

HOW GLOBALISATION HAS ENHANCED THE DIVERSITY OF CAPITALISMS

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Conference “Current challenges and the future of
monetary systems, central banking and financial
architecture in Europe and Russia”

RUDN, Moscow, 15 April 2019

INTRODUCTION

1. Discourses frequently assume that international opening means more competition, hence a reduction of diversity in:
 - ✓ *Business models*
 - ✓ *Efficient economic policies*
 - ✓ Viable forms of capitalism

2. This prognosis is only substantiated by quite **extreme hypotheses** and theories:

- ✓ *Benchmarking implies a convergence towards an “one best way” as taught in business schools*
- ✓ *Economic policies are a **purely technical** matter devoid of political implications*
- ✓ *A pure market economy that confronts preferences with technological opportunities thus there is a **limited number of optima**, ideally only one.*

3. Observations falsified these statements:

- ✓ *Within the same internationalized sector, **contrasted productive models** do coexist in the long run.*
- ✓ *Since the Post-WII socioeconomic regimes, ideologies and interests shape **contrasted economic policies**.*
- ✓ *In economies with imperfect information and radical uncertainty, **various institutions** are required and they introduce a significant diversity.*

4. Various modern theories and research programs conclude to the **lasting diversity of capitalism**:

- ✓ *The new microeconomics with imperfect competition, endogenous innovation, and uncertainty conclude to the existence of **path dependency**.*
- ✓ *Contemporary socioeconomics stresses **the variety of coordinating mechanisms**, and institutional arrangements.*
- ✓ *Régulation Theory stresses **the political foundations** of institutional forms that monitor the process .*

SYNOPSIS (1)

- I. **Modern mainstream theories:** no convergence towards a canonical capitalism.
- II. **Institutional economics:** a variety of coordinating mechanisms and arrangements.
- III. **Régulation theory:** the political origin of institutional forms.
- IV. **Pure rentier regimes** are not variant of capitalism.

SYNOPSIS (2)

V. The **opening** of national economies tests the **resilience** of capitalism brands and allows the **emergence** of new ones.

VI. The **asymmetric power** of Nation-States implies different capitalisms.

VII. The interdependence of contemporary economies deepens the **complementarity** of socio-economic regimes.

I. MODERN MAINSTREAM THEORIES: NO CONVERGENCE TOWARDS A CANONICAL CAPITALISM.

*1. Four reasons for contrasted brands of
capitalism*

2. The new microeconomic theory

The recent advances of micro economic theory of imperfect information: as soon as no complete contract can be drafted, nor all contingent markets organized, many second best solutions can be given to the same economic issue (J. Stiglitz, 1987).

3. Political economy against fonctionnalism

Since the functional role of economic institutions is not explaining their origin, their variety explicitly derives from the intricacy of the political process (D. Hibbs, 1987) which leads to institutionalized compromises.

4. Evolutionary theory and path dependency

Specialists of technical change and evolutionary economists have developed fairly sophisticated models built upon the role of increasing returns to scale (G. Dosi, 1988; 1991).

Then, initial choices, which seemed marginal and reversible, turn out to propel the economic system along a trajectory, featuring strong a path dependency (B. Arthur, 1994).

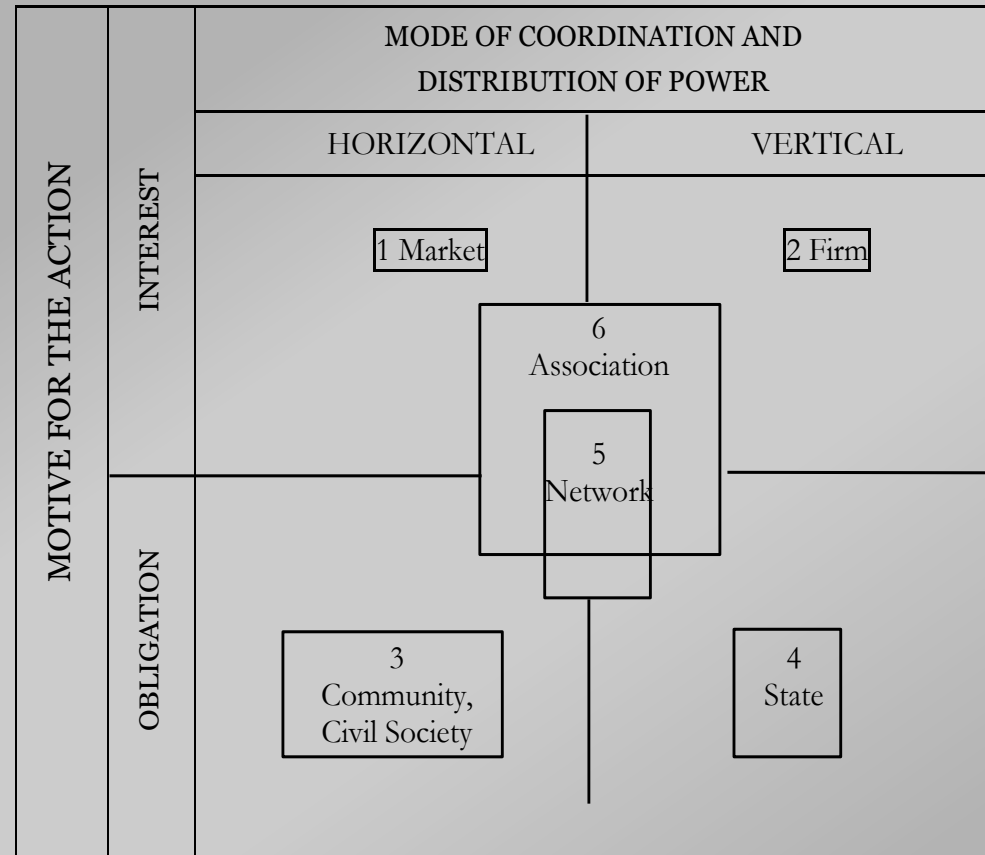
5. Comparative institutional analysis: coevolution

The same evolutionary framework can be extended to the analysis of co-evolution and the complementarity of institutions, organizations and economic specialization (M. Aoki, 1995). The central issue is the compatibility of a complete institutional architecture.

II. INSTITUTIONAL ECONOMICS : A VARIETY OF COORDINATING MECHANISMS AND ARRANGEMENTS.

1. A multiplicity of coordinating mechanisms, on top of the conventional opposition State versus market

A taxonomy of the different coordination principles

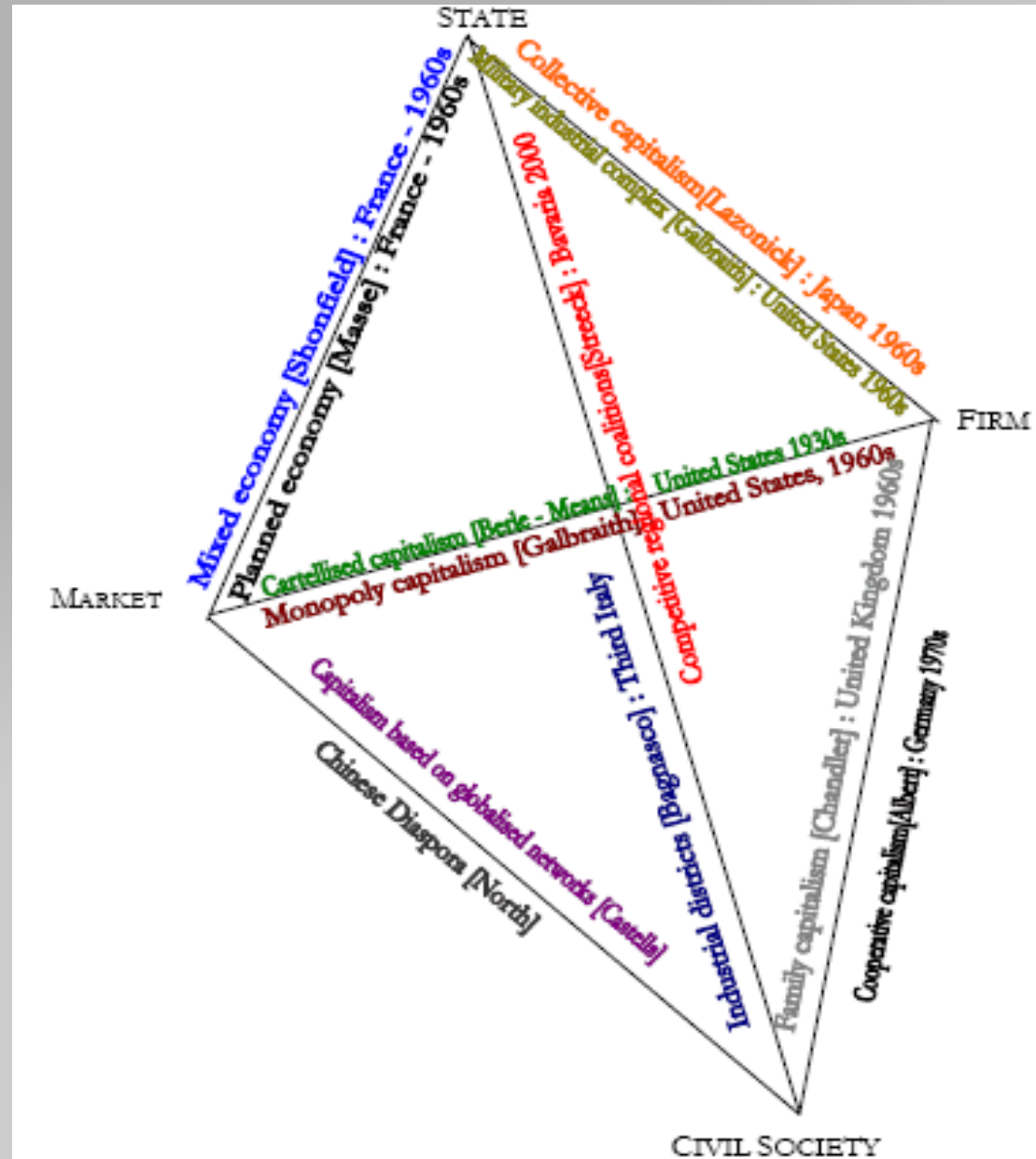


Source: as per Hollingsworth, Boyer [1997]

*2. None of these mechanisms is perfect:
compensating the imperfection of one
mechanism by the strength of another is a
source of institutional resilience*

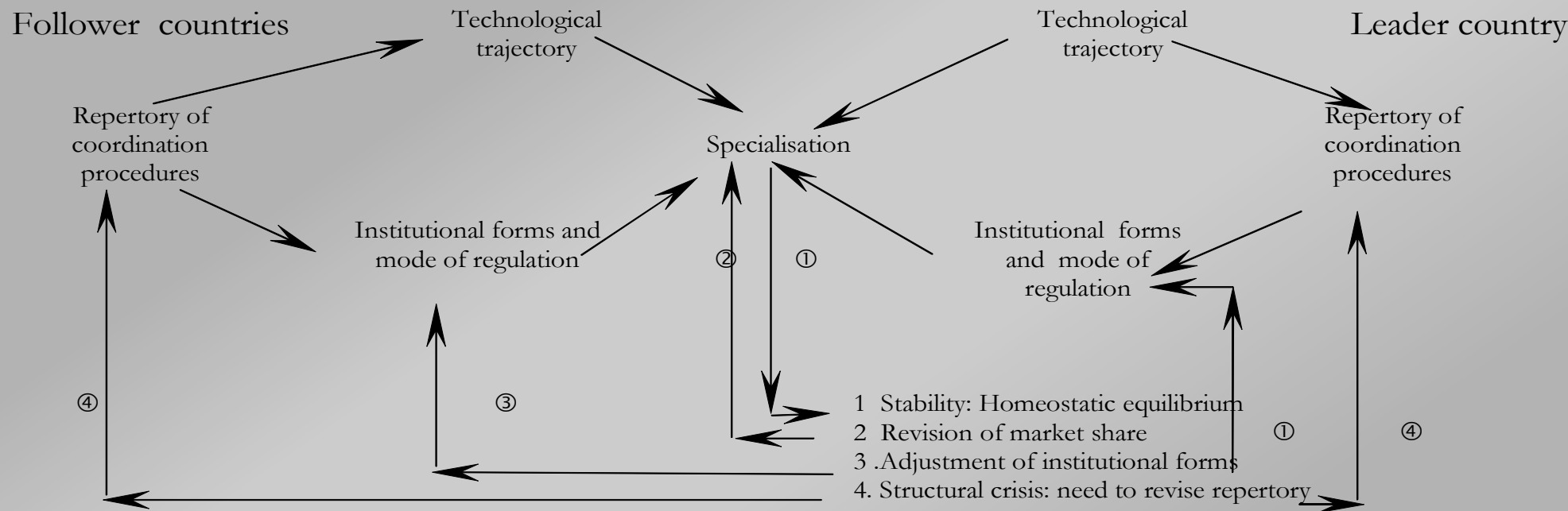
3. Hence a multiplicity of capitalism brands

Analysis of the variety of
capitalisms
as the expression of a
combination of the four main
principles of coordination



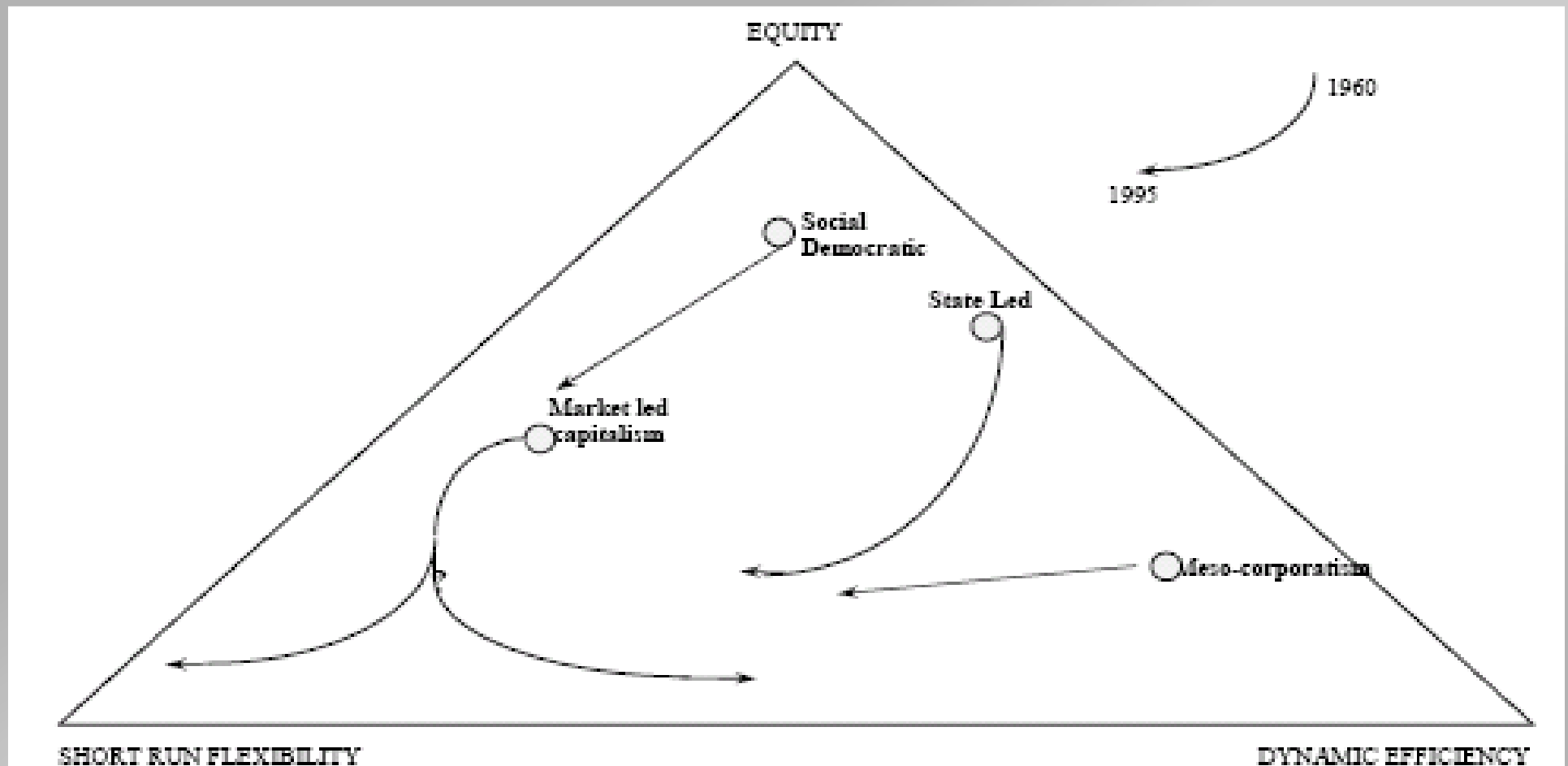
4. The opening of national economies usually reinforce institutional diversity

A mode of regulation's different levels of adjustment in an open economy



5. *Unless financial instability promotes short run flexibility*

A general evolution towards short run efficiency at the cost of long run performance and social justice?



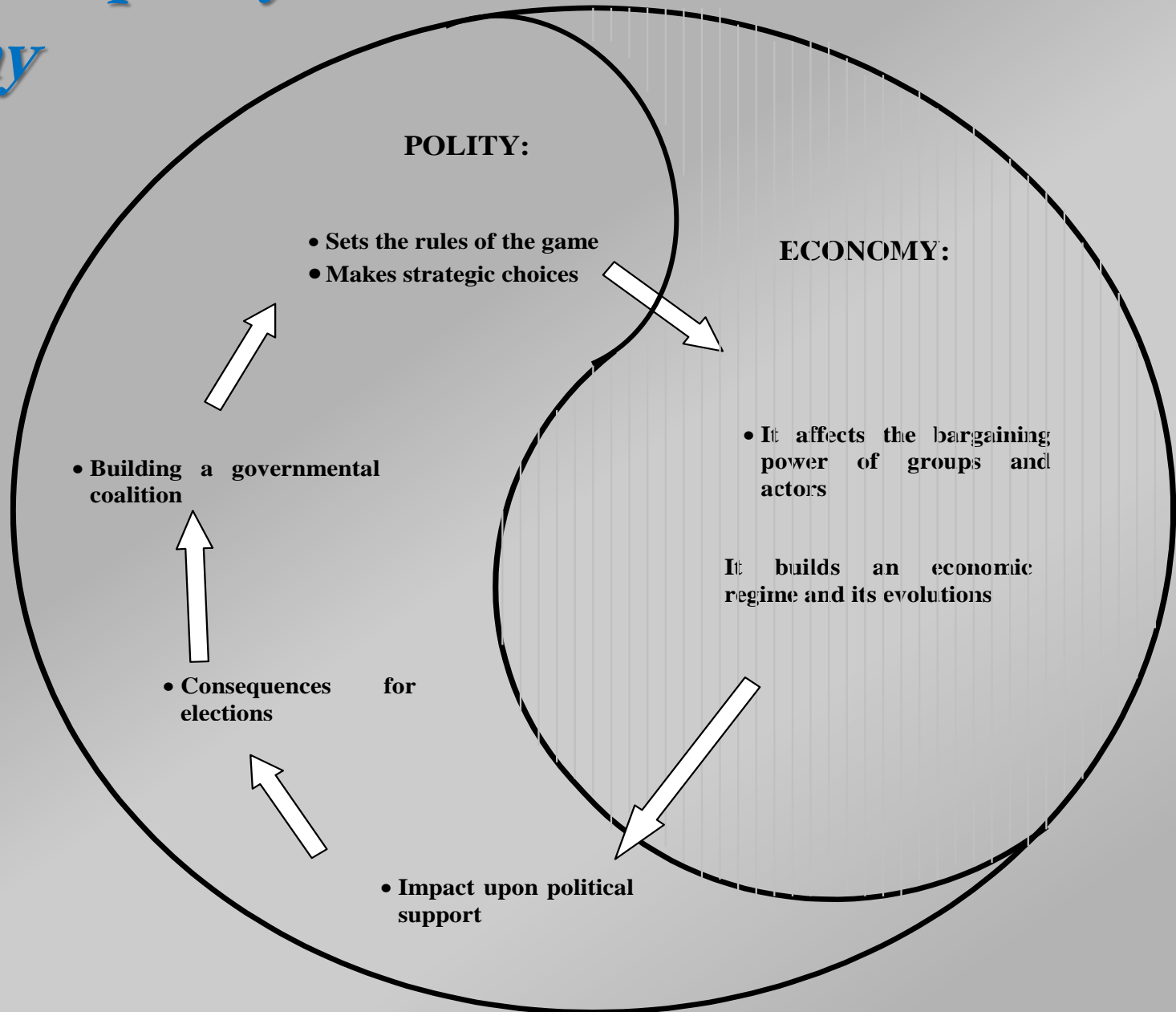
III. RÉGULATION THEORY: THE POLITICAL ORIGIN OF INSTITUTIONAL FORMS.

1. Institutional forms as response to the requirements of a market economy

In real economies, as many market failures as efficient markets

THE HYPOTHESES OF THE TWO WELFARE THEOREMS	STYLIZED FEATURES OF CONTEMPORARY ECONOMIES	CONSEQUENCES UPON MARKET FUNCTIONING
1. De facto, complete centralization of transactions, no need for money	1. Largely decentralized exchanges allowed by money and credit	1. Multiplicity...or absence of any equilibrium. Efficiency is no more warranted
2. Atomistic competition among very numerous agents	2. Imperfect competition via product differentiation is the rule	2. Market equilibria are no more efficient
3. The list of goods is finite, their quality is known	3. Producers are better informed than consumers, products innovation is crucial	3. Markets do not clear: unemployment and over capacities
4. Purely private goods, without any external effect	4. Existence of many public goods and external effects (security, education, R&D,...)	4. Competitive markets imply an under-investment in collective goods
5. Constant returns to scale and fixed technologies	5. Learning by doing, by using and increasing dynamic re-returns to scale are significant	5. Imperfect competition is the rule, inefficient techniques can persist, multiplicity of path dependent equilibria
6. All contingent future markets exist	6. Only few financial markets allow intertemporal transactions	6. Existing markets cannot deliver an adequate coordination: inefficient equilibria are the rule
7. Equity principles have not any influence upon efficiency	7. Workers loyalty and commitment are linked to a fair treatment	7. Markets do not clear; unemployment can persist

2. The role of polity in the constitution of the economy



3. The variety of capitalism (VOC): only two brands of capitalism

The difference between coordinated and liberal market economies according to VOC

	Liberal capitalism	Coordinated capitalism
Education and training	Investment in general skills	Specific human capital in defined industries or firms
Labor market institutions	Deregulated markets, flexible reward-setting	Employees cooperation and wage moderation
Finance	Monitoring by public information and venture capital	Reputational monitoring by banks
Competition policy	Strong competition policy...with exceptions (GAFA)	Intercompany relations allow cooperation

4. Régulation theory findings (RT): at least four brands of capitalism

The diverse nature of capitalism in Regulation Theory

	REGULATION			
	MARKET-ORIENTED	MESO-CORPORATIST	STATIST	SOCIAL-DEMOCRATIC
1. OVERALL LOGIC AND HIERARCHICAL PRINCIPLE	Commercial logic is the organising principle for almost all of the institutional forms	Principle of solidarity and mobility in an economic unit that is large in size and diverse in output terms	Economic circuit shaped by public interventions in areas like production, demand and institutional codifications	Social partners negotiate rules governing most aspects of society and the economy
2. IMPLICATIONS FOR INSTITUTIONAL FORMS				
Wage labour nexus	Significant decentralisation of wage bargaining, individualisation of pay and segmentation of labour market.	Wage compromise within large companies but pay hikes are synchronised	Trend towards a strong institutionalisation of rules on employment, working hours, wages and social benefits	Traditionally with a centralisation of collective negotiations, under a constraint of short and medium-term competitiveness
Competition	Concentration restricted by legislation, reshuffling from one oligopolistic type of competition to another	Relatively intense in the product markets, involving big companies with activities in many different markets	Moderate seeing as it is channelled by public regulations or by professional associations, with high degree of capital concentration	Small number of big firms (that are also highly internationalised and thus have to compete)
Money and finance	Central bank is independent, financial market logic prevails, financial innovations proliferate, companies are tightly run by a financial logic	Role of main bank and keiretsu in funding and capital allocation. State authorities (financial supervisors/Central Bank) have tight control	State has tight control over credit and monetary policies. Traditionally the Central Bank has had little autonomy to speak of, the financial sphere having played a crucial role	Most funding is by the banking sector. Monetary policy aims to enhance employment and at a later date competitiveness
The State	Fragmented into series of agencies and control entities, growth possibilities are highly restricted because of competition in the political marketplace	Ensures provision of collective services plus coordinations that the big firms are incapable of running. Small size but significant role	Strong quantitative and qualitative development of State interventions: nationalised companies, regulations, public spending, social benefits, etc.	Multitude of public interventions lead to financial transfers and extensive and restrictive regulations
Insertion into international system	Adhesion to free trade principles, degree of autonomy varies depending on status and size (differences Us vs. UK)	Trade and finance-related choices are conditioned by imperative of technological and economic development.	Traditionally with a tight State control over external relations (tariffs, norms, quotas, restrictions on financial flows).	Acceptance of competitiveness principle based on technological and organisational innovation

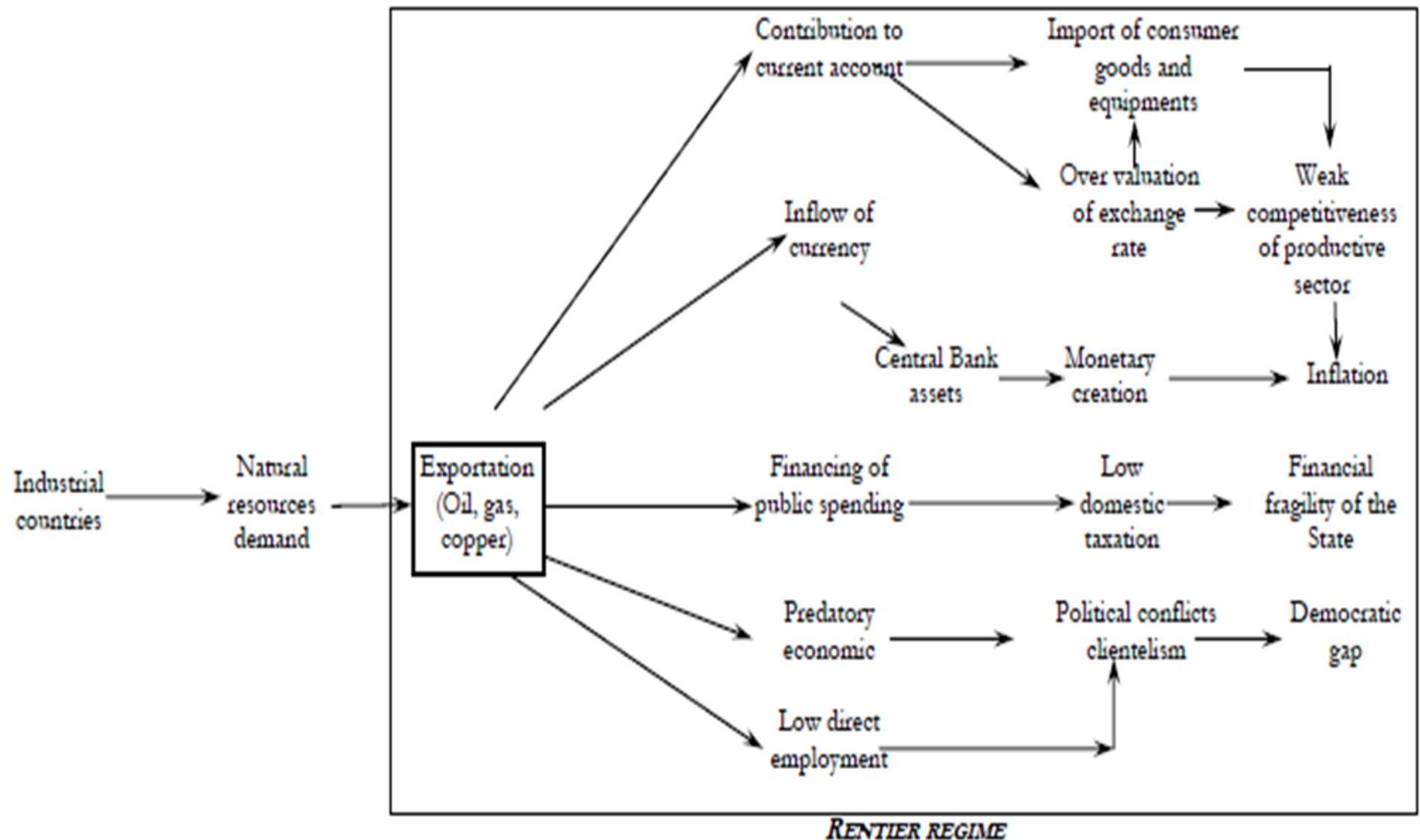
5. Still a larger variety of capitalism in emerging countries

➤ The example of Latin America

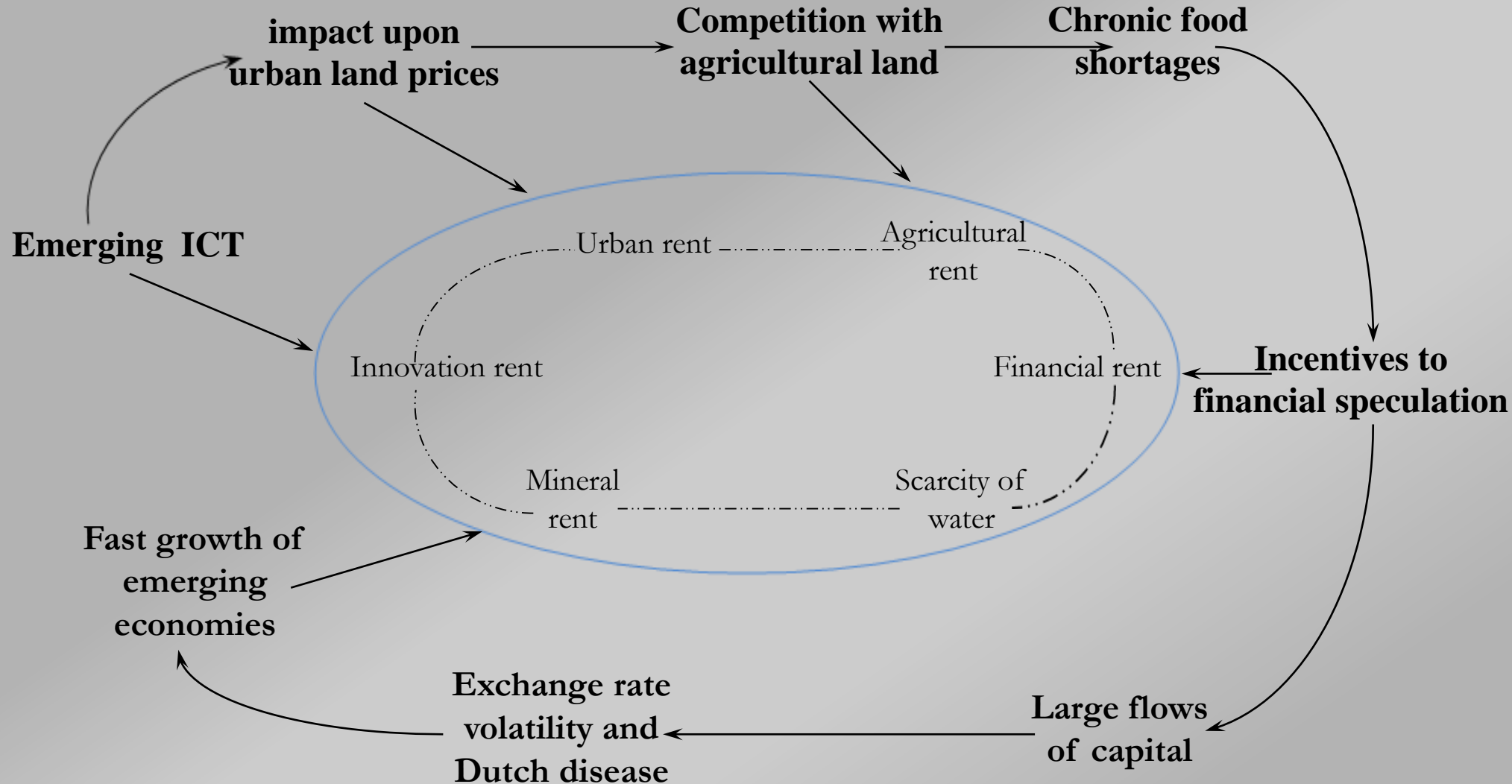
Latin-American countries: a large diversity in “Régulation modes” and accumulation regimes

1990s	Argentina	Brazil	Chile	Mexico	Venezuela
Régulation Mode	Largely market led and open to world competition	Between Clientelist and market -led	Moderately market led	Corporatist in crisis	Administered and “rentier” in crisis
Leading institutional forms	Monetary regime and forms of competition	Basic but declining role of the State	Central role of the State	Monetary regime and free trade agreement (NAFTA)	Leading role of State, but declining efficiency
Complementary institutional	Highly flexible wage labour nexus	Very flexible wage labour nexus	Accommodating exchange and monetary regime	Accommodating wage labour nexus	Accommodating monetary policy
Accumulation regime	Intensive and competitiveness led	Intensive with de-structuring of productive coherence	Extensive and “rentier” with diversification	Dual. Export-led in the North, inward looking elsewhere	Rentier
Performance	High but unbalanced productivity increases	High productivity increasing, uncertain growth	Few productivity increases	Productivity increases in modern sectors	No significant productivity increases
Nature of crisis	Structural crisis: bank insolvency, panic devaluation, political instability	Loss of coherence of the productive systems and slow growth	Intrinsic limits of extensive accumulation	Legitimacy crisis that spills over on external viability	Structural crisis during the 1990s

IV. PURE RENTIER REGIMES ARE NOT VARIANT OF CAPITALISM.



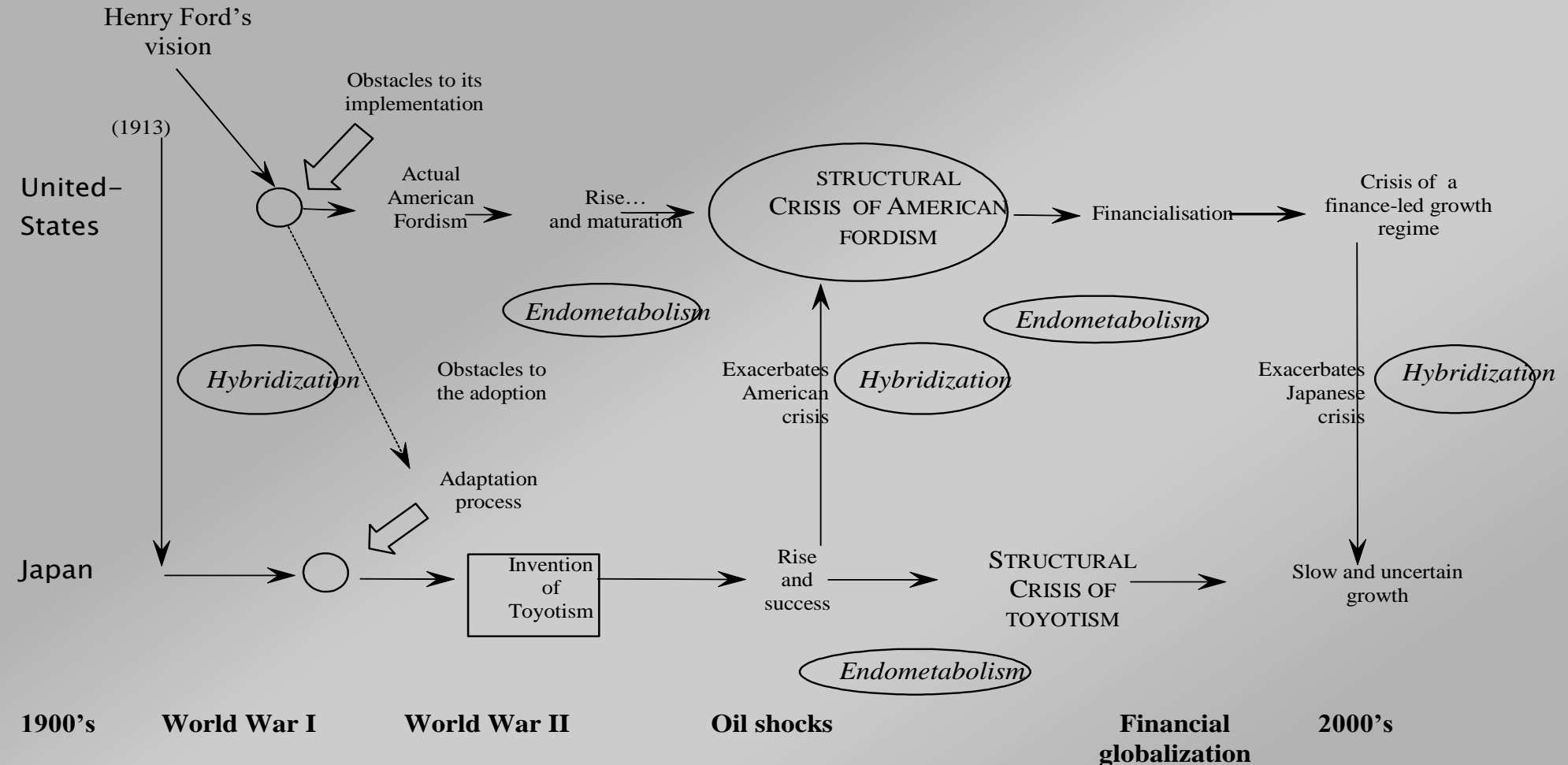
2. *The overlap of the various forms of rent*



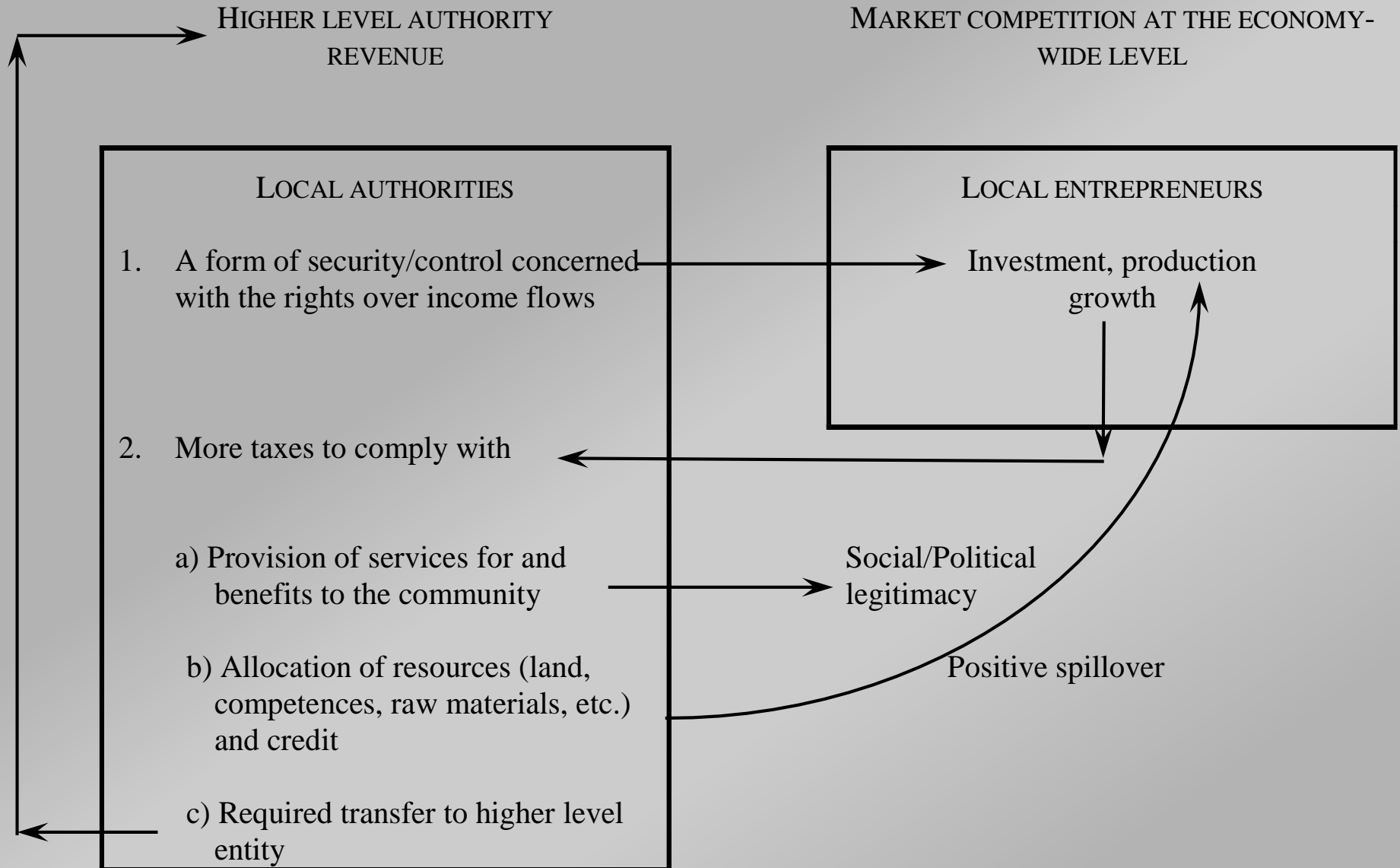
**V. THE OPENING OF NATIONAL
ECONOMIES TESTS THE RESILIENCE
OF CAPITALISM BRANDS AND ALLOWS
THE EMERGENCE OF NEW ONES.**

1. A recurring process of hybridization: adapting foreign institutional forms

Hybridization and endometabolism, two factors of institutional change: the joint evolution of American and Japanese trajectories

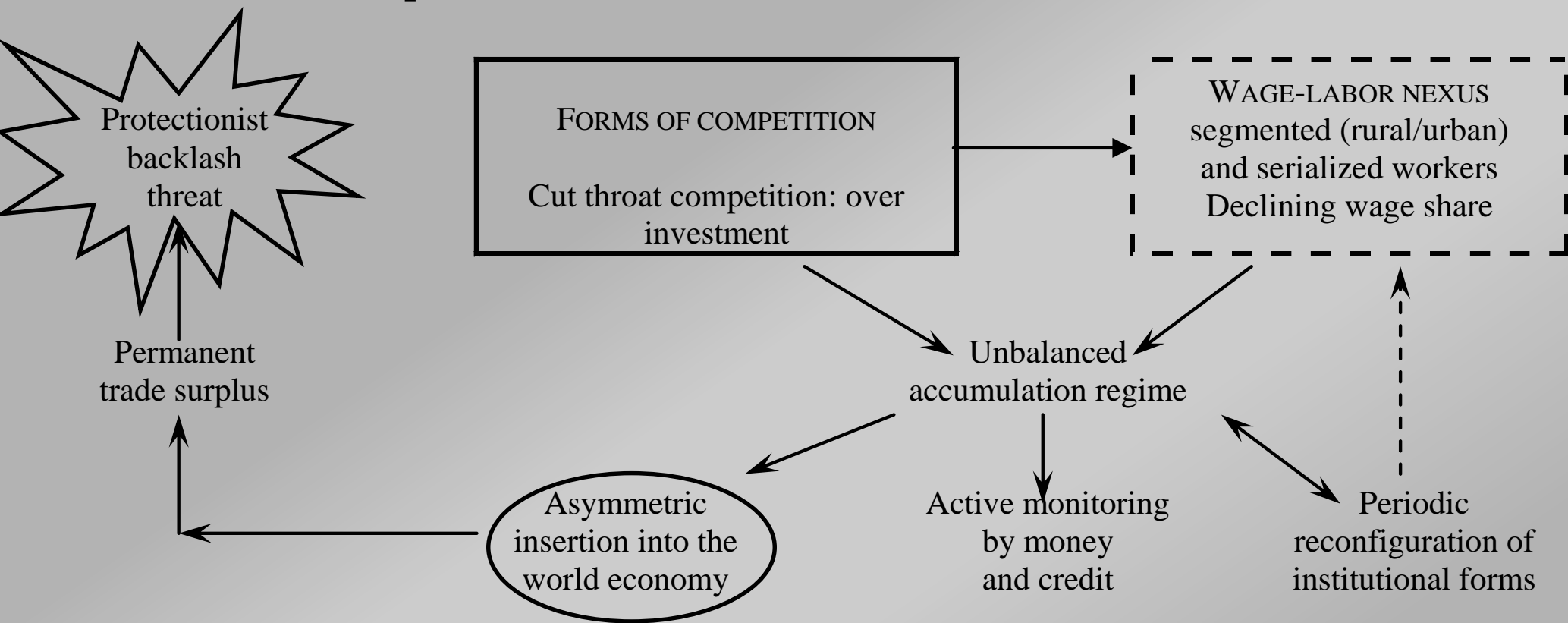


2. *China: a new State capitalism based upon competing local State corporatism*

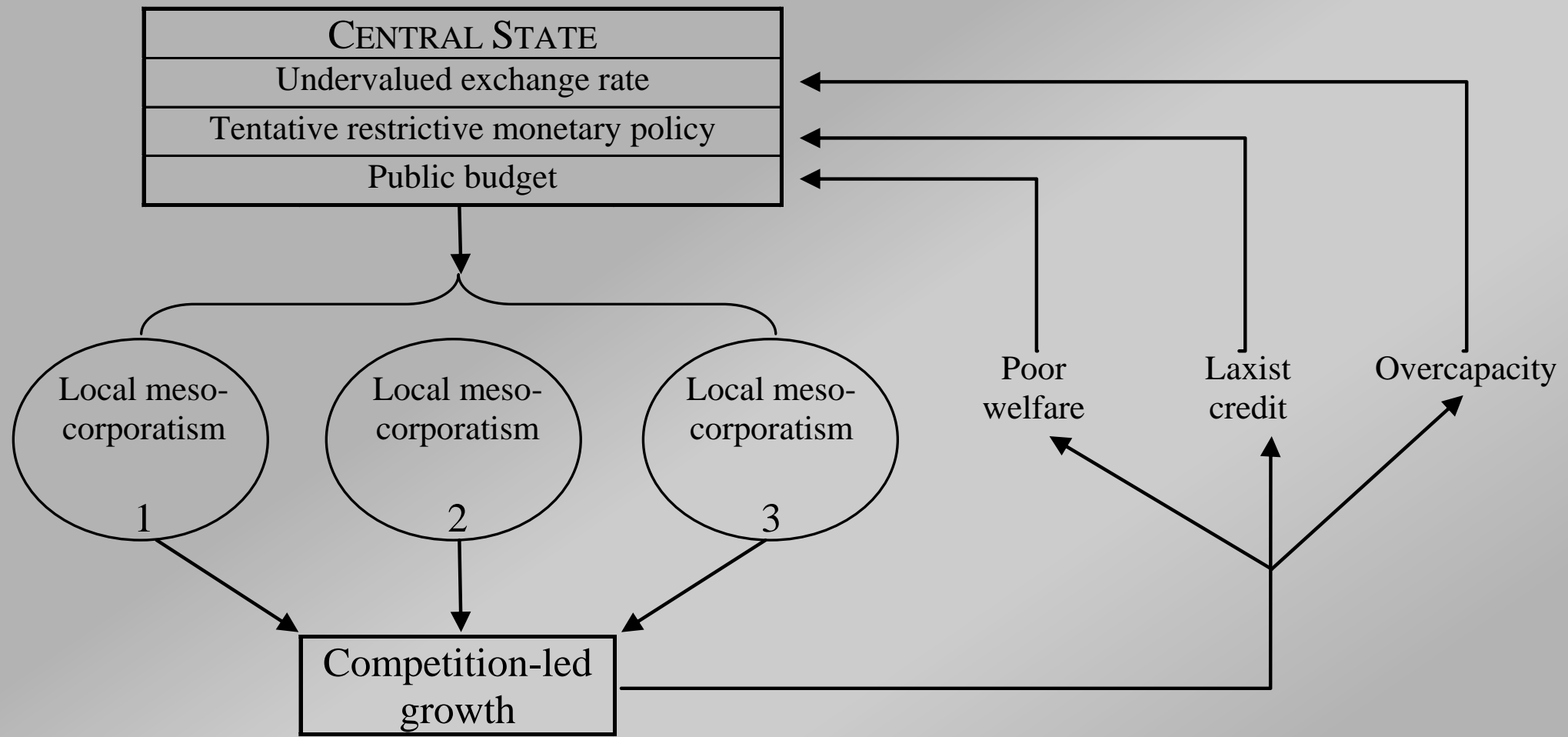


3. An unbalanced accumulation regime

Competition: the hierarchical institutional form in China

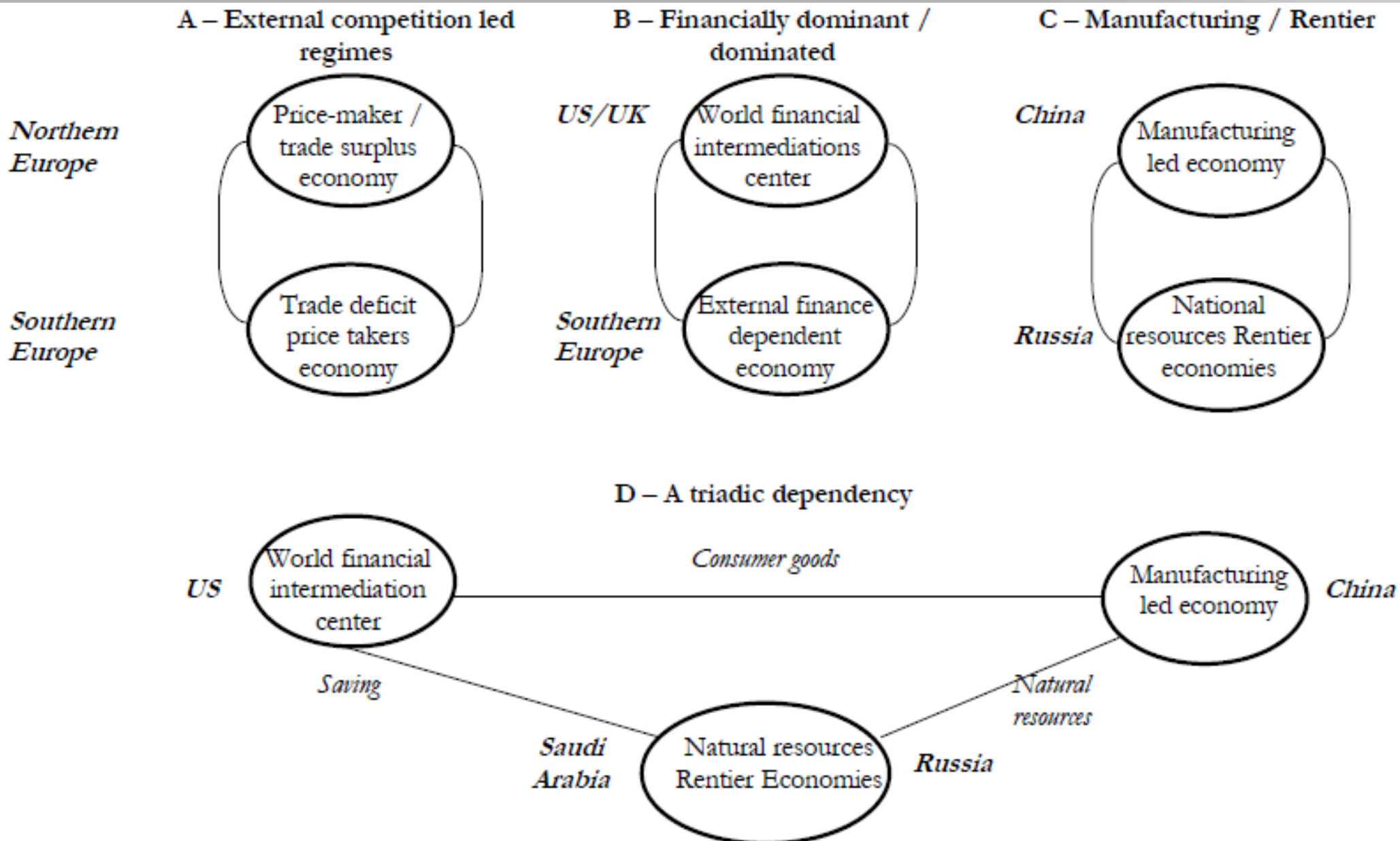


4. The challenging task of the Central State: controlling vibrant and numerous local State corporatisms



VI. THE ASYMMETRIC POWER OF NATION-STATES IMPLIES DIFFERENT CAPITALISMS.

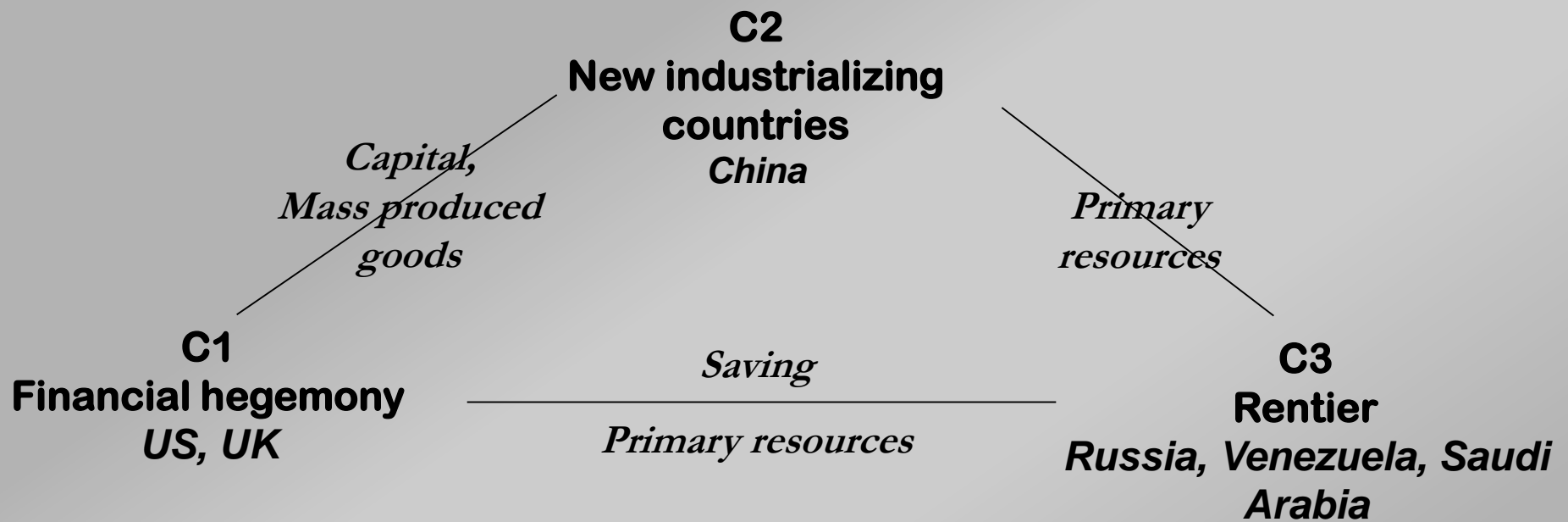
1. Farewell to the closed economy: configurations are dyadic or triadic.



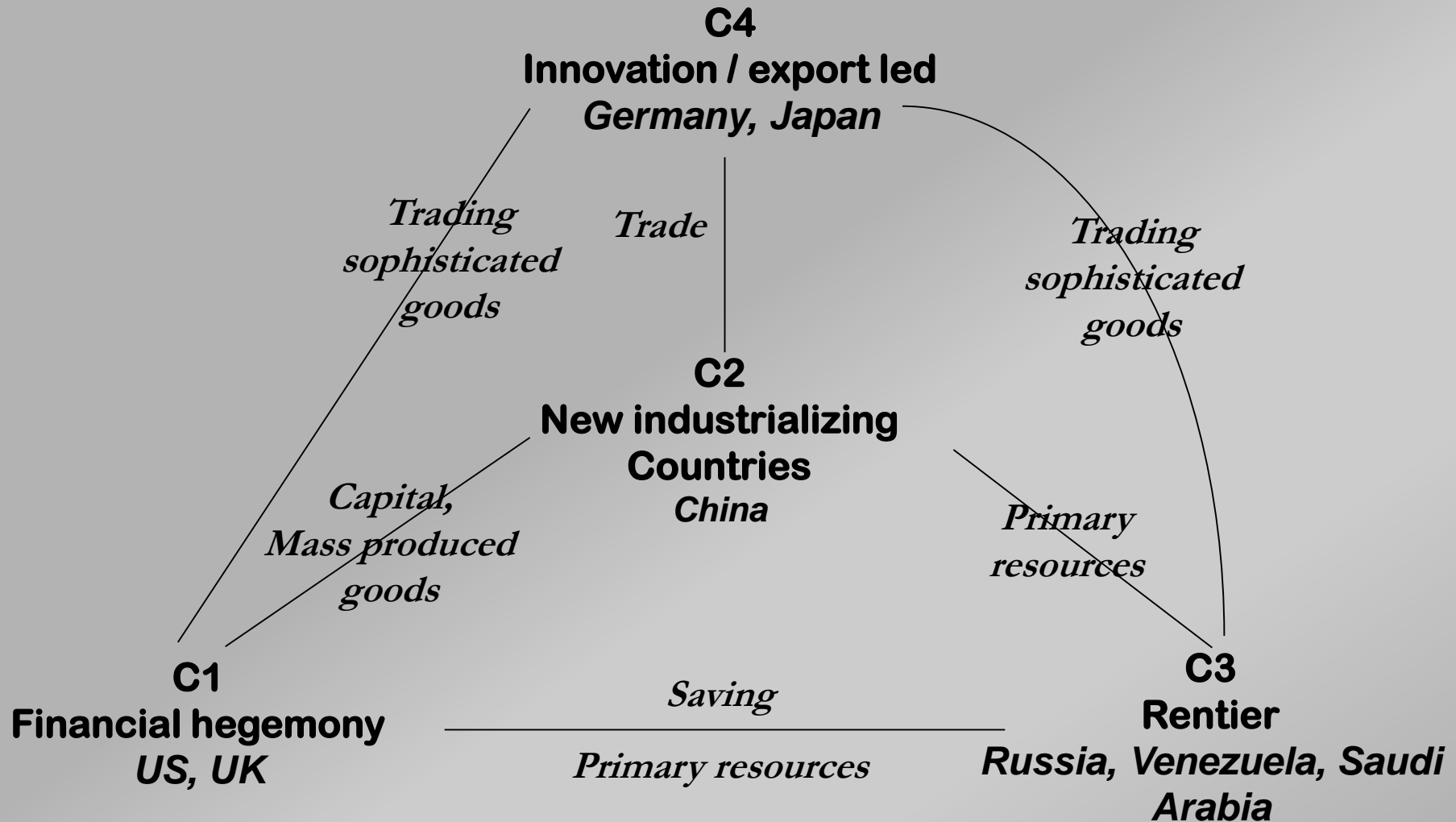
2. The end of international relations governed by a super power and / or a benevolent hegemon.

- ✓ China does not necessarily aims at replacing US
- ✓ American monetary policy has now to take into account its repercussion over the rest of the world.

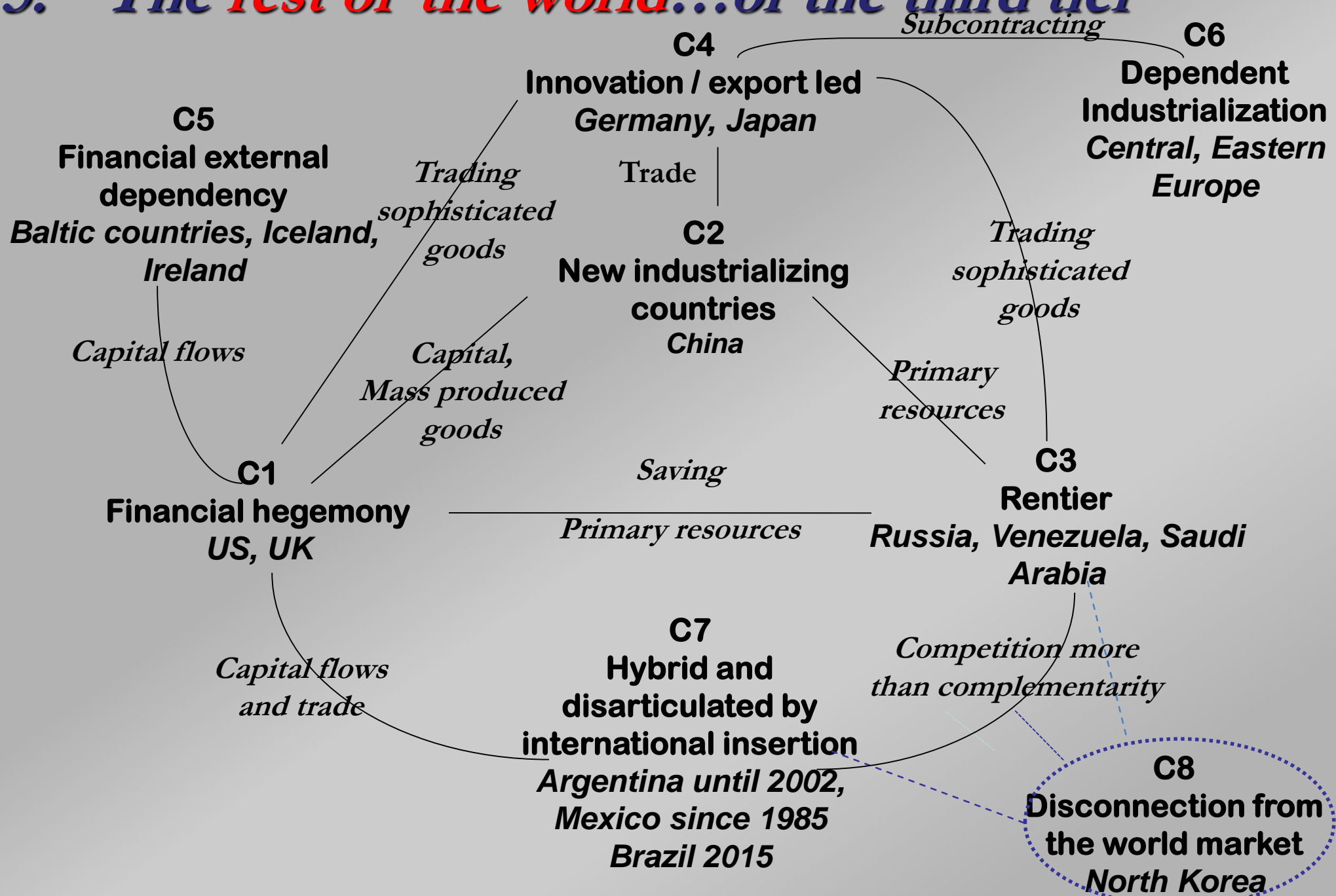
3. The *basic triangle* of the international economy in the 2000s.



4. *The second tier of the world economy*



5. *The rest of the world...or the third tier*



VII. MORE THAN CONVERGENCE

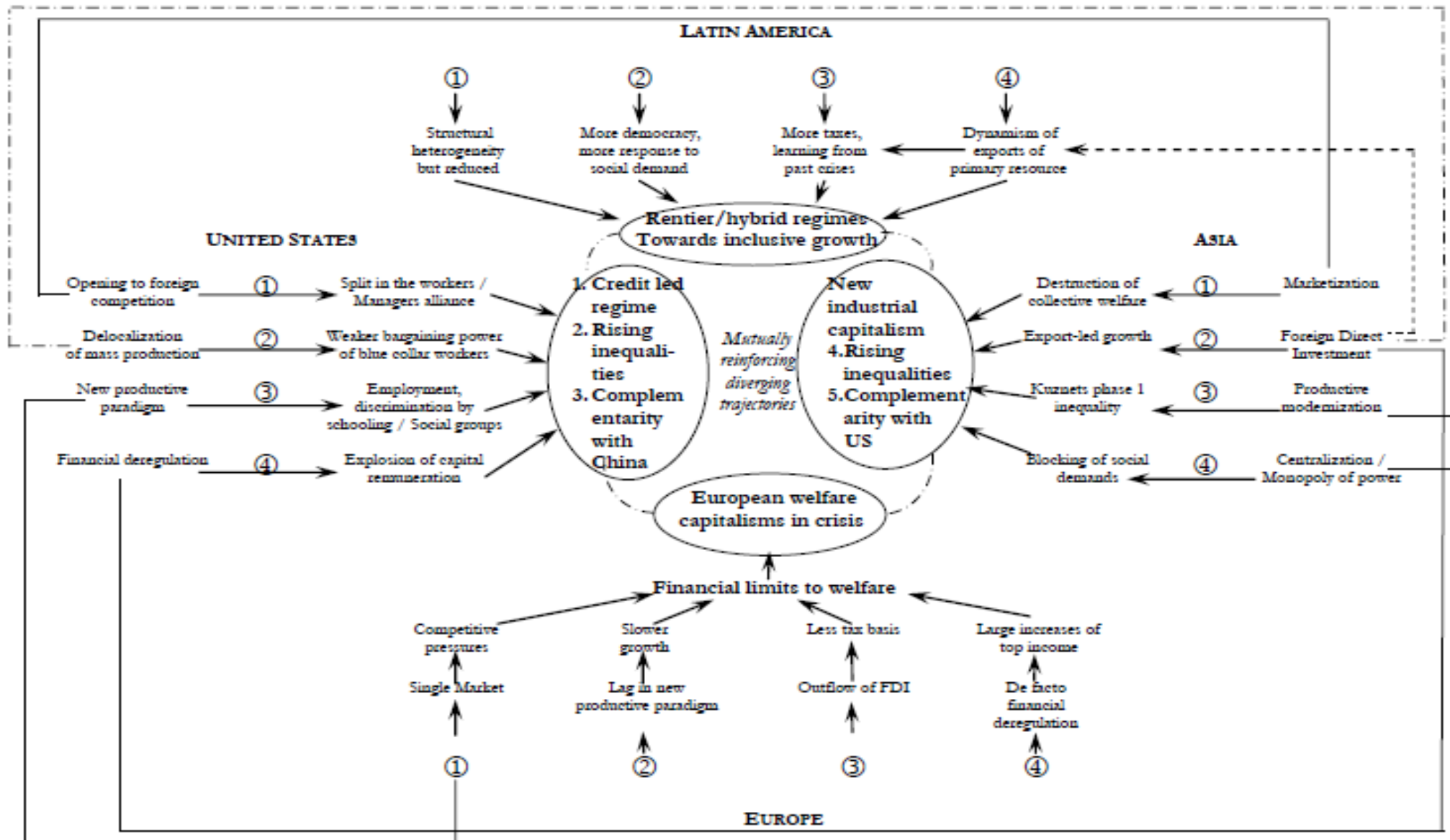
THE INTERDEPENDENCE OF

CONTRASTED SOCIOECONOMIC

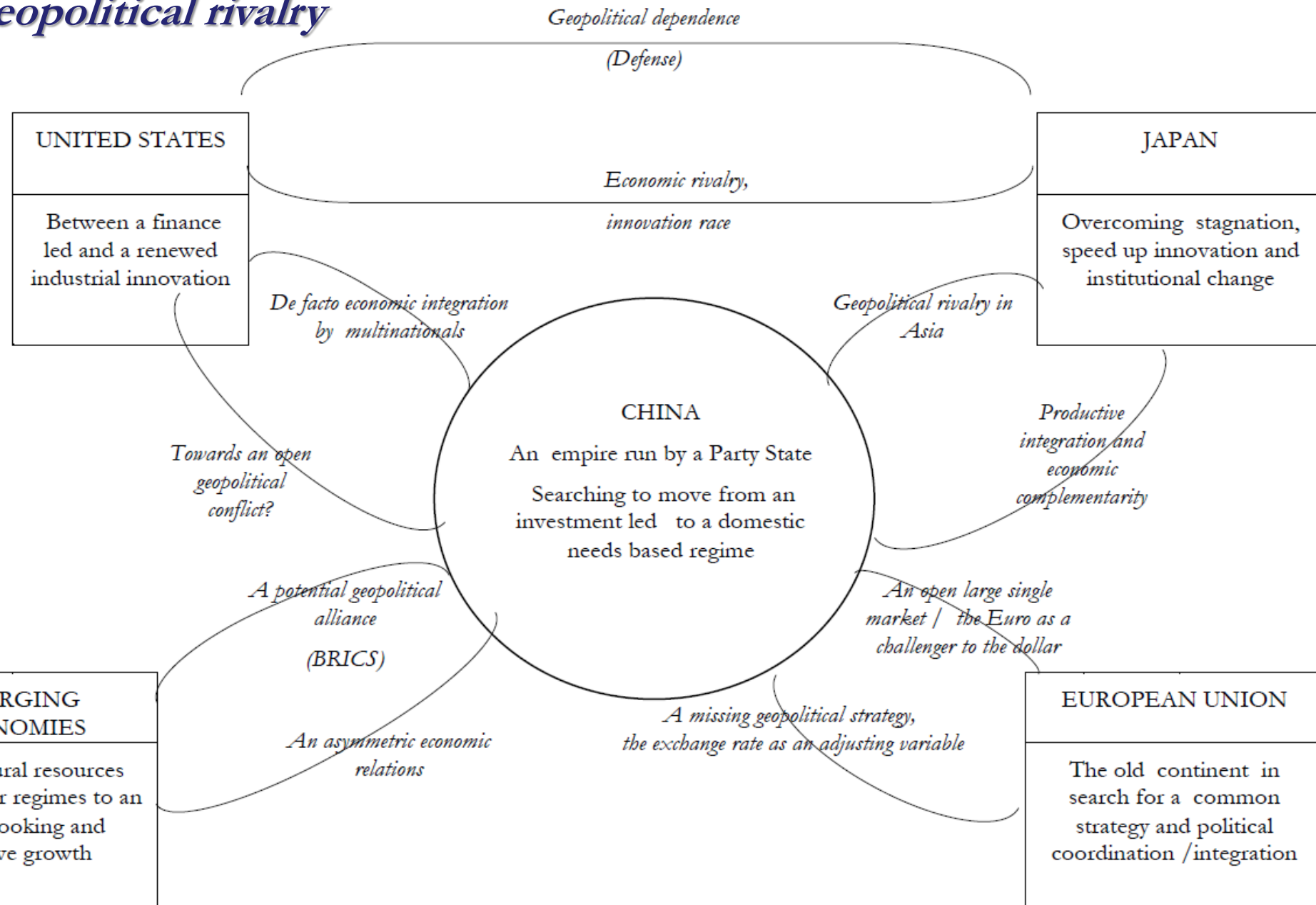
REGIMES

- *The **finance led capitalism** in the US is largely complementary with....*
- *The **competition led capitalism** of China, since these two brands of capitalism basically co-evolve.*
- *The European Union is exploring a **welfare capitalism**, unequally implemented in the North and the South.*
- ***Resources based rentier regimes** prosper when the three others thrive.*

1. 2010s: an interdependent world, complementarity development modes and growth regimes



2. The world seen from China: economic complementarity but geopolitical rivalry



CONCLUSION.

C1 – Modern economic theories challenge the idea of a “natural” **convergence** towards a canonic form for firms’ organizations, economic policies and forms of capitalism. The existence of endogenous innovations and increasing returns to scale, of asymmetric and imperfect information do explain a path dependency for organizations and institutions, hence capitalisms.

C2 – Socioeconomic theories show that **many coordinating mechanisms** coexist: not only State and market but also firms, communities, networks, associations. Furthermore, they are largely complementary in defining diverse capitalist configurations. Recomposing the architecture of these institutional arrangements allows to cope with international opening without implying a convergence towards a dominant form of capitalism.

C3 – **Régulation Theory** emphasizes the importance of **social struggles** and **political intermediation** in the institutionalization of the five institutional forms that define a given capitalism and its associated accumulation regime. Therefore capitalism is **time and space dependent**. More international competition induces an adjustment of diverse capitalism, but few of them are vanishing.

C4 – The various capitalisms evolve according to two basic mechanisms:

- ✓ *Edometabolism* describes how the endogenous erosion of a given accumulation regime unfolds into a structural crisis, that calls for the search for alternative institutional forms.
- ✓ *Hybridization* means the adaptation of imported institutional forms, techniques and organizations facing a specific domestic context.

This explains the recurrent creation of diversity among capitalisms...and even the invention of new ones.

C5 – The Chinese economic system clearly violates all the recommendations of the past Washington consensus: confusion of polity and economy, fuzzy and changing definition of property rights, strategic technological and scientific planning.

De facto, these “**anomalies**” have progressively built a viable form of capitalism – at least until now – based upon the acute competition of a myriad of **State local corporatism**, tentatively monitored by **Beijing** policies and interventions.

C6 – In the context of a long term deepening of internationalization, two other mechanisms may explain the ongoing differentiation of capitalism:

- ✓ *Asymmetry in economic power (price taker versus price maker, the domestic currency is also an international currency or not, ...).*
- ✓ *Asymmetry in the design of the rules at the world level (hence a multitier international system that prevents dominated economies to catch-up and adopt the model of the leader / hegemon)*

C7 – Nevertheless, the future is quite **uncertain** because it will be the outcome of the fight of **two contradictory trends**:

- ✓ *An unprecedented **economic interdependence** and complementarity.*
- ✓ *More and more acute **geopolitical rivalry**, especially between the United States and China.*

**Thanks for your attention
and patience**

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