Lecture 5
Comparative Capitalisms
(America, Europe & Asia Compared)
Comparative Capitalisms

I. Comparing Places
II. The Business of America
III. The Welfare of Europe
IV. The State of Asia
I. Comparing Places

A. • Differences that Matter

B. Roads to Modernity

C. At What Scale?
Americanism = Capitalism?

- US unique & strange
- Rediscovery of difference in US
  - 1980s competition & crisis

[Image of a Coca-Cola bottle]
How to compare?

- **Capitalist commonalities**
  - Markets, business, wage-labor, banks, etc.

- **Crutch of ‘culture’**
  - Do culture & religion matter?
    - Max Weber, *Protestantism & the Spirit of Capitalism*
    - What about Islam?
Economic institutions

- Business organization
  - Firm size
  - Networks
- Labor relations
  - Unionization & wages
  - Legal rules
- Financial structure
  - Banks vs K-markets
  - Ties to industry
States & politics

- Centralized / Federal
  - Statist, Liberal

- Dictatorship / Democracy
  - Parliament / President

- Bureaucratic / Party
  - State ‘apparatus’
  - One, two or more parties
Social orders

- Class order
  - Landlords & peasants
  - Capitalists
  - Small business & entrepreneurship
  - Managers & tech workers

- Racial order
  - Conquest & colony
  - Neo-colonial (criollo elites)

- Gender order
  - Degree of women’s liberation
I. Comparing Places

A. Differences that Matter

B. •Roads to Modernity

C. At What Scale?
Starting points

- Antecedents
  - Kingdom, colony, feudalism, etc.

- Post position
  - Revolution, independence, unification, etc.

Development paths

- Building on the past
  - Trajectories
  - Success breeds success

- Inertia of history
  - Safety of status quo
  - Difficulty of change
But things do change...

- From within...
  - Civil war & coups
  - Reform movements
  - Rise of new industries

- From without...
  - Defeat & reconstruction
  - ‘Structural adjustment’
  - Common markets
I. Comparing Places

A. Differences that Matter

B. Roads to Modernity

C. •At What Scale?
Multiple scales

- National difference
  - Key scale of nation-state
    - Lecture 4

- Continental difference
  - Shared histories & pacts
    - Lecture 4

- Regional difference
  - Subnational
    - Lecture 11
Comparative Capitalisms

I. Comparing Places
II. Business of America
III. The Welfare of Europe
IV. The State of Asia
II. The Business of America

A. State & Nation
B. Doing Business
C. Labor & Class
D. Idea of Progress
American states

- Europe’s ‘New World’
- Conquest & colonization
- Erased pre-capitalism
- Early independence
State & politics

- Federal States
- Party politics
- Distrust of state

Key differences of North & South America
- Spanish vs. British state
- Dictators & military coups
- One-party states
- US domination
American nations

- Nations of individuals & immigrants
- Opportunity & mobility
  - Less rigid classes
- Conquest, slavery & racial orders

Key differences
- Native populations
  - Argentina, US, Brazil
- White supremacy vs. mestizaje
- Rate of growth & mobility
II. The Business of America

A. State & Nation
B. • Doing Business
C. Labor & Class
D. Growth & Progress
American economies

- Early commercial
- Large territories & markets
- Resource extraction
- Mass production & consumption

Key differences of North vs. Latin America
- Weaker territorial integration
- Weaker mass market
- Less industry
- Foreign capital
Doing business

North America
- Big business
  - Modern corporation
  - Modern management
    - Business bureaucrats
    - Lecture 16
- Small business
  - Entrepreneurial tradition
  - Start-up culture (failure OK)

Latin America
- Big business
  - Big companies
    - State connections
    - More familial
  - Foreign companies
- Small business
  - Marginal
  - ‘Informal sector’
Business & state

North America

- Efficient states
  - Capable bureaucracy
- Public-private partnerships
- Local ‘control’

Latin America

- Inefficient states
  - Padded & paid off
- State & monopoly
- Local ‘clientalism’
II. The Business of America

A. State & Nation
B. Doing Business
C. Labor & Class
D. The Idea of Progress
Labor - US

- High wage
  - Hard work & low craft
- ‘Free labor’
  - Fiercely independent (& white)
- Hire and fire
  - High flexibility & few rights
- Weak organization
  - Fragmented unions & ‘Right to work’ states
Latin American labor

- Medium wage
  - Less skilled & fewer jobs
- Militant
  - Favor unions
  - Politicized
- Surplus labor
  - Poor colonias in cities
  - Semi-proletariat in countryside
Class

- N.A. - Great American ‘Middle class’
  - Wages, property & aspirations among workers
  - Identification with business & bourgeoisie
    - ‘The business of America is business’ - Calvin Coolidge
  - Whiteness & racial split

- L.A. - greater class schism
  - Greater class consciousness
  - Urban-rural split greater (oligarchs in countryside)
  - Mass poverty & radicalism
  - Mestisaje & Indios
II. The Business of America

A. State & Nation
B. Doing Business
C. Labor & Class
D. •Idea of Progress
US cult of growth

- Frontier mentality
  - Resource abundance
  - & Waste

- Growth cures all
  - Stimulates enterprise
  - Raises all boats
  - Assimilates immigrants
Tech-nation

- Technical progress
  - Labor-saving
  - Invention
  - Cult of the machine
    - ‘Technological fix’
Latin Modern

- Brazilian modernity
  - Cult of progress & positivism
  - Amazonian frontier
  - Land & race
- Argentine & Chilean modern
  - Leading the way
  - Few natives, no slaves
- Those left behind
  - Andean blockage
  - Indios beyond the pale
State & revolution

- Progress via social change
  - Less faith in market (vs. US liberalism)

- Revolutionary tradition
  - Bolivar to Zapatistas
Comparative Capitalisms

I. Place Comparisons
II. Business of America
III. The Welfare of Europe
IV. The State of Asia
III. The Welfare of Europe

A. State and Politics
B. Business
C. Labor
D. Many Europes
Ill-liberal Europe

- Europe vs. Anglo-America
- Rivalry & dueling ‘models’
- Neo-liberalism vs. European social politics
Statism

- Strong central states
  - Germany, France & state-led development

- Large public sectors
  - Infrastructure, taxation

- Professional bureaucracies
  - Faith in expertise

- Parliamentary democracy
  - Moderates statism
‘Corporatism’

- Business-State cooperation
  - State enterprises, promotion, national champ’ns

- Business-Labor cooperation
  - German union representation

- Citizenship & communalism
  - Reliance on the state
Social democracy

- Postwar victory & change
- Labor/Socialist Parties
- Strong welfare programs
- ‘The Social Compact’
III. The Welfare of Europe

A. State and Society
B. Business
C. Labor
D. Many Europes
Big & small business

- Big business & the state
  - Key national industries
  - More dominant than US
  - More supported by state

- Middle business
  - More family-firms
  - More craft-based (see below)
  - Less entrepreneurial, less turnover (than US)
French business

- Big industry
  - Renault, Dassault, Pont-au-Mousson
  - From the provinces
  - Directed by trained elite
    - ENARCists

- Small industry
  - Fashion, furniture, food, etc.
  - In Paris
German business

- Big Industry
  - Heavy industry, mass production
  - Krupps, Siemens, BASF
  - Berlin, Ruhr, Munich, North
  - Close to state (esp. before 1945)

- Mittelstand
  - Medium-sized firms
  - Craft & specialty
  - Wurtemberg, Saxony, Thuringen, Westphalia, etc.
Italian business

- Big & statist
  - Fiat, ENI, Insurance & banks, Telecom Italia
  - North, Rome

- Third Italy
  - Small & medium size
  - Craft and specialty production
  - Small-owner tradition
III. The Welfare of Europe

A. State and Society
B. Business
C. Labor
D. Many Europes
European labor

- Craft tradition
  - Design & style
  - Skills upgrading
- Sense of labor rights
Labor power

- High unionization
  - Esp. Germany
  - Includes skilled workers

- National federations
  - Aligned with political parties

- Co-determination
  - In Germany
Inflexible labor markets

- Low hire & fire
- Seniority
- Little mobility
- Youth unemployment
Immigration & non-assimilation

Native workforce
- Low birth rates
- high education
- high wages

Immigrant workforce
- Mostly manual labor
- Poorly integrated
- Little mobility
III. The Welfare of Europe

A. State and Society

B. Business and Labor

C. •Many Europes
Common critique

- Euro growth too low
  - Rigid labor markets
  - National champions
  - Lack of entrepreneurship

- Yet Germany #1 exporter again

- Wide differences in growth rates
National differences

- compares performance in growth, welfare, income, equality, etc. due to different structures of state regulation, labor relations, taxation, spending, etc.
Many Europes

- EU core
  - France & Germany
  - Western Europe

- Off-center
  - Britain & Italy
  - Scandinavia
  - Southern Europe
  - Eastern Europe
Some key differences

- British liberalism
- Italian state weakness
- Danish hire & fire
Eastern differences

- Legacy of Feudalism & Communism
- Weaker civil society & democracy
- Cheaper labor & less work discipline
- Larger peasantries
Challenges of the East

- Inequality (poorer)
- Labor emigration
- Agricultural surplus
- Unstable states & parties
- Resentment of Western dominance
Comparative Capitalisms

I. Place Comparisons
II. Business of America
III. The Welfare of Europe
IV. •The State of Asia
IV. The State of Asia

A. Japan

B. Korea & Taiwan

C. China
State & national mission

- Modernization
- Catch-up with US
- Unity of state & nation
  - Same since Meiji era
Postwar reconstruction

Restructured State

- US occupation
  - De-militarization
- Political Reform
  - End of emperor & dictatorship
  - Liberal democracy

Class reconfiguration

- Purge of old business elite
- Rural land reform
- Defeat of unions
  - Company unions
State-led development

- Ministries - small but excellent
  - MITI & industrial planning
  - MOF & capital controls

- Promotion & protection
  - Building national industry
  - Performance-based incentives
Political order

- One-party state (Liberal Democrats)
  - After 1955
  - Business-farmer alliance

- Weak welfare state (ironically)
Regional alliances

- Infrastructure pork-barrel
- Rural constituencies v. Tokyo
- Construction mafia
- Postal Savings Bank
Business networks

- Business groups (horizontal keiretsu)
  - Industry-traders-banks
  - Linkages
    - Exchange
    - Finance
    - Management

- Beyond Zaibatsu
  - Six heirs (now four)
    - Mitsui, Sumitomo, etc.
  - New groups
    - Sony, Nissan, etc.
Vertical keiretsu

- Subcontracting networks
- Developed after war (Toyota)

See lecture 11
Small business

- More than in US
- farmers, retail
- low wage, low productivity
Labor system

- Company unions
  - Annual strikes

- Nenko system
  - Lifetime jobs

- Work circles & input
  - Social interaction & identification within companies

- Male order
Changing Japan

- Stagnation of 1990s
- Weakening of business networks
  - Especially bank linkages
- Weakening of employment ties
  - Lifetime jobs and devotion
- Growth of consumerism
But...

- Keiretsu still strong
  - Financial strength, lower risk

- Ministries still strong
  - MITI is now METI

- Export model still dominant

- J. Lincoln and Gerlach, *Japan’s Network Economy*
Politics as usual

- LDP still in power
- Koizumi’s ‘reforms’ few
- Abe collapse (2007)
- Internal market still too small
IV. The State of Asia

A. Japan

B. • Korea & Taiwan

C. China
East Asian politics & states

- Japanese colonialism
- Land reform & end of oligarchs
- Strong states, non-liberal
- Dictatorship & repression
- Democratic openings
- American umbrella
East Asian economic model

- ‘Developmental state’
  - Ministries & companies together
- Strong controls
  - Capital & labor
- Rising productivity
  - Technology policy
- Export-led (to US)

Alice Amsden, The Rise of the Rest
South Korea - foundations

- Japanese conquest
  - Colonial empire

- Korean War & Cold War
  - US military umbrella
Korean state

- Dictatorial-military
  - Long fight for democracy (by 1990s)

- Developmental coup (1970s-80s)
  - Park Chung-hee regime

- Bureaucracy & police
  - Strong direction & repression
Business & labor

- Chaebol
  - Huge industrial combines
  - Daewoo, Hyundai, Samsung, etc.
  - Close to state, key families
    - Creating capitalists

- Organized labor
  - Upsurge by 1980s
  - Militant, political
  - Male leadership
Economic strategy

- Export to US
- Import & export to Japan
- Technology transfer
- National champions

- Amsden, Asia’s Next Giant
Neo-liberalization

- Korea liberalizes in 90s
  - over exposed to 1996 crisis

- Takes major hit
  - Political repercussions today
    - E.g., American meat dispute (Lee Myung Bak)
Taiwan politics

- Starting point
  - Invasion by Nationalists (KMT)
  - Dictatorship of Chung kai-shek
  - One-party state

- Land reform
  - Distribution to soldiers
  - Lots of small property

- Cold War
  - US military umbrella
Taiwan economics

- State-owned heavy industry
  - Refineries, steel, ships, etc.

- Small-firm sector
  - Toys, clothes, shoes, etc.
  - Family businesses, social networks

- Technology push
  - Students to US
  - Hsinchu Science Park

- Push into China (Fujian)
  - 1980s-90s offshoring of production

Hsing, Making Capitalism in China: The Taiwan Connection
IV. The State of Asia

A. Japan

B. Korea & Taiwan

C. China
China’s state-led development

- Strong state
  - Controlled transition
  - Local state powers

- Labor Repression
  - Few unions, few rights
China - economy

- Huge internal market
  - Infrastructure development
- High savings & capital controls
  - Financial system still evolving
- Mixed enterprise
  - SOEs & TVEs
  - Private & Foreign firms
- Huge working class
  - But even bigger peasantry
Recall China from Lec 3