké, Martin Rhodes, and Mark Thatcher, "Introduction: Beyond Varieties of Capitalism," in *Beyond Varieties of Capitalism: Conflicts, Contradictions, and Complementarities in the European Economy*, ed. Hancké, Rhodes, and Thatcher (Oxford, 2007).

[76] Herrigel, *Manufacturing Possibilities*.

such as mixed-market economies (MMEs), Mediterranean and East Asian capitalisms, and hierarchical market economies (in Latin America).[77] But such departures from parsimony have not made the new types any better at explaining changes within systems that run contrary to the direction encouraged by complementary institutions. Refinements of the typology, in other words, have not made the types themselves less rigid and focused on stability and reproduction rather than change.[78]

Indeed, there is a pervasive sense in the literature, even among erstwhile leaders in the development of the VoC paradigm, that the original formulations have great difficulty in accounting for change within systems.[79] VoC functionalism and path-dependency claims essentially allowed only for change engendered by exogenous shocks. Yet mounting empirical evidence clearly shows that the various national political economies are changing in gradual and piecemeal ways, even as other key parts of the system are stably reproducing themselves. This realization has shifted the debate away from questions of institutional reproduction to questions of change and transformation.[80]

This debate has gone in two directions, both of which lead to significant refinement of, if not departure from, VOC conceptions of institutions. The first line of reasoning attacks the unitary and tightly coupled image of institutional systems characteristic of VoC types. Some critics point out that institutional domains are only "loosely coupled" with one another and hence are open to strategic repositioning and reform by

[77] Peter A. Hall and Daniel W. Gingerich, "Varieties of Capitalism and Institutional Complementarities in the Macroeconomy: An Empirical Analysis," *MPIfG Discussion Paper* 04/5 (Cologne, 2004); Martin Rhodes and Oscar Molina, "The Political Economy of Adjustment in Mixed Market Economies: A Study of Spain and Italy," in *Beyond Varieties of Capitalism*, 223–52; Amable, *The Diversity of Modern Capitalism*; Schneider, "Hierarchical Market Economies."

[78] Crouch, *Capitalist Diversity and Change*. Proponents of VoC typically claim that national political economies more closely resembling the pure types (CMEs, LMEs) perform better than mixed models, precisely because of institutional complementarities (see Hall and Gingerich). But the empirical evidence does not support this view, since many of the most successful national political economies over the past two decades look more like "mongrels" or "hybrids" than pure types. See Lane Kenworthy, "Institutional Coherence and Macroeconomic Performance," *Socio-Economic Review* 4, no. 1 (2006): 69–91; and Jonathan Zeitlin, "Introduction: Governing Work and Welfare in a New Economy: European and American Experiments," in *Governing Work and Welfare in a New Economy: European and American Experiments*, ed. Jonathan Zeitlin and David M. Trubek (Oxford, 2003), 1–30.

[79] Peter Hall and Kathleen Thelen, "Institutional Change in Varieties of Capitalism," in *Socio-Economic Review* 7 (2009): 7–34.

[80] Wolfgang Streeck and Kathleen Thelen, "Introduction: Institutional Change in Advanced Political Economies," in *Beyond Continuity*, 1–39; Hall and Thelen, "Institutional Change in Varieties of Capitalism"; James Mahoney and Kathleen Thelen, "A Theory of Gradual Institutional Change," in *Explaining Institutional Change: Ambiguity, Agency, and Power*, ed. Mahoney and Thelen (New York, 2010), 1–37; Streeck, *Re-forming Capitalism*; Herrigel, *Manufacturing Possibilities*.

actors around the intersection of rule systems.[81] Others emphasize that the national typologies systematically blend out sectoral or regional practices and modes of governance that serve as resources for creative actors seeking alternatives to existing arrangements when the latter prove unsatisfactory or ineffective.[82] The latter view also emphasizes the remarkable heterogeneity over time in firm strategies, organizational forms, and modes of governance in play within individual political economies. In a survey of corporate-governance arrangements, for example, Herrigel notes that over the past 150 years the United States, Germany, Japan, Britain, and France have had robust experiments with both relational and arms-length banking and stakeholder and shareholder-driven forms of corporate governance.[83] None of these political economies falls neatly into the stylizations in the literature that characterize those dimensions of corporate governance in mutually exclusive ways. But the point of emphasizing governance heterogeneity is that such alternative and sometimes dormant practices constitute resources that broaden the sense of possibility for actors as they experiment with change in the present.

The second direction in the change debate concerns the significance of institutional constraints themselves and the role of actor creativity in processes of political–economic transformation. This camp, best represented by Kathleen Thelen, Wolfgang Streeck, and James Mahoney, has distanced itself from the often crudely structuralist institutionalism of the original VoC formulations by indicating that actors must interpret rules that are meant to constrain them (thus creating a space for rule-breaking and redefinition) and engage with institutions on the basis of

[81] Streeck and Thelen, "Introduction: Institutional Change in Advanced Political Economies"; Renate Mayntz, "Systemkohärenz, institutionelle Komplementarität und institutioneller Wandel," in *Transformationen des Kapitalismus: Festschrift für Wolfgang Streeck zum sechzigsten Geburtstag*, ed. Jens Beckert, et al. (Frankfurt, 2006), 381–98; Hall and Thelen, "Institutional Change in Varieties of Capitalism"; Streeck, *Re-forming Capitalism*; Kathleen Thelen, "Presidential Address: Economic Regulation and Social Solidarity: Conceptual and Analytic Innovations in the Study of Advanced Capitalism," *Socio-Economic Review* 8 (2010): 187–207.

[82] Gary Herrigel, "Institutionalists at the Limits of Institutionalism: A Critique of Two Books on Germany and Japan," Special Symposium on "Non-Liberal Capitalism" in *Socio-economic Review* 3, no. 3 (2005): 559–67; Zeitlin, "Introduction: Governing Work and Welfare in a New Economy"; Jonathan Zeitlin, "Industrial Districts and Regional Clusters," in *Oxford Handbook of Business History*, 219–43; Gregory Jackson and Richard Deeg, "From Comparing Capitalisms to the Politics of Institutional Change," *Review of International Political Economy* 15, no. 4 (2008): 680–709; Marc Schneiberg, "What's on the Path? Path Dependence, Organizational Diversity and the Problem of Institutional Change in the U.S. Economy, 1900–1950," *Socio-Economic Review* 5 (2007): 47–80; Gerald Berk and Marc Schneiberg, "Varieties in Capitalism, Varieties of Association: Collaborative Learning in American Industry, 1900 to 1925," *Politics and Society* 1 (2005): 46–87.

[83] Gary Herrigel, "Corporate Governance," in *The Oxford Handbook of Business History*, 470–500.

identities and interests that are rooted not in the institutions, but in broader economic and social structures. This latter factor, they claim, makes it possible to identify the interests that actors bring to bear in their efforts to change institutions.

This line of argument has been criticized for simply shifting structural determination from institutions to the underlying structure of national societies, or, in some cases, to that of capitalism itself. If structural positions within institutions allow for ambiguity and interpretation in the formulation of actor interests, it is not clear why this should not also be true of structural positions within the economy or the wider society as well.[84] The Streeck-Thelen-Mahoney trajectory makes it difficult to capture the simultaneous recomposition of actor identities and interests along with institutional rule arrangements in the process of change. In this manner, the alternative camp, deeply influenced by pragmatist conceptions of creativity and social action, pushes the argument into a critique of structuralist versions of institutionalism itself.[85] Rather than fruitlessly searching for a stable point of origin where the definition of actors or their interests can be anchored, the alternative pragmatic position takes the ambiguities of interests and identities as foundational. It focuses on the dynamic processes through which interacting players jointly seek to define the problems they confront and develop strategies for tackling them. The first view constantly tracks positions in a rigid social structure to existing institutions (and, as a result, often foregrounds institutions even when they are not causally important). The second view tracks the evolution of fluid and constantly self-recomposing relations in the political economy. Institutions are examined in contingent and provisional ways when they become important for the resolution of problems or the governance of relations among actors. The question thus shifts from how historically contingent institutional arrangements may change to the deeper question of how actors' problem-solving efforts continually lead to the recomposition of social relations within the economy.

The latter perspective is very familiar to business historians. Its lineage can be traced back to the historical alternatives perspective on

[84] Compare Herrigel, *Manufacturing Possibilities*, to Jonathan Zeitlin, "Shop Floor Bargaining and the State: A Contradictory Relationship," in *Shop Floor Bargaining and the State: Historical and Comparative Perspectives*, ed. Steven Tolliday and Jonathan Zeitlin (Cambridge, U.K., 1985), 1–45.

[85] John Dewey, *Human Nature and Conduct* (1922), repr. in John Dewey, *The Middle Works, 1899–1924*, vol. 14, ed. Jo Ann Boydston (Carbondale, 1983); Hans Joas, *The Creativity of Action* (Chicago, 1996); Charles F. Sabel, "A Real Time Revolution in Routines," in *The Firm as a Collaborative Community: Reconstructing Trust in the Knowledge Economy*, ed. Charles Heckscher and Paul Adler (Oxford, 2007), 106–56.

industrialization.[86] This research approach has long been attentive to the breadth of possibility in industrialization and has generated a considerable body of comparative work documenting the differences in industrial practice across various national (and regional) political economies over time. The approach, further, has been consistently critical of path-dependency frameworks, emphasizing instead the rich variety of practice within national political economies, and the ways such heterogeneity influences how actors creatively reshape their strategies and governance arrangements. The strength of this alternative approach lies precisely in its ability to provide open-ended accounts of simultaneous change in the relations between actors and their contexts through its focus on creative action and its rejection of the notion of any one best way. Rather than looking for constraints, the alternative approach focuses on identifying possibilities for industrial strategy and governance generated by actors in different national and historical contexts. As a research approach, in other words, it takes for granted the observations about the inescapability of difference in the process of industrialization outlined at the beginning of this essay. Given the limits of the VoC framework outlined above, we believe that this alternative tradition is more productive than ever for business historians.

[86] See Charles F. Sabel and Jonathan Zeitlin: "Stories, Strategies, Structures: Rethinking Historical Alternatives to Mass Production," in *Worlds of Possibility: Flexibility and Mass Production in Western Industrialization*, ed. Sabel and Zeitlin (Cambridge, U.K., 1997), 1–36, and "Neither Modularity nor Relational Contracting: Inter-Firm Contracting in the New Economy," *Enterprise and Society* 5, no. 3 (2005): 388–403; Zeitlin: "The Historical Alternatives Approach" and "Industrial Districts and Regional Clusters"; Gary Herrigel: *Industrial Constructions: The Sources of German Industrial Power* (New York, 1996), and "Corporate Governance"; Gerald Berk: *Alternative Tracks: The Constitution of American Industrial Order, 1865–1917* (Baltimore, 1997), and *Louis D. Brandeis and the Making of Regulated Competition, 1900–1932* (New York, 2010); and Philip Scranton, *Endless Novelty: Specialty Production and American Industrialization, 1865–1925* (Princeton, 1997).