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The diversity of emerging capitalisms

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Context

- ICATSEM project (FP7) on the Future of OECD capitalisms in a globalized world
- Growing awareness that alternative forms of capitalism are emerging in DCs
- Method = Comparison of national socioeconomic models of development

Our research question(s)

- Can we describe emerging market capitalisms by their institutional system?
- In what respect do emerging countries' capitalisms differ from OECD ones?
- Do all emerging economies share a common model or not?
- What are the main correlates of these models?
- Are some of them more efficient in reaching economic development goals than the others ?

Related literature and issues: Comparative Capitalism *vs* NIE

- Capitalisms analyzed as [systems of sectoral institutions](#) (Amable, 2003)
 - Asian varieties, Dependent Market Economies, Hierarchical Market Economies
- Institutional clusters matter more than one-dimensional institutions (Besley & Persson, 2012; Roland & Jellema, 2011)
- Ideal-typical approach (Hall & Soskice, 1999) *vs* inductive clustering (Amable, 2003)
- Institutional complementarities (Aoki, 2001) / Institutional hierarchy and long-term reinforcing factors (North, 1989; Acemoglu and Robinson, 2012)

Table 3.1. Institutional sectors in mature capitalist economies (Adapted from Amable (2003) and Deeg and Jackson (2006))

Institutional sector	Representative typology	Examples of performance effects
Corporate governance	Insider / Outsider or shareholder / Stakeholder	Firm strategy; income distribution; skills; investment; innovation
Inter-firm relations	Arm's length relation / Obligational relation	Cooperation and competition; corporate governance; innovation
Work organization	Fordism /Flexible specialization / Diversified quality production	Business strategies; industrial relations
Industrial relations	Conflictarian / Pluralist / Corporatist	Internal vs. external labor market flexibility; wage levels; unemployment
<i>Product market*</i>	<i>Liberal market / Regulated markets / Governed outward-oriented</i>	Competition; competitiveness; innovation; quality; attractiveness
<i>Labour-wage nexus*</i>	<i>Market-based flexible / Coordinated / Regulated</i>	Internal vs. external labor market flexibility; wage levels; unemployment
<i>Financial systems</i>	<i>Market-based / Bank-based / Bank-based with foreign banks</i>	Investment pattern; corporate governance
<i>Education and skill creation</i>	Generic / Specialized Universal / Vocational <i>Competitive / Private / Public / Weak</i>	Income distribution; work organization; innovation; industrial relations; firms' strategy
<i>Welfare and social protection</i>	Liberal / Conservative / Social Democratic <i>Liberal / Limited welfare / Corporatist / Universalist</i>	Labor market participation; patterns of savings and investment; organization of labor unions

*Additions to the table by Jackson and Deeg (2006); the additions are taken from Amable (2003); the institutional dimensions that are explicitly studied by Amable (2003), as well as the corresponding typology of sectoral models of governance, are reported in italics.

Our approach

- Analyzing DCs' capitalism models as clusters of sectoral institutions

Institutional sector	Our typology
Financial system	<i>Mature market / Embryonic / Intermediated (repressed) / Idiosyncratic</i>
Product market	<i>Liberalized deregulated / Export-oriented / Statist partially liberalized / Statist protective / Idiosyncratic</i>
Wage-labour and production relation nexus	<i>Coordinated / Liberal / Paternalistic / Informal / Idiosyncratic</i>
Skill creation and education system	<i>Universal / Upgrading export-oriented / Neglected / Idiosyncratic</i>
Social protection and welfare state	<i>Decommodified / Liberal / Informal (remittance-based) / Social insecurity / Idiosyncratic</i>
Agriculture	<i>Modern formalized / Dualistic / Traditional / Idiosyncratic</i>
Environment	<i>Effectively-governed / Biodiversity-focused / Weakly-governed / Idiosyncratic</i>

- De jure/De facto* institutional complementarities
- Functional/dysfunctional systems

	<i>De jure</i>	<i>De facto</i>
Progressive	<i>LME, CME</i>	Experimentation <i>Chinese market socialism</i>
Regressive	Washington Consensus Patron-client systems Natural state	Reforms as signals inconsistencies <i>HME</i>

- Allowing for idiosyncratic/hybridization → *Hybrid-Idiosyncratic* systems

Methodological aspects

The data

- 140 countries : OECD, DCs and LDCs / More than 1 million inhabitants; 2006-2008
- 81 variables pertaining to seven sub-sets of (measurable) institutional features (dimensions): Wage-Labour nexus, Financial system, Product market, Skill creation and education system, Social protection and welfare state, Land and agricultural regulation, Environmental regulation

The method

- Factor analysis / Mixed classification
- Two-tier methodological procedure
- Hybrid-Idiosyncratic cluster
- About 100 characterization variables: geographical features, overall governance indicators, long term historical features, democracy and constitutional features, cultural features and values, conflictuality, civil liberties

First step

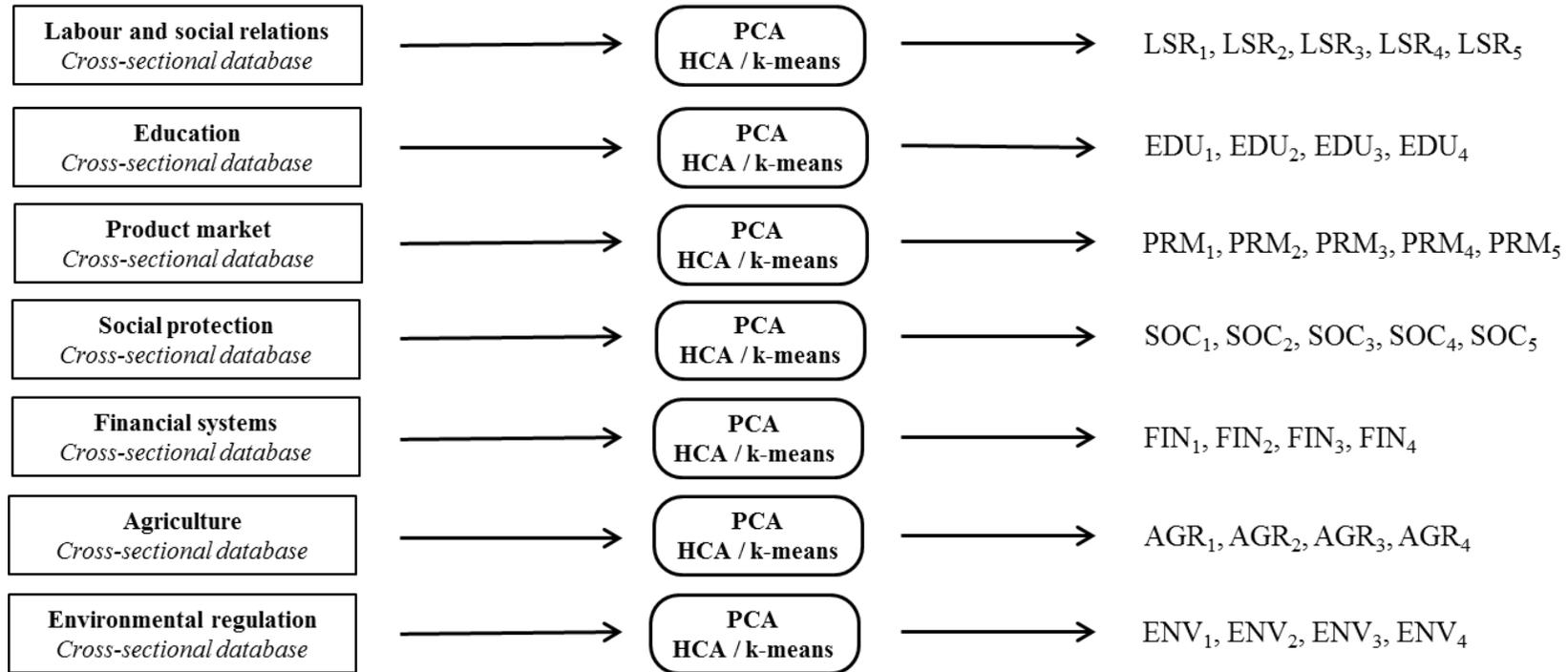
- We first cluster economies according to their differences and similarities in each of the seven selected dimensions: identification and characterization of a few original "institutional models" in each dimension ?

Second step

- We assess the way these specific institutional models interact and constitute a system for each of the countries in the sample: identification and characterization of a few original and coherent "models of capitalism" which can be described by their own mix of particular "institutional models"

*From basic initial quantitative information...
(81 variables pertaining to 7 dimensions)*

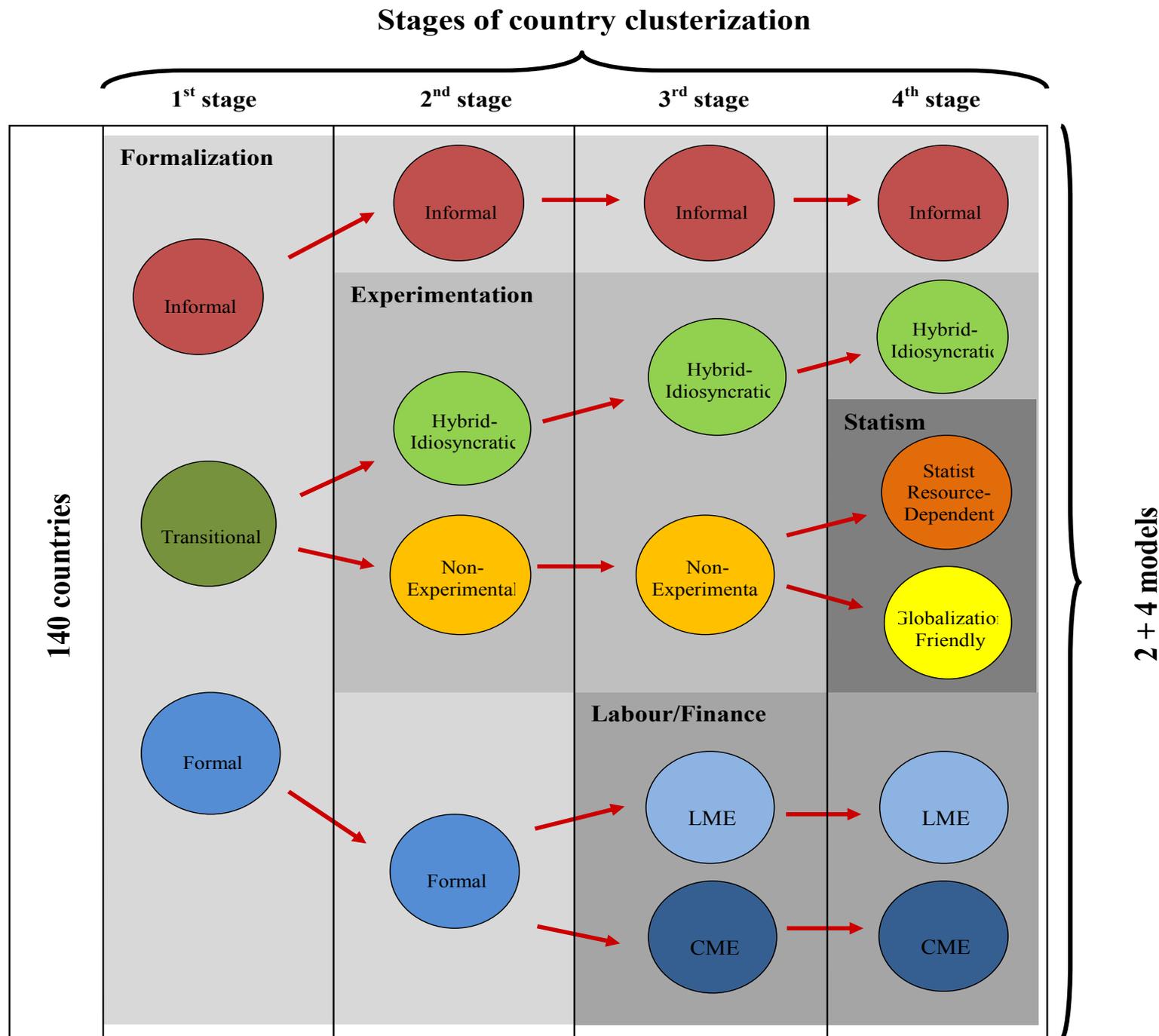
*... to models of sectoral governance
(31 sub-profiles)*



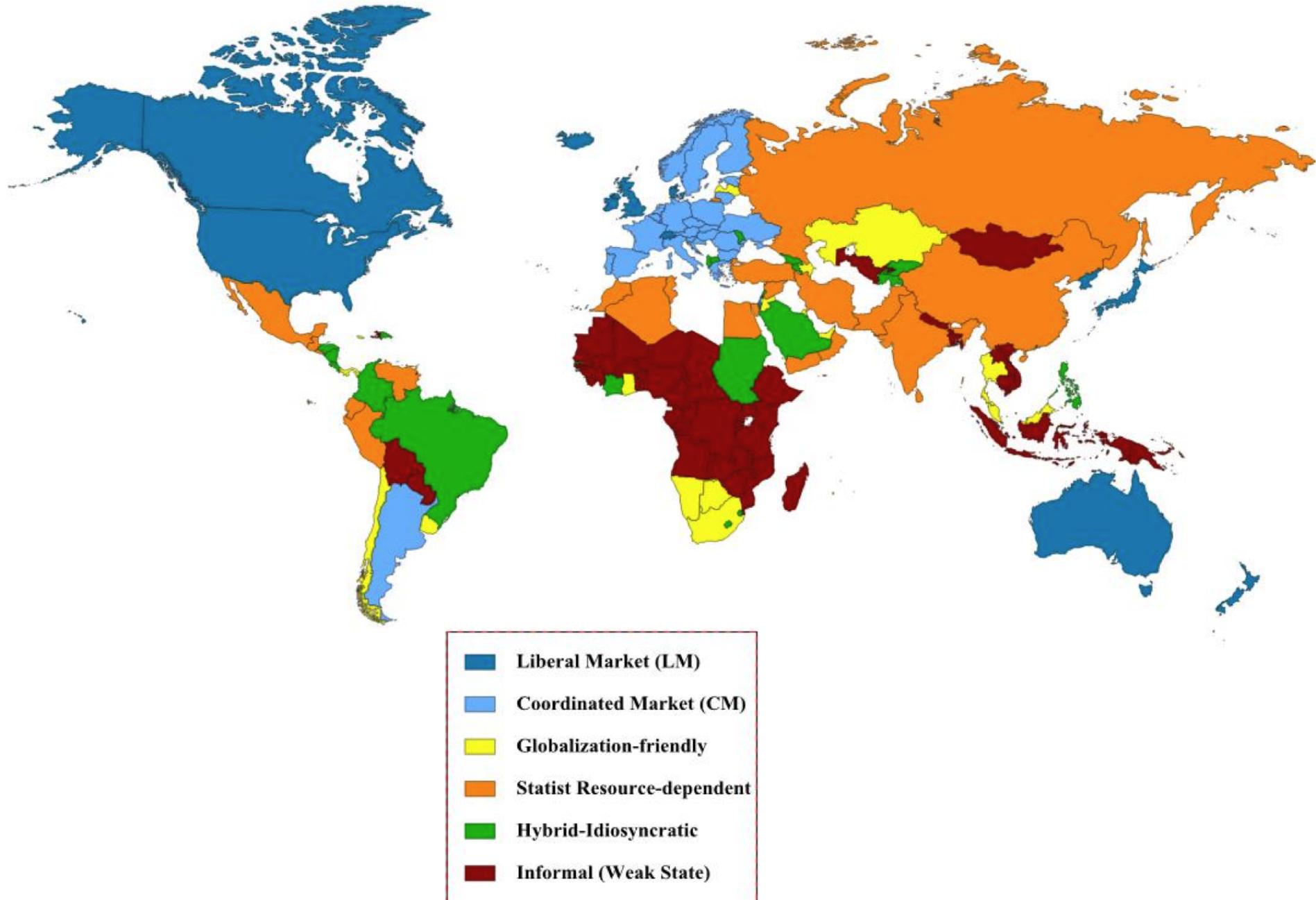
*AN ORIGINAL CROSS-SECTIONAL NOMINAL DATABASE
(140 countries / 7 models of sectoral governance)*

	Labour and social relations	Education	Product market	Social protection	Financial systems	Agriculture	Environmental regulation
Albania	LSR ₂	EDU ₄	PRM ₂	SOC ₅	FIN ₄	AGR ₄	ENV ₂
Algeria	LSR ₅	EDU ₁	PRM ₂	SOC ₅	FIN ₂	AGR ₃	ENV ₄
:	:	:	:	:	:	:	:
Zimbabwe	LSR ₃	EDU ₁	AGR ₅	SOC ₃	FIN ₄	AGR ₂	ENV ₃

Results (1): General pattern of clusterization

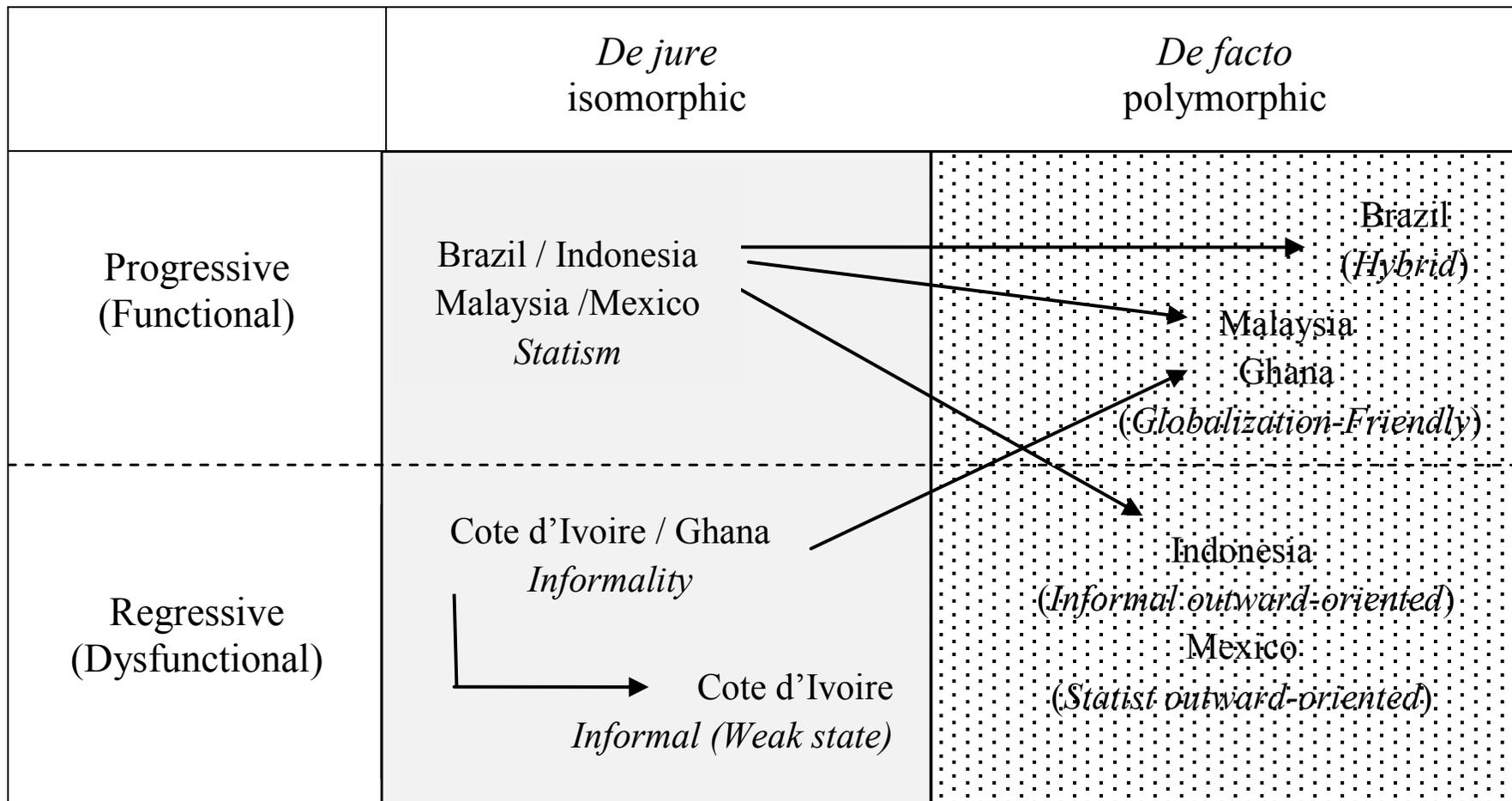


Results (2): The 2 + 4 models of world capitalisms



Results (3): Trajectories of institutional change

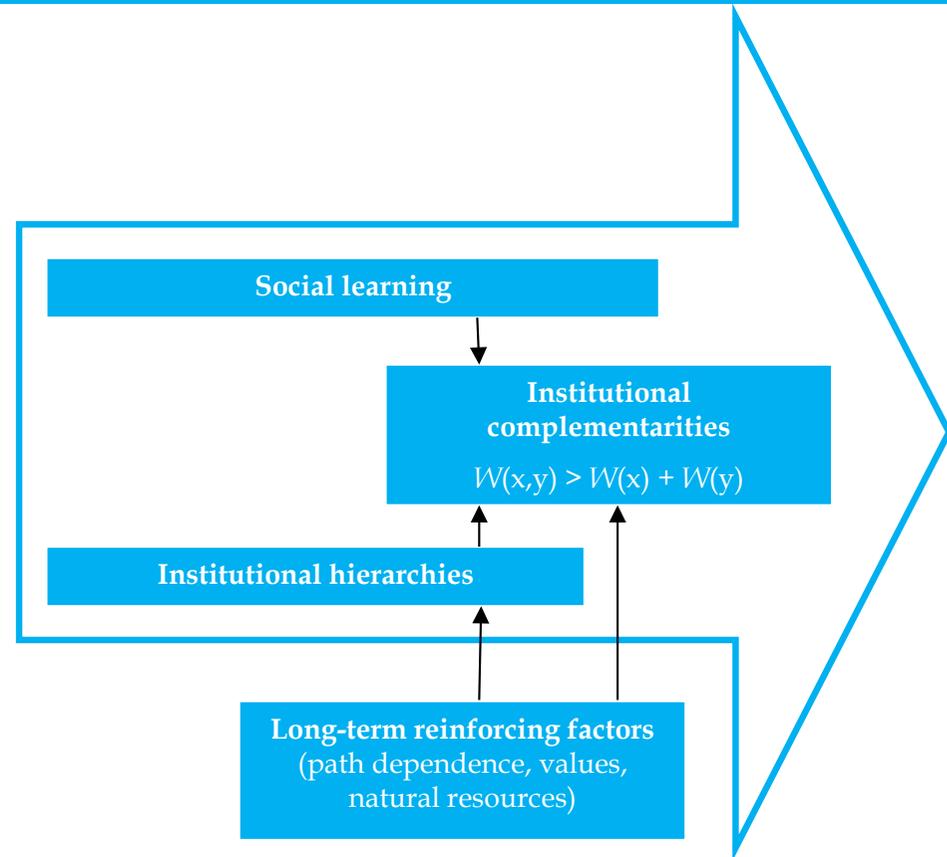
Comparative case-studies: Institutional trajectories and institutional complementarities



Results (4):

Progressive / regressive complementarities and socioeconomic models

- Institutional complementarities specific to each model
 - ✓ *Informal (weak state)*
 - ✓ *Statist (resource-dependent)*
 - ✓ *Globalization-friendly*
 - ✓ *Hybrid-Idiosyncratic*
- Institutional hierarchies
 - ✓ Fairness and security
 - ✓ Competitiveness
- Long-term reinforcing factors
 - ✓ Land, aridity, oil, ruggedness, tropics, demography, size, socialism, state antiquity, legal origins



	<i>De jure</i>	<i>De facto</i>
Progressive	Low-income <i>Statist (Resource-Dependent)</i>	<i>Globalization-Friendly</i> <i>Hybrid-Idiosyncratic</i>
Regressive	Middle-income <i>Statist (Resource-Dependent)</i> <i>Informal (Weak State)</i>	<i>Hybrid-Idiosyncratic</i>

Results (5): Diversity and institutional reforms

- **Top-down institutional reforms weakly effective**
 - ✓ Benchmark / One-dimensional approach / “Mono-cropping”
 - ✓ Minimal enforcement of the *de jure* best-fitted institutions > than higher enforcement of any other alternative
 - ✓ Limited room for experimenting *de facto* institutional complementarities beyond LME/CME
- **... And yet high observed diversity and experimentation**
 - ✓ Adaptative efficiency search → Partial transplants and hybridization
 - ✓ Higher social acceptance of hybrid systems (survival of domestic institutions or values)
 - ✓ Weak commitment to reforming in DCs → reforms = signals and not effectively enforced rules
 - ✓ Leadership influence
 - ✓ Information problems (potential complementarity with remaining rules, interaction with the local culture and underlying structures of power and practices)
- **Conditions of success**
 - ✓ Deliberation
 - ✓ High political support
 - ✓ Trial and error
 - ✓ Incremental innovation and adjustment of the existing system

Main conclusions

- “Conventional” institutional systems (I-WS, CME and LME) are well described by our methodological framework: Consistency
- The bulk of emerging countries are located in two specific clusters (Globalization-Friendly and Statist-Resource dependent); they are mainly differentiated by the degree and style of state control
- Some other emerging countries are experimenting their own original institutional configuration by constructing their institutional systems in a very singular fashion : Either hybrid or idiosyncratic forms of capitalism
- Institutional systems are first differentiated by their degree of formalism, then, by the degree of experimentation and, to a lesser extent, by the type of State-Market articulation
- There is not one unique path of institutional change leading to economic and social development
- Ex-Socialist CEECs that entered European Union have almost all converged toward CMEs
- There is no “Asian”, “African” or “Latin American model”

First step results

Wage-Labour nexus: from 16 variables...

Labour force participation rate / Labour force participation (- 25 years/25-54 years old) / Labour force participation (women/men) / Child Labour Index / Share of working poor or In-work poverty (OECD) / Share of wage and salaried workers / Minimum wage normalized on GDP / Rigidity of hours / Difficulty of redundancy / Mandated cost of worker dismissal / Mandated cost of hiring / Hiring and firing regulations / Ratifications of ILO conventions / FA and right to CB / Collective bargaining centralization

... to 5 institutional models:

Coordinated / Liberal / Paternalistic / Informal / Idiosyncratic

Skill creation and education system: from 13 variables...

Public spending on education / Share of public spending on education (secondary and tertiary) / Share of school enrolment in private (primary and secondary) / Duration of compulsory education / Gender Index / Pupil-teacher ratio in primary education / School enrolment ratio in tertiary education / Average years of school / Percentage of technical and vocational enrolment / Percentage of science graduates / Percentage of engineering and production industries graduates / Number of H1-B visa (for speciality occupations) / Student in mobility

... to 4 institutional models:

Universal / Upgrading export oriented / Neglected / Idiosyncratic

Figure 4.3. Map of Labour market and production relations models

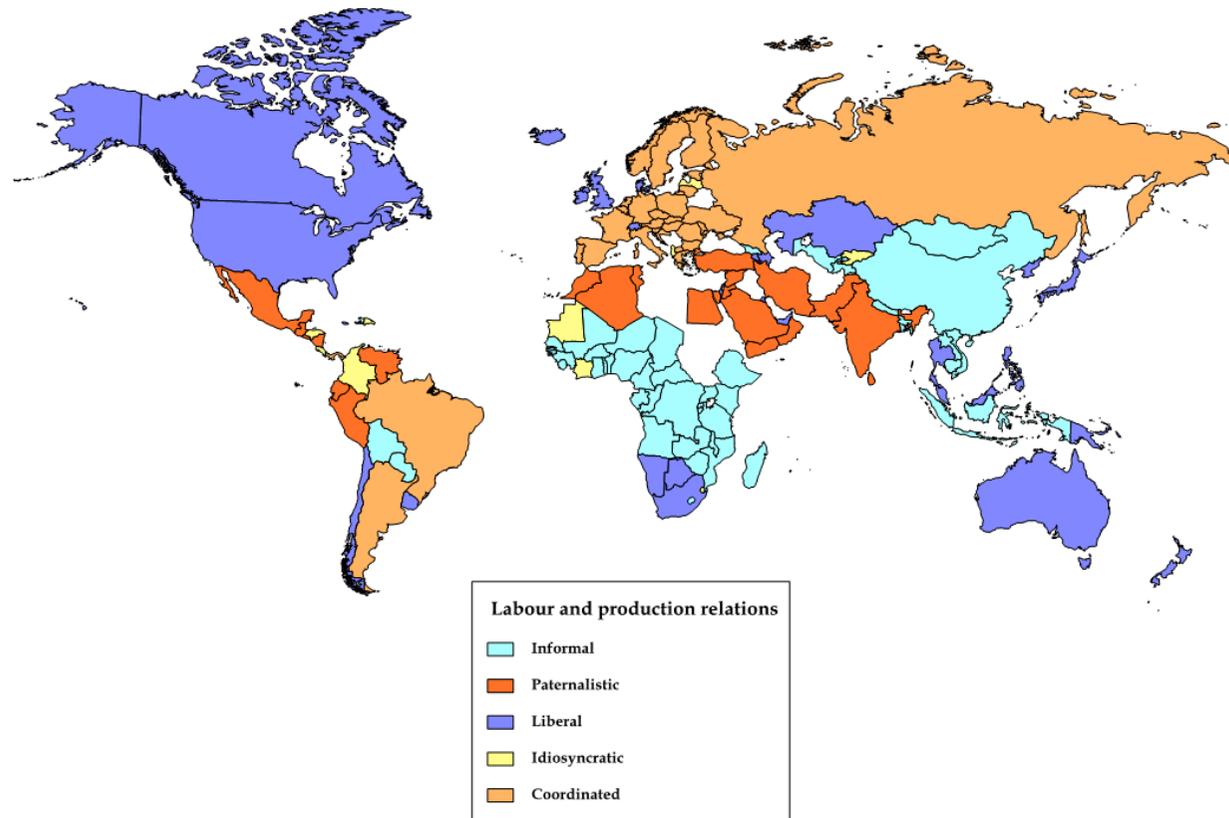


Figure 6.4. World map of the competition and product market governance models

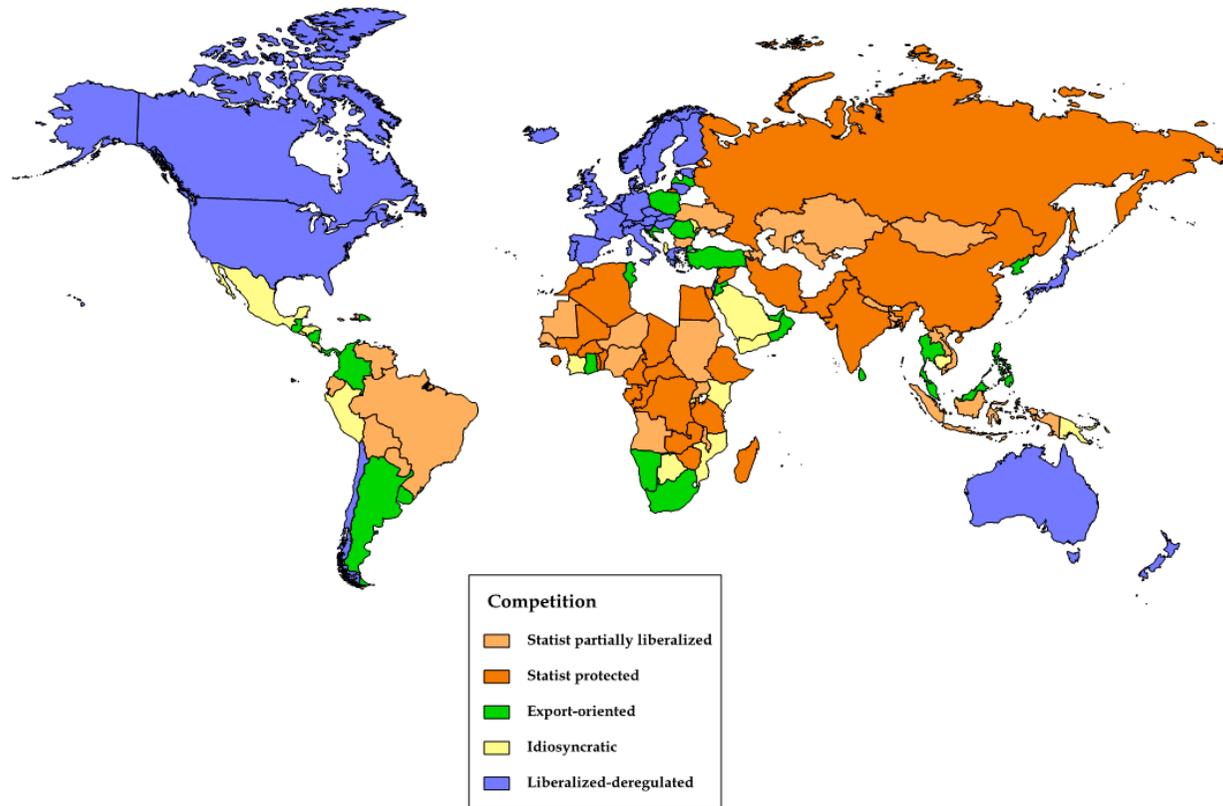


Figure 8.5. World map of the models of finance and credit market governance

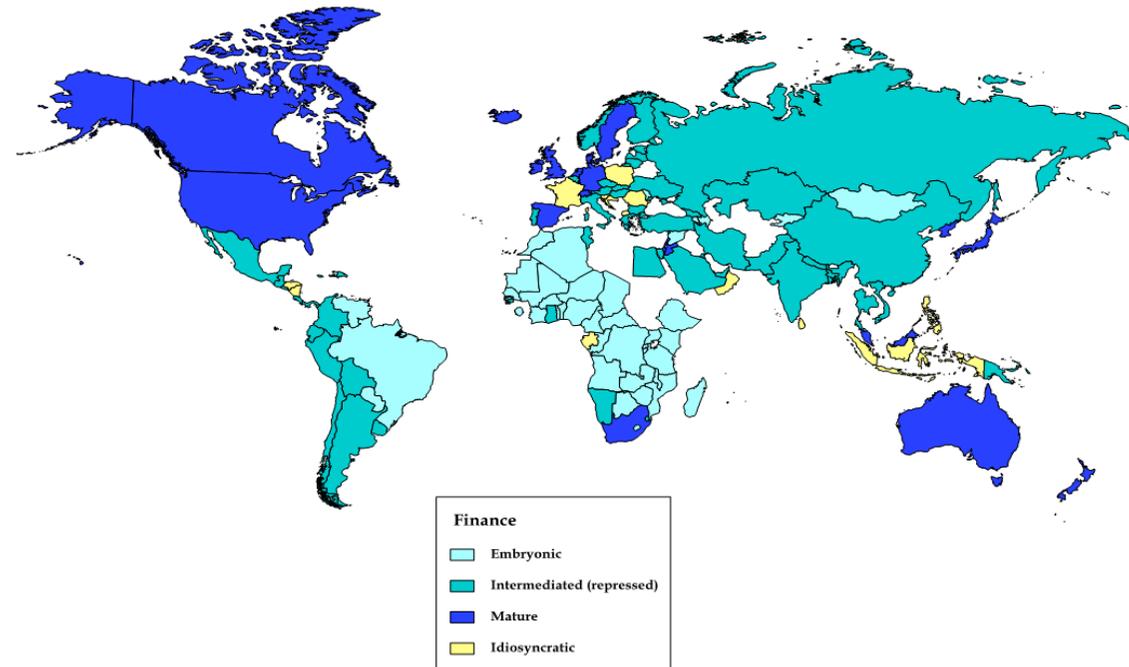


Figure 9.3. World map of the models of agriculture governance

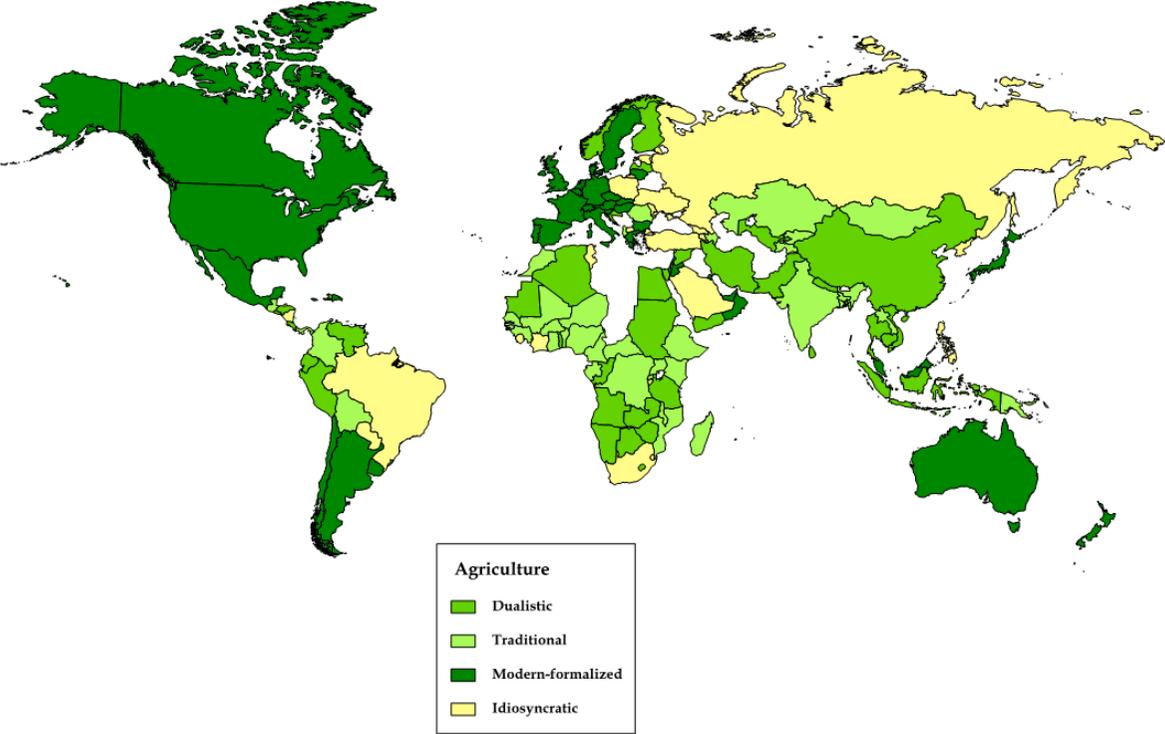
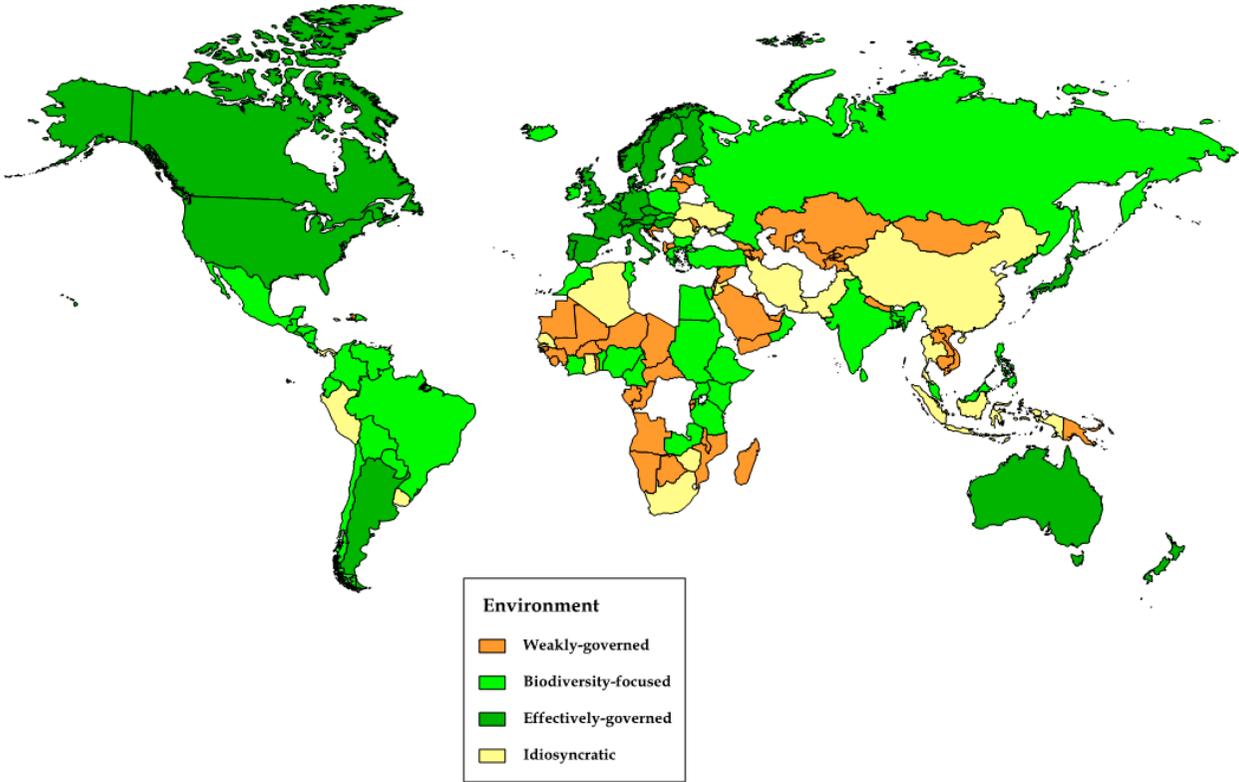


Figure 10.3. World map of the environmental governance models



First step results

Country	Agriculture	Competition	Education	Environment	Finance	Labour	Social protection
Albania	Dualistic	Idiosyncratic	Upgrading export-oriented	Weakly-governed		Idiosyncratic	Informal remittance-based
Algeria	Traditional	Statist protective	Idiosyncratic	Idiosyncratic	Embryonic market	Paternalistic	Idiosyncratic
Angola	Traditional	Statist partially liberalized	Neglected	Weakly-governed	Embryonic market	Informal	
Argentina	Modern formalized	Export-oriented	Universal	Effectively-governed	Intermediated constrained	Coordinated	Liberal
Armenia	Idiosyncratic	Statist partially liberalized	Upgrading export-oriented	Weakly-governed	Embryonic market	Liberal	Informal remittance-based
Australia	Modern formalized	Liberalized deregulated	Universal	Effectively-governed	Mature market	Liberal	Liberal
Austria	Modern formalized	Liberalized deregulated	Universal	Effectively-governed	Intermediated constrained	Coordinated	Decommodified
Azerbaijan	Dualistic	Statist partially liberalized	Upgrading export-oriented	Weakly-governed	Embryonic market	Liberal	Liberal
Bangladesh	Dualistic	Statist partially liberalized	Neglected	Biodiversity-focused	Intermediated constrained	Informal	Social insecurity
Belgium	Modern formalized	Liberalized deregulated	Universal	Effectively-governed	Intermediated constrained	Coordinated	Decommodified
Benin	Dualistic	Statist protective	Neglected	Biodiversity-focused	Embryonic market	Informal	Idiosyncratic
Bolivia	Dualistic	Statist partially liberalized	Idiosyncratic	Biodiversity-focused	Intermediated constrained	Informal	Idiosyncratic
Botswana	Traditional	Idiosyncratic	Upgrading export-oriented	Weakly-governed	Embryonic market	Liberal	Idiosyncratic
Brazil	Idiosyncratic	Statist partially liberalized	Upgrading export-oriented	Biodiversity-focused	Embryonic market	Coordinated	Liberal
Bulgaria	Modern formalized	Statist partially liberalized	Universal	Biodiversity-focused	Intermediated constrained	Coordinated	Decommodified
Burkina Faso	Dualistic	Statist protective	Neglected	Weakly-governed	Embryonic market	Informal	Idiosyncratic
Burundi	Idiosyncratic	Statist protective	Neglected	Weakly-governed	Embryonic market	Informal	Social insecurity
Cambodia	Traditional	Idiosyncratic	Neglected	Weakly-governed		Informal	Idiosyncratic
Cameroon	Dualistic	Statist protective	Neglected	Biodiversity-focused	Embryonic market	Informal	Social insecurity
Canada	Modern formalized	Liberalized deregulated	Universal	Effectively-governed	Mature market	Liberal	Idiosyncratic

