

**Rival Capitalists: International Competitiveness in the United States, Japan,
and Western Europe.**



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before. However, this is a new self-contained and very thorough approach to the complete argument. The book begins by setting out the stylised facts which contradict traditional theory but need to be explained. The existing literature is reviewed, with due credit being given to the work of Paul Krugman and others in the recent development of trade theory and to Richard Nelson and colleagues in explaining an evolutionary approach to the development of firms within industries, which permits the existence of the variety that characterises the world we observe. The authors then develop their own theoretical approach in the light of this experience, showing how it renders previous explanations of comparative advantage and competitiveness plausible by addition of the accumulation of technical expertise.

In an attempt to be comprehensive the book develops both static and dynamic approaches to explaining the pattern of trade and industrial success. However, this can be somewhat confusing as the authors' approach is clearly set in a dynamic framework and the book as a whole might have read rather better if only a single line of argument had been followed. Nevertheless it is understandable that they should wish to tackle all lines of alternative argument head on in order to substantiate their position.

The authors are clearly successful in establishing their basic propositions but it has to be said that the evidence is relatively weak. Relationships are clear and reasonably robust but much remains to be explained. The reasons for this are touched on but not developed in detail. Technical change is but one of the factors which explain the drawbacks of the traditional approach. The same arguments can be advanced for other parts of human knowledge which relate to vocational skills, education, and management experience, as has been demonstrated by Sig Prais and his colleagues at NIESR. The book also stresses the importance of economic institutions in the evolution of innovation. This line of argument too can be extended to a wider range of behaviour within the firm, the industry, and the economy as a whole as indicated by Foster in the July, 1993, *Journal*, for example.

If I have a complaint it is that the authors could have taken more notice of the work which is appearing in the United States, led by David Teece, Richard Nelson, and others, as it supports their line of argument. The book is persuasive but it also leaves the reader with the clear impression that there is much more to do. I hope the authors and other researchers pick up this challenge.

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Rival Capitalists: International Competitiveness in the United States, Japan, and Western Europe. By HART (JEFFREY A.). (Ithaca and London: Cornell University Press, 1992. Pp. x+305. US \$36.25 hardback, US \$18.65 paperback. ISBN 0 8014 2649 9, 0 8014 9949 6.)

This book is of some contemporary interest since it comes out of the same school of analysis as many of President Clinton's advisors – 'Substantial institutional

and intellectual support was provided by the Berkeley Roundtable on the International Economy and its principals: Michael Borrus, Stephen Cohen, Laura Tyson, and John Zysman' (page x). It may, therefore, help our understanding of the analysis and policy stance of the Clinton Administration.

The opening chapter sets out the author's theoretical argument that 'variations in state-societal arrangements best explain changes in international competitiveness since World War II among five major industrial countries – the United States, Japan, Germany, France, and Britain' (page 1). State-societal arrangements are seen as the ways in which the state (including various tripartite institutions), business and organised labour are linked. These arrangements influence international competitiveness through their impact on the creation and diffusion of innovation. International competitiveness at the level of the economy as a whole is measured by a combination of trade balance, world export share, rate of growth of productivity and real wages, and price elasticity of imports. However, the author insists that an understanding of the relationship between state-societal arrangements and international competitiveness requires detailed industry-specific analysis. Furthermore, he argues that while a country does not need to be competitive in all industries, 'some industries are economically strategic in the sense that their failure to be competitive makes it impossible for a country to be competitive in others in which participation is necessary to obtain access to generic technology' (page 7). The three industries selected for analysis are steel, automobiles, and semiconductors, with their international competitiveness assessed in terms of each nation's changing share in global output and employment, the revenue and profitability performance of the major firms in each country, and (very interestingly) the frequency of industrial crises.

In chapters 2–6 each country is discussed in turn. The key issues confronting the country are briefly summarised, the institutional framework for industrial policy is then outlined, the history of each industry since World War II is presented and assessed, paying particular attention to the roles of and interactions between the state, business, and labour, and conclusions are drawn. Although it comes as no surprise that Japan and Germany emerge as having been the most internationally competitive in all three industries, Britain and the United States the least competitive, and France somewhere in between, the information assembled and the clarity with which it is presented make this book an excellent historical introduction to recent industrial policy.

Chapter 7 evaluates the opening hypothesis in the light of the country by country analysis. The author concludes that his hypothesis is superior to the principal alternative explanations that have been advanced (macroeconomic, cultural, statist, corporatist, coalitional), subsuming their strengths and avoiding their weaknesses. His findings may be summarised as follows. In the two successful countries influence was shared between two of the three principal actors: the state and business in Japan, with the state providing industrial strategy as the framework for *keiretsu* (industrial group supported by major bank) competition; business and labour in Germany, with bank-led industrial policy and business-labour cooperation, the latter made possible by the high

average level of labour skill. In the three remaining countries, one of the principal actors predominated. In France the state dominated business and labour, with the result that its active industrial policy was only partially successful since the absence of an independent business sector was associated with weak competition among domestic firms which inhibited technological dynamism. In the United States business dominated, with the fragmented character of the state precluding effective industrial policy. In Britain the strength of organised labour enabled it to block technological change in the face of fragmented business and, again, a fragmented state.

Given this conclusion, the author speculates that each of the three less successful nations might wish to change its state-societal relations. France could move towards the Japanese model by retaining a strong central industrial policy but increasing domestic competition, not least by de-emphasising the role of national champions. Britain could move towards the German model by improving labour skills, encouraging investment (probably in the form mainly of German or Japanese DFI), and arriving at a new sense of consensus and coherence based on a new centrist political coalition. The United States could go either way, increasing the role of the state in developing industrial strategy, or increasing the average level of skill in the labour force and developing business-labour cooperation in the introduction of new technology. Although there is plenty of scope for taking issue with this analysis, the book as a whole is a useful and stimulating contribution to the discussion of industrial policy that is now gathering momentum after the wasted Reagan-Thatcher decade.

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Social Corporatism: A Superior Economic System? Edited by PEKKARINEN (JUKKA), POHJOLA (MATTI) and ROWTHORN (BOB). (Oxford and New York: Clarendon Press, 1992. Pp. xiv + 430. £48.00 hardback. ISBN 0 19 828380 6.)

This book contains the results of a study of corporatism carried out for the World Institute for Development Economics Research (WIDER), to which the editors and a number of other people have contributed. It presents a broad view of corporatism, emphasising richness and variety rather than simplifications. The authors do not shy away from the impossibility of producing a unique definition of corporatism. They dwell at length on many manifestations of the concept. They recount in detail both the similarities and the many differences in the economic and social structures of corporatist countries, and in their economic experiences. While the title of the book refers to social corporatism, it should be remarked that the book is largely about *economic* aspects of corporatism. Only Göran Therborn offers a sociological perspective on concepts of corporatism, and their origins and applications. The overall impression given by the book is of more than four hundred pages of closely