

Book Review published in the *American Political Science Review*, Vol. 93 (March 1999), pp. 235-236.

National Diversity and Global Capitalism. Edited by Suzanne Berger and Ronald Dore. Ithaca, New York and London, England: Cornell University Press, 1996. 387 pp. \$62.50 cloth, \$17.95 paper.

Jeffrey Hart, *Indiana University*

The main question posed in this excellent edited volume is whether globalization results in convergence in national economic policies, institutions, and outcomes. The editors have selected an outstanding group of scholars to focus on this theme. The answer Suzanne Berger provides in the introduction is that "the space for political vision and choice -- and for a diversity of choices -- is open and wide." [p. 25] Berger and Dore get to this conclusion by asking the authors of the various chapters to consider the evidence for convergence either in the system as a whole or in specific countries.

The chapter written by Robert Boyer of CEPREMAP in Paris provides an excellent introduction to the approach of the "regulation school" to international political economy. Boyer also analyses data on macroeconomic variables at the level of the nation-state to show that there is rather little evidence of a trend toward convergence, especially in levels of productivity and standards of living. Boyer argues that there is still plenty of room for national governments to pursue different policies and to maintain distinctive institutions. He contrasts the attractive simplicity of the idea of convergence with the complexity that results from the progressive segmentation of industrial markets and the parallel evolution of different national systems to occupy different market niches.

The chapter by Robert Wade deals with ways of measuring economic globalization. Like Boyer, Wade uses empirical evidence to argue that globalization is limited and incomplete and that many observers have exaggerated its extent. Wade argues that the world economy is more international than global. He points out that more than eighty percent of the production and investment by multinational firms is in their home countries and that they are "rooted in national home bases with national regulatory regimes." [p. 61] Wade ends by urging caution in generalizing about the extent of globalization.

The chapter by Andrea Boltho deals with the question of whether France has become more like Germany since 1958. Boltho concludes that there has been only limited copying of German institutions in France and therefore only limited convergence in economic performance. Still, there is some evidence of movement toward convergence.

W. Carl Kester's chapter is, for me, the most interesting in the volume. Kester compares and contrasts U.S. and Japanese systems of governance for economic institutions. According to Kester, U.S. business governance is overwhelmingly oriented toward solving principle-agent problems, and particularly the problem of getting the managers of firms to work in the long-term interests of the firms' shareholders. Japanese business

governance, in contrast, focuses on reducing transaction costs by creating incentives for cross-firm collaboration and by insulating Japanese managers from the demands of corporate shareholders.

Each system has advantages and disadvantages with respect to the other. The U.S. system is less likely than the Japanese system to tolerate managerial cronyism and collusive or corrupt behavior, but likely to be more influenced by short-term volatility in the marketplace and hence more cautious in making long-term investments. The Japanese system is geared toward long-term growth and expansion of industry, but has relatively few mechanisms to prevent the perpetuation of bad management practices other than the market itself. I have found this formulation of the differences between the two systems to be very useful in my own work.

The fifth chapter of the volume is by Wolfgang Streeck, a German scholar noted for his detailed descriptions of the German model of industrial relations. Streeck is particularly knowledgeable about industrial relations in the automobile industry. His essay for this volume concentrates on the impact of the rise of the Japanese auto industry on Germany. Streeck argues that it will not be easy, nor will it necessarily be desirable, for German firms to copy the "lean production" methods pioneered by Toyota and copied by other Japanese firms. These methods include using "just in time" inventory practices for stocking components in assembly plants, working closely with a more limited number of suppliers to raise the quality and reliability of components, and investing in training the workforce to raise skill levels. While the last practice already exists in Germany, Streeck rightly points out that it may be difficult for German firms and German workers to change some of their other industrial practices without changing all of them. There will be a response to increased Japanese competition, but extensive copying of Japanese practices is out of the question. As a result, Streeck thinks that there will be only limited convergence in business practices between the two countries.

There is a chapter on financial markets in Japan by Shijuro Ogata. It is quite short and deals in only a limited way with efforts to reform the Japanese financial system. The volume contains a longer and more thorough description of changes in Japanese competition law and antitrust enforcement policies by Yutaka Kosai and of changes in Japanese retailing by Frank Upham. A chapter on British economic reforms by Stephen Woolcock reinforces the general message of limited institutional convergence.

The volume returns to larger questions in essays by Peter Gourevitch, Miles Kahler, Sylvia Ostry, and Ronald Dore. Gourevitch contrasts Anglo-Saxon capitalism with both Rhenish-Alpine and Japanese capitalism (he later abbreviates this as "Nippo-Rhenish"). Gourevitch argues that Nippo-Rhenish capitalism stresses network building and maintenance, whereas Anglo-Saxon capitalism stresses arms-length relationships. This split has implications for (among others) competition policy, financial regulation, and labor relations. Gourevitch concludes by stressing the political nature of struggles over economic reforms in response to changes in the international economy. Political outcomes are inherently uncertain, therefore one cannot confidently predict convergence.

Kahler and Ostry focus on the possible impact of international economic regimes on convergence. Kahler stresses the undermining of the intellectual foundations of the liberal system that he associates with the growing popularity of theories of "managed trade." Ostry argues that for globalization to proceed and to provide further benefits for the industrialized countries, the problem of divergence, or lack of harmonization, in competition policies has to be addressed. The existing regimes, in Ostry's view, have to be extended from the trade sphere to new areas like investment and technology promotion. Both Kahler and Ostry discuss the problem of how to respond to claims from Japan's competitors that Japan's firms benefit disproportionately in international competition from lax enforcement of antitrust policies at home. Ostry wants the regimes to grow to preempt new antiliberal political pressures, while Kahler wants the members of the existing regimes to renew their earlier commitments to those regimes by renouncing antiliberal doctrines. It is not clear how either of these agendas is to be carried out.

Dore's conclusion to the volume is just as good as Berger's introduction. It goes beyond the empirical arguments to identify the normative questions that are sometimes implicit in the rest of the volume. Dore ends the book by noting the difficulty of pursuing further liberalization of the world economy without undermining the social arrangements that have permitted the industrialized countries to enjoy simultaneously high levels of prosperity and social peace. He sees the pursuit of further liberalization as essential to reducing the gap in incomes between rich and poor countries, but he also perceives the corrosive effects of further liberalization in the form of lost jobs and incomes for unskilled workers and their communities. He expresses hope for a resolution of this dilemma, but does not suggest a course of action.

Berger and Dore have done an important service to their readers in putting together a volume of superlative essays by distinguished scholars on central problems of the contemporary world economy. I highly recommend it to readers of this review. The book can and should be used as a supplementary text for advanced undergraduate and graduate courses.