

BOOK REVIEW

CLASH OF CAPITALISMS : HOW POLITICAL AND INSTITUTIONAL FORCES SHAPE THEM DIFFERENTLY ACROSS SOCIETIES?

Competing Capitalisms: Australia, Japan and the Economic Competition in Asia-Pacific. By Mark Beeson. London:Macmillan Press, 1999, pages 232.

At least from the perspective of ideological debates, the contemporary world appears to be less confrontational than, for example, the good old days when the Cold War kept the world divided into two sharply opposed camps – the US-led capitalist bloc and the Soviet-led socialist bloc. While this is undoubtedly a welcome development, it seems also true that the post-Soviet, post-Cold War world has also become intellectually less provocative, as far as ideological dogmas and doctrines are concerned. A silver lining of a different sort, however, appears to be in the making – as the unipolar world celebrates the triumph of capitalism over Soviet experiment on socialism, intellectual attention is increasingly being directed to diverse understandings and experiences of capitalism itself in different parts of the world. And as usual, some findings are more interesting than others.

Mark Beeson's *Competing Capitalisms* is one of the latest additions in this growing field of literature, already enriched with both qualitative and quantitative analyses. Beeson's contribution falls essentially in the later category. Nevertheless, it is a thought provoking work that seeks to answer three major questions that haunt contemporary capitalist systems: (a) how competing forms of capitalist organizations and models of

institutional relationships emerge; (b) how seemingly universal forces of market economic principles are mediated differently within individual nation-states and engender different effects; and (c) how increasing mobility of capital and reorganization of productive forces continually transform the international economy, while keeping the ideosyncracies of individual economies almost unaltered.

For answers to these inquiries, Beeson looks into two actually existing mature capitalist systems – Australian and Japanese models of capitalism -- and compares them with the Anglo-American models. He puts Japan and Australia at opposite ends of a capitalist spectrum that stretches from the ‘developmental statism,’ as exemplified by Japan’s experience of guided capitalism, at one the end, to a “government that has theoretically and normatively only a minimal place” (p. 2), as exemplified by Australia, at the other end. Obviously, he finds the forms of capitalist organizations and models of institutional relationships in Australia and Japan rather dissimilar. His conclusions are, therefore, not something quite unexpected -- these capitalist systems demonstrate more of the synergistic effects of existing political forces and their institutional expressions in their respective societies, rather than optimal responses to technical questions of economic management as envisaged in standard text books on capitalism or market economic principles.

The most striking point that Beeson tries to make, and did succeed in making by penetrating into socio-cultural mores in Japan and Australia -- is that the socio-cultural roots, in which a specific model of capitalist system is embedded, is extremely difficult to change. He finds convincing cases in Japan and Australia to argue that capitalist principles mediated differently within individual nation states and engendered different effects. For example, Japan’s miraculous rise from the ruins of the World War II – under what is called “Yoshida doctrine,” underlined collaborative government-business relationship in an interventionist developmental state. This contra-distinction with mainstream Anglo-American models of hands-off economic management, as envisaged by

neo-classical economics, has indeed added an interesting chapter in the literature on capitalism.¹

While Western capitalism emphasized market-based economic policies and minimal government involvement in the economy -- both under liberal or neo-liberal regimes -- Japan followed what Thurow (1992) calls a "communitarian" approach to the organization of economic activity, which emphasized an economic structure that suited the evolutionary character of its distinct social system.² While the West reshaped their economies according to the dictates of market, the Japanese model, as Beeson rightly points out, reflected "embedded institutionalized interests and constellation of political forces" (p. 9) and predicated domestic reconstruction and economic growth on the essentially cameralist notion that envisaged that economic strength is central to national development and security (pp. 62-93). By doing so, the Japanese capitalism also elevated the bureaucracy so much that it is unlikely for the bureaucrats "to enthusiastically relinquish their powerful position at the center of Japan's political economy" and the "socially

¹ Literature on Japanese model of quite extensive. Some leading ones could include: T. Ozawa, 1979. *Multinationalism Japanese Style: The Political Economy of Outward Dependency*. Princeton: Princeton University Press; R.J. Samuels, 1987. *The Business of the Japanese State*. Ithaca: Cornell University Press; C. Johnson, 1982. *MITI and the Japanese Miracle: The growth of industry policy 1925-1975*. Stanford: Stanford University Press; T. Morris-Suzuki and Seiyama. Eds. 1989. *Japanese Capitalism since 1945*. New York; I.C. Magaziner. and T. M. Hout. 1980. *Japanese Industrial Policy*. Berkeley: University of California Press.

P. Evans, 1995. *Embedded Autonomy: States and Industrial Transformation*. Princeton: Princeton University Press; W. Lazonic, 1993. *Business Organizations and the Myth of Market Economy*. Cambridge: Cambridge University Press; S. Strange, 1996. *The Retreat of the State: The Diffusion of Power in the World Economy*. Cambridge: Cambridge University Press.

² Thurow, L. 1992. *Head to head: the coming economic battle among Japan, Europe and America*. New York: Allen and Unwin.

embedded relationships." Beeson is right, the "calculus of commercial advantage" is so much institutionalized and entrenched in the "distributional coalitions" in the Japanese economy that they cannot be easily removed (pp. 92-93).

In the case of Australia, on the other hand, market mechanisms had been the principal determinants of economic outcomes, especially since the 1980s, when the country made a historic shift from Keynesian social welfarism to neoliberal economic order. The shift from "collectivism" to "individualism," however, involved construction of what Beeson calls "a new political rationality," which reflected limits imposed by the country's "institutional inheritance" as in each country such inheritance places inevitable limits on "what subsequent generations of policy-makers can do" (pp. 34-35). Although Australian bureaucracy remains "far from being neutral and impartial instruments of government policy" and do have "institutional memories that favor one policy over another" (p. 53), a move to a smaller government, as necessitated by neoliberal politics, was made possible as Australia, like many countries in the West, had a "rich infrastructure of non-state agencies, organizations and private sector firms that could substitute for government itself" (p. 58). Thus, in Australia a nexus of political and institutional interactions effectively entrenched the ruling market orthodoxy, which not only helped the ruling powers to secure electoral success through technical competence, but also transformed the population itself to "become a key element in improving Australia's competitiveness" (p. 59).

Beeson's answer to the third question— how increasing mobility of capital conditions reorganization of productive forces in the international economy – is a plausible one, although developed somewhat imprecisely. One reason is that it invariably involves rigorous quantitative analyses to delve into this area of research – qualitative analyses in this area, almost by default, fails to capture the underlying dynamics with precision. While targeted trade and industrial policies have systematically created comparative advantages in technologically sophisticated and strategically significant industries in Japan (p. 190), the Australian producers are

locked into industries that are historically declining in value and achieving less than optimal outcomes (p. 191). While distinctive forms of capitalist organization and strategic guidance of the state help Japanese transnational corporations to “withstand the rigors of international competition,” “remarkable unawareness” of Australian policy makers about profound changes in economic processes puts the Australian non-interventionist market-driven paradigm in comparative disadvantage (p. 172).

Beeson has been categorical in pointing out that the distinctive work practices, labor relations, corporate structures and government-business relationships that have underpinned its rise and conferred it a discernible comparative advantage, also equip the Japanese system with the attributes to emerge as an important theoretical alternative to the increasingly dominant Anglo-American models (p. 195). He is not, however, unaware of the “corruption at the highest levels” of Japanese bureaucracy. But that does not “necessarily invalidate the importance of planned economic development” (p. 197), he asserts. While maintaining superiority of such “planned economic development” compared to “non-interventionist market-driven paradigms,” Beeson raises a serious question for future researchers. He directs our attention to, what he calls, “rescuing capitalism from current crisis of legitimacy” -- rescuing people from the power and authority of “un-elected economic actors and unregulated market forces.” The challenge is even bigger if one considers that capitalist system that promote “un-elected economic actors and unregulated market forces” is not facing competition from its alternatives in the contemporary world.

-Dr. CAF Dowlah

Policy Adviser, United Nations World Food Programme,
Bangladesh