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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

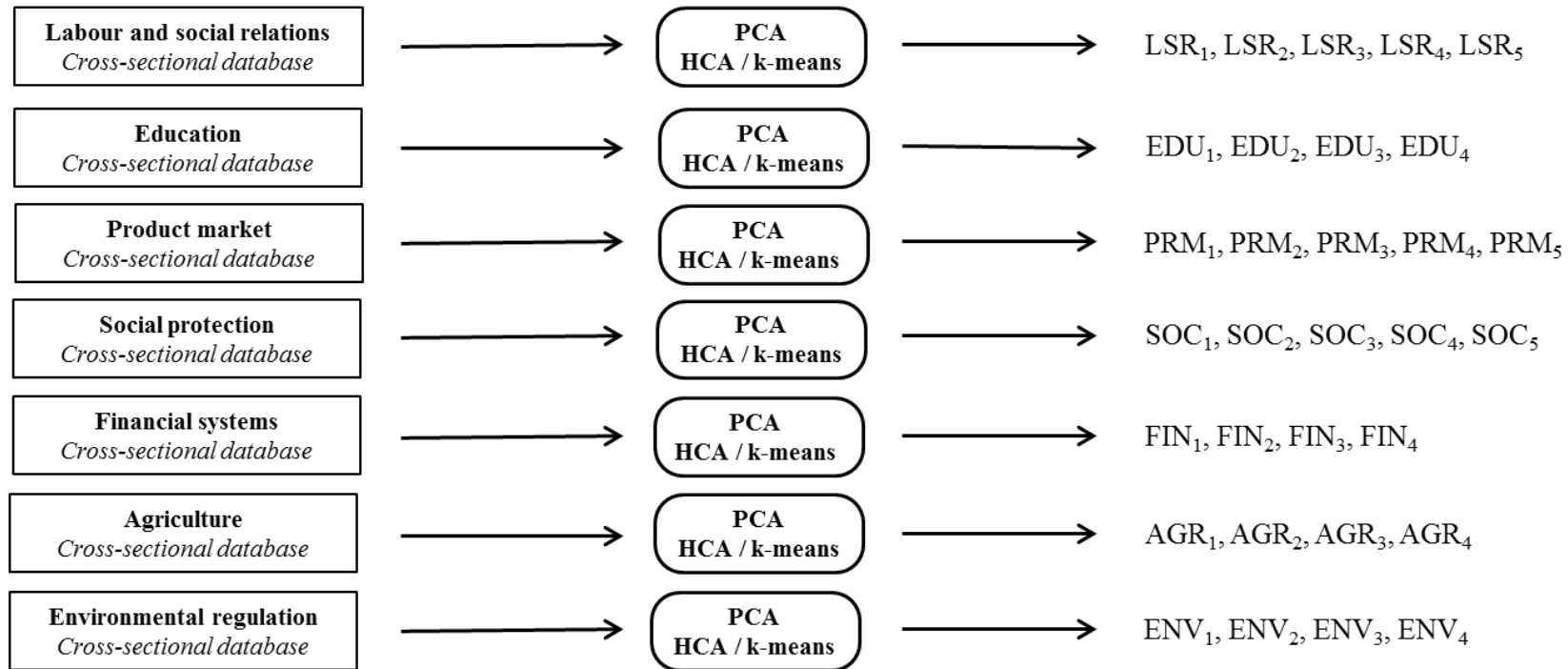
- We first cluster economies according to their differences and similarities in each of the seven selected dimensions: identification and characterization of a few original "institutional models" in each dimension ?

## 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)*

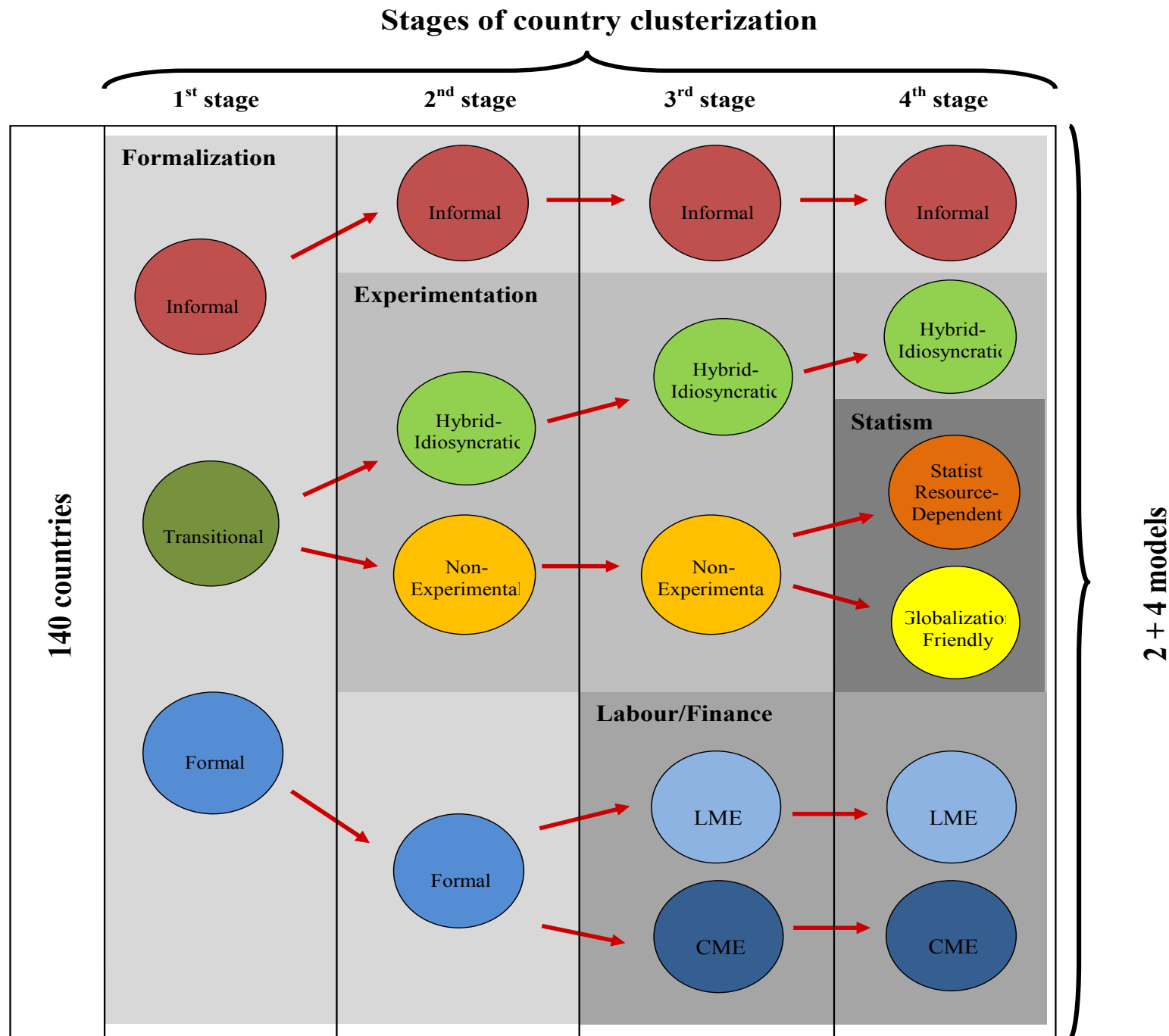
*... to models of sectoral governance  
(31 sub-profiles)*



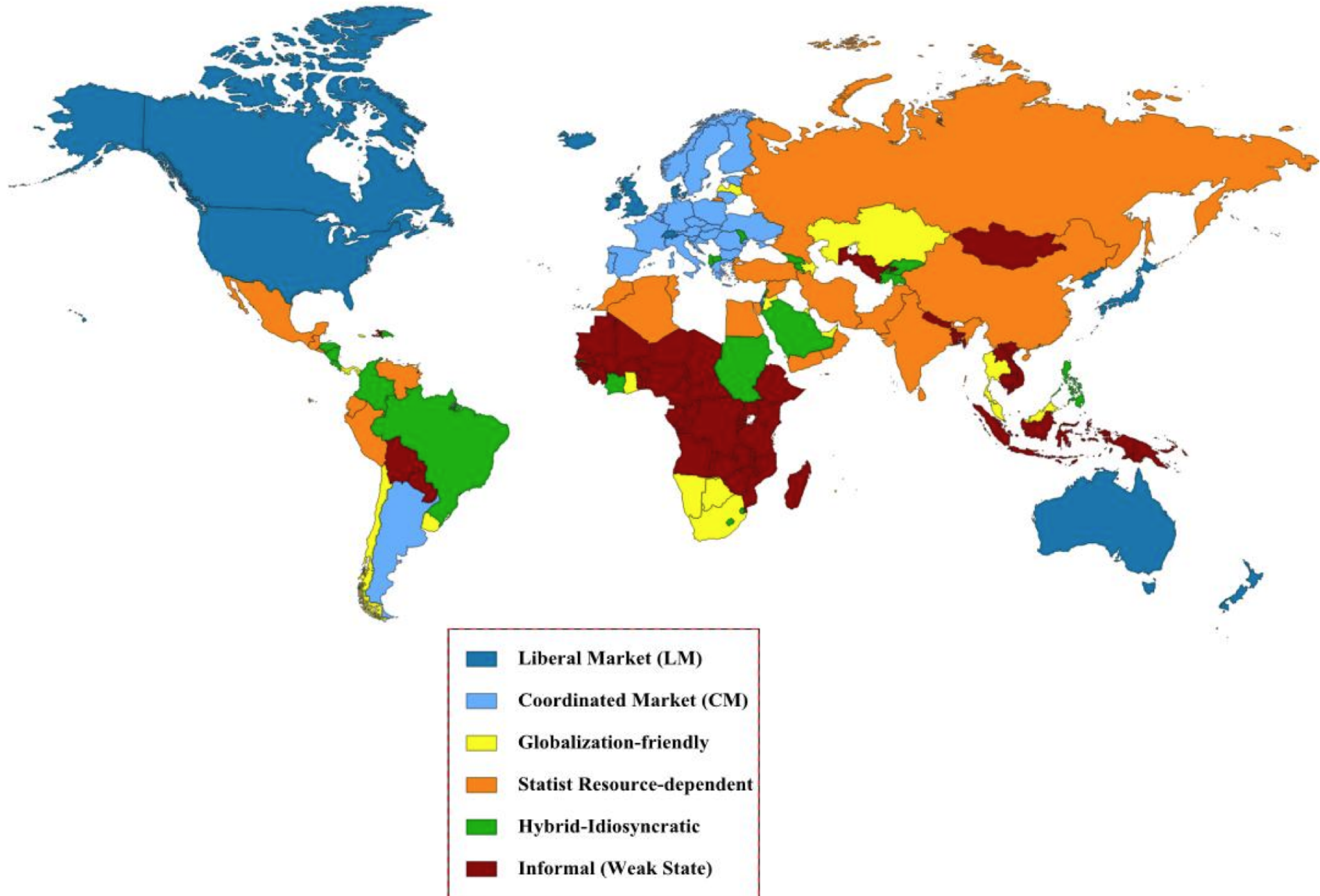
*AN ORIGINAL CROSS-SECTIONAL NOMINAL DATABASE  
(140 countries / 7 models of sectoral governance)*

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

# Results (1): General pattern of clusterization



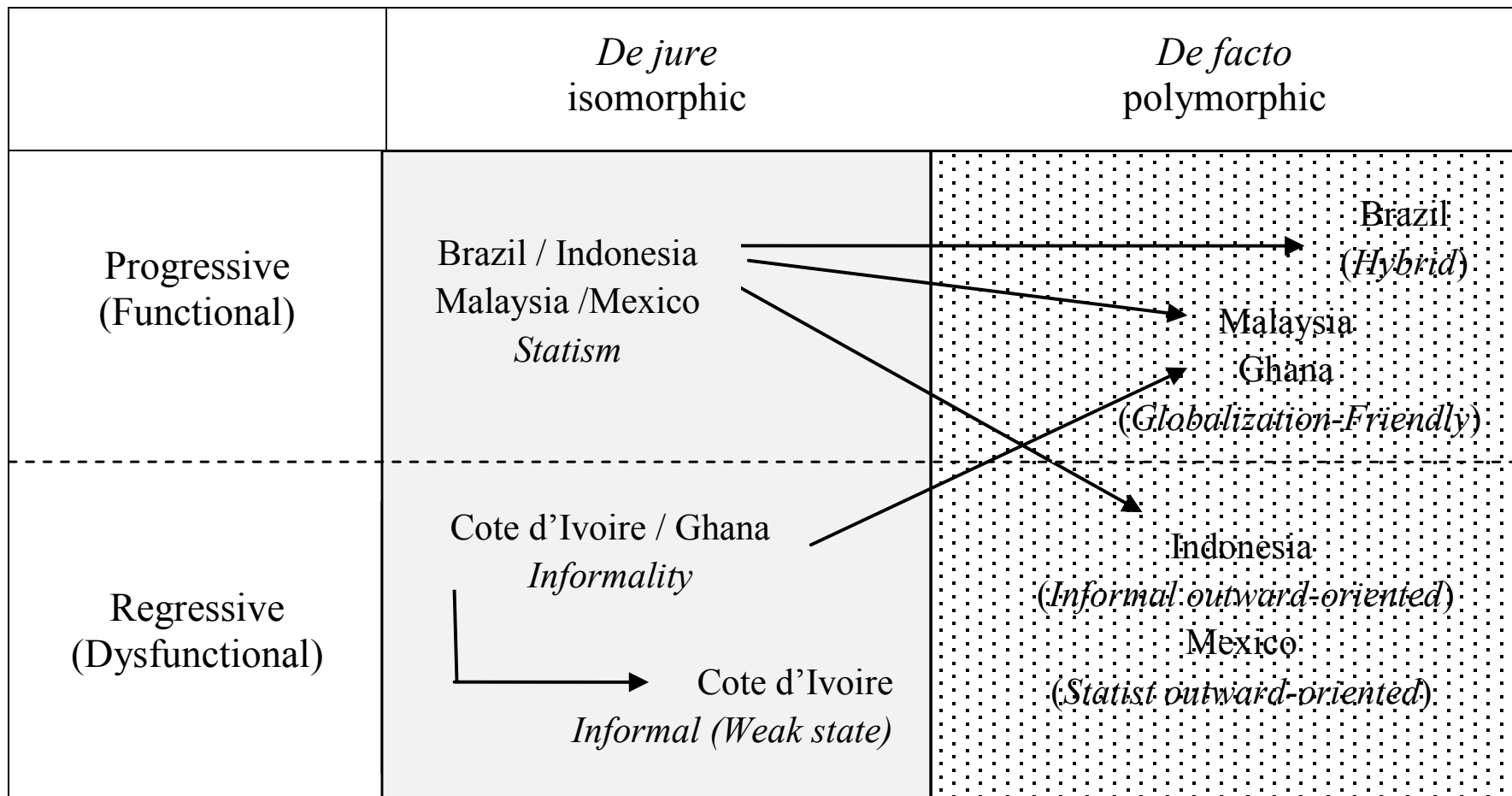
## Results (2): The 2 + 4 models of world capitalisms





# Results (3): Trajectories of institutional change

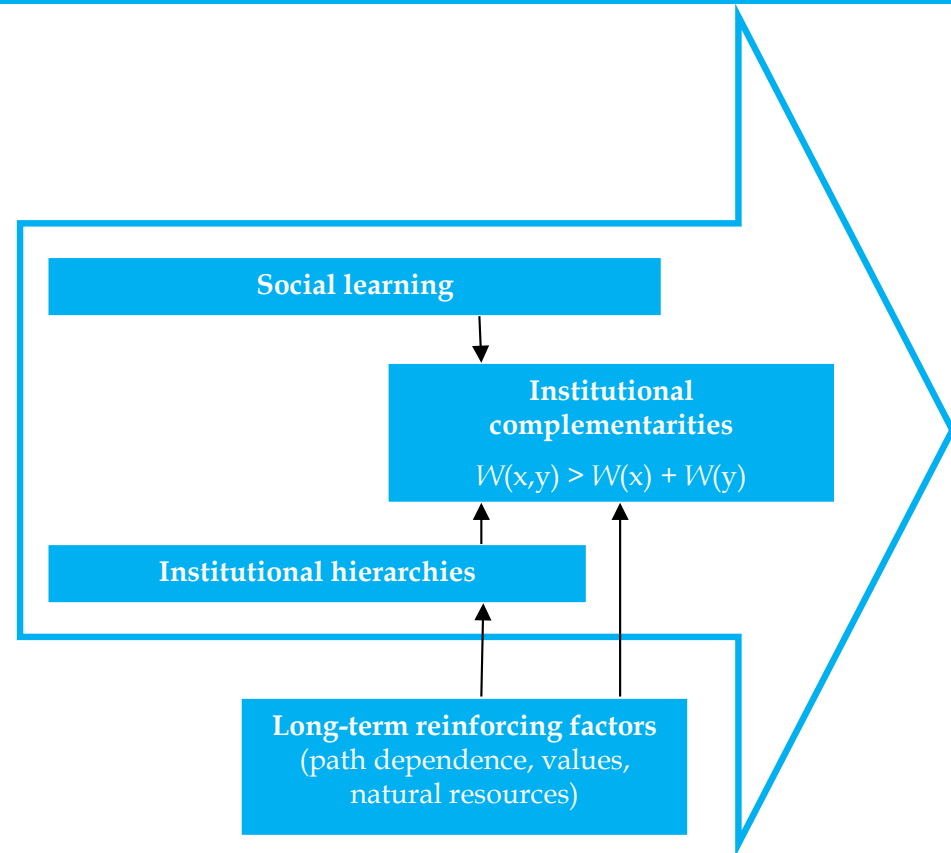
## Comparative case-studies: Institutional trajectories and institutional complementarities



# 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**

- ✓ Adaptive 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**

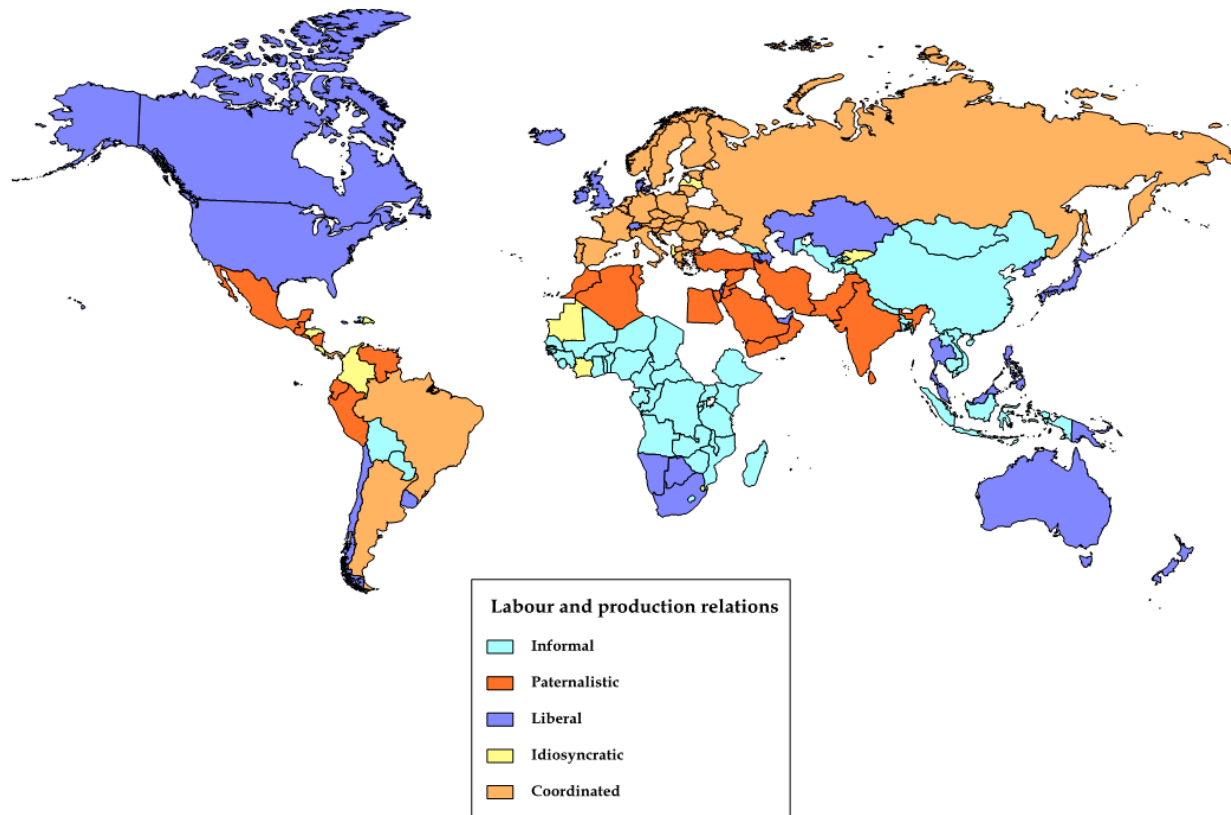
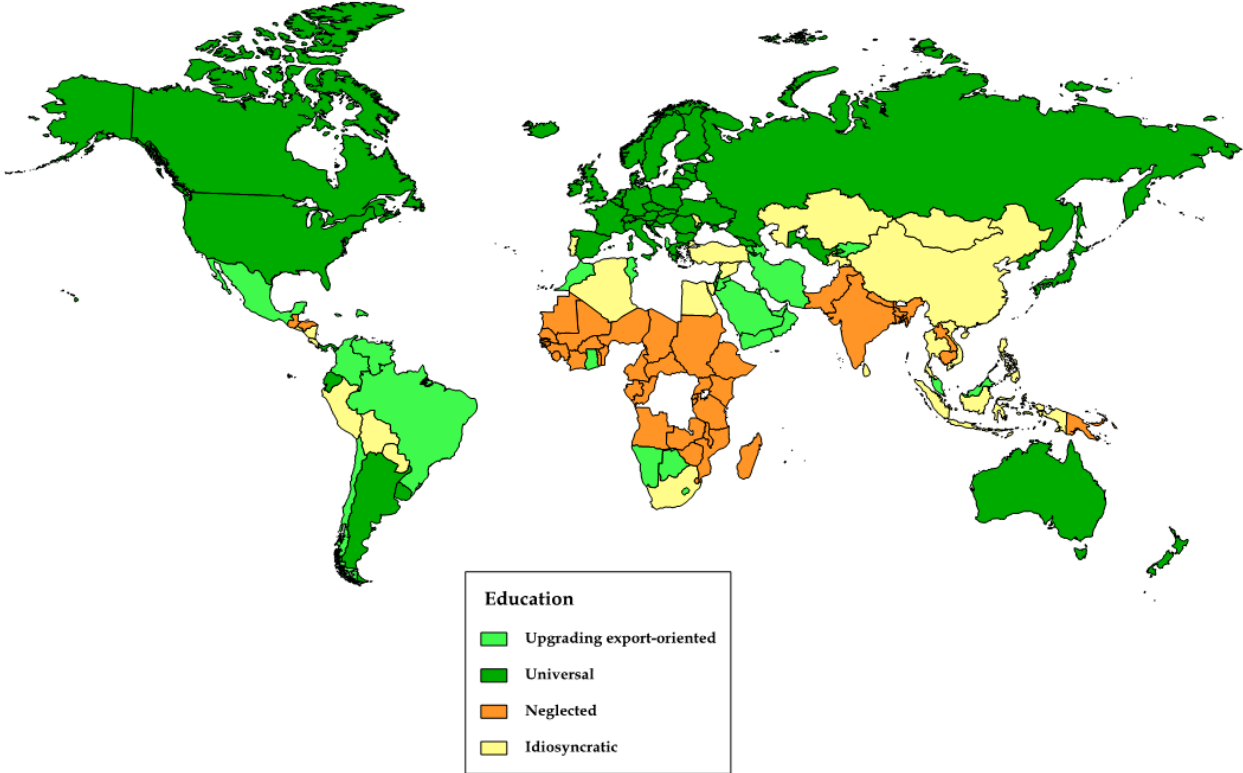
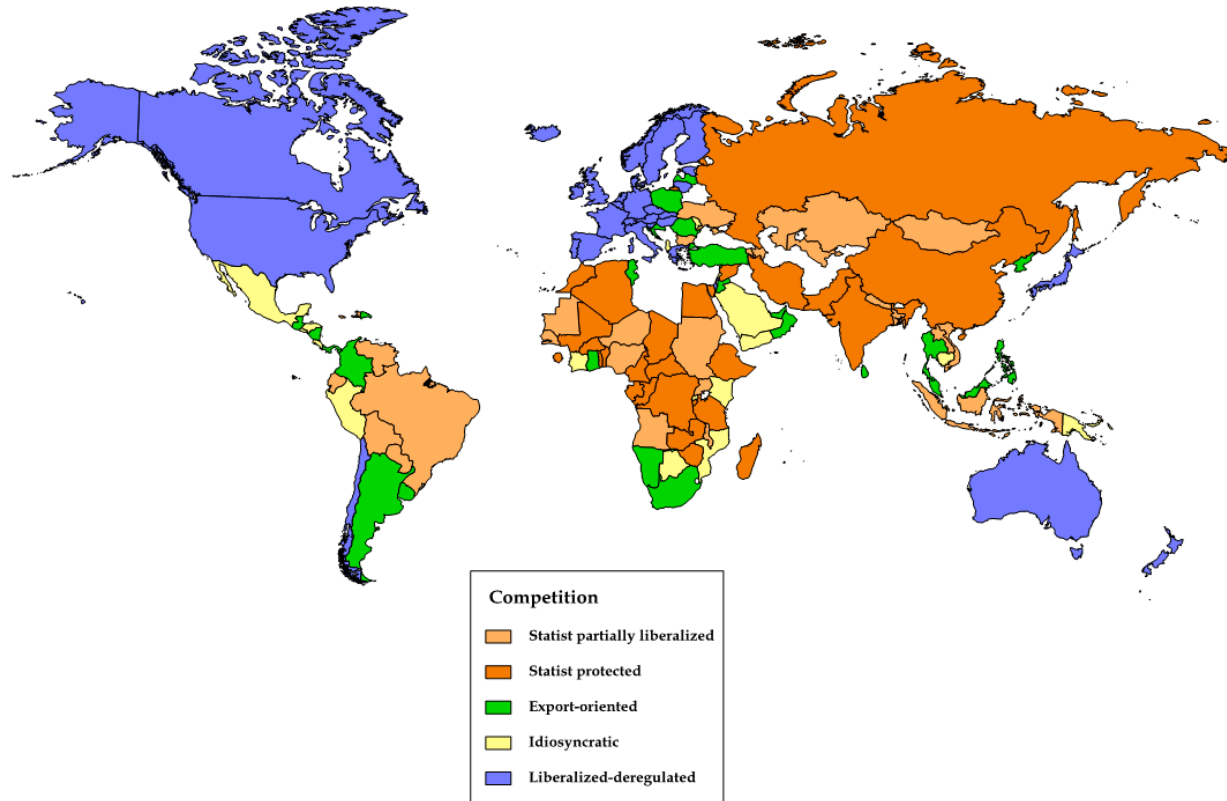


Figure 5.3: Map of the models of educational and training governance

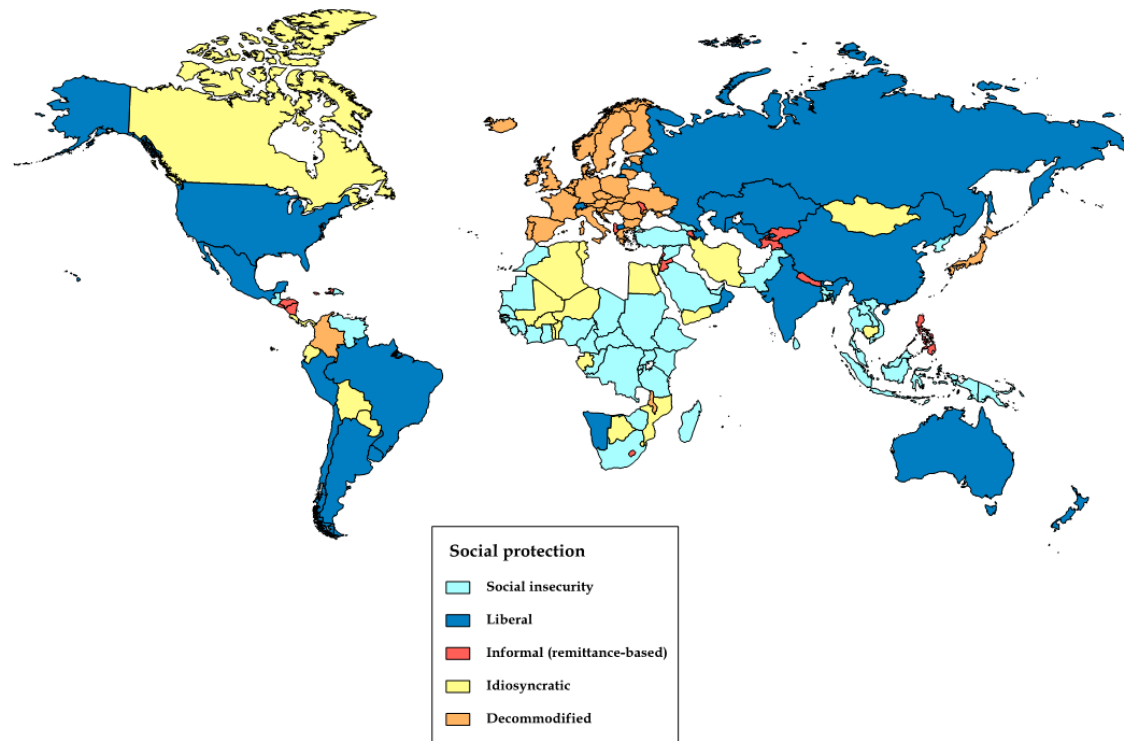


**Figure 6.4. World map of the competition and product market governance models**

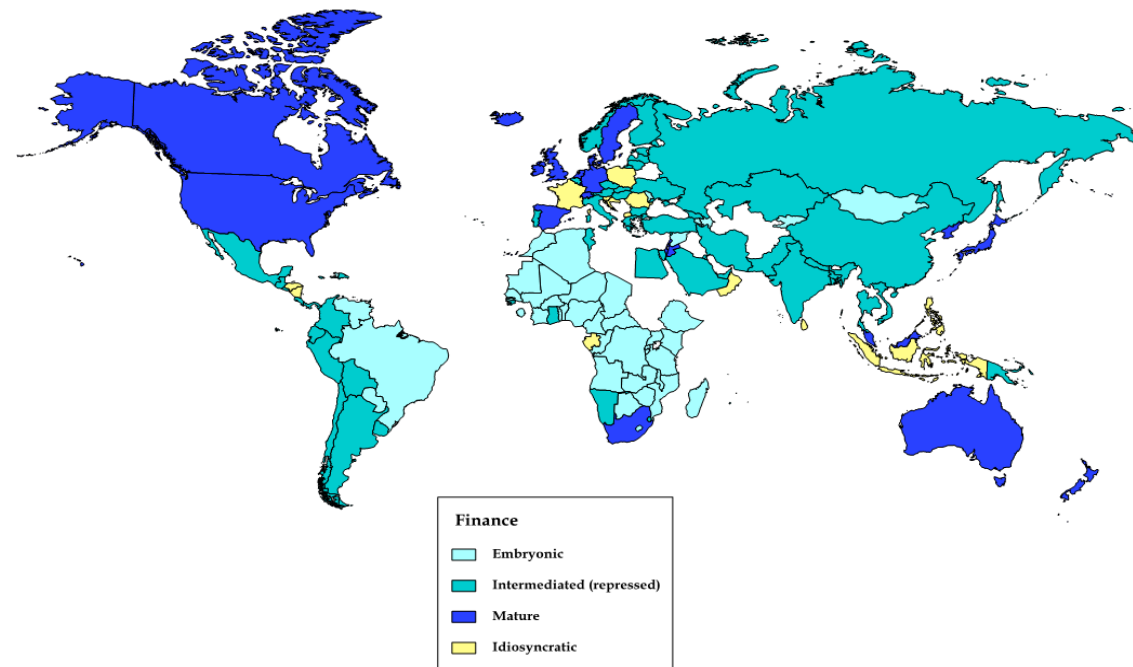




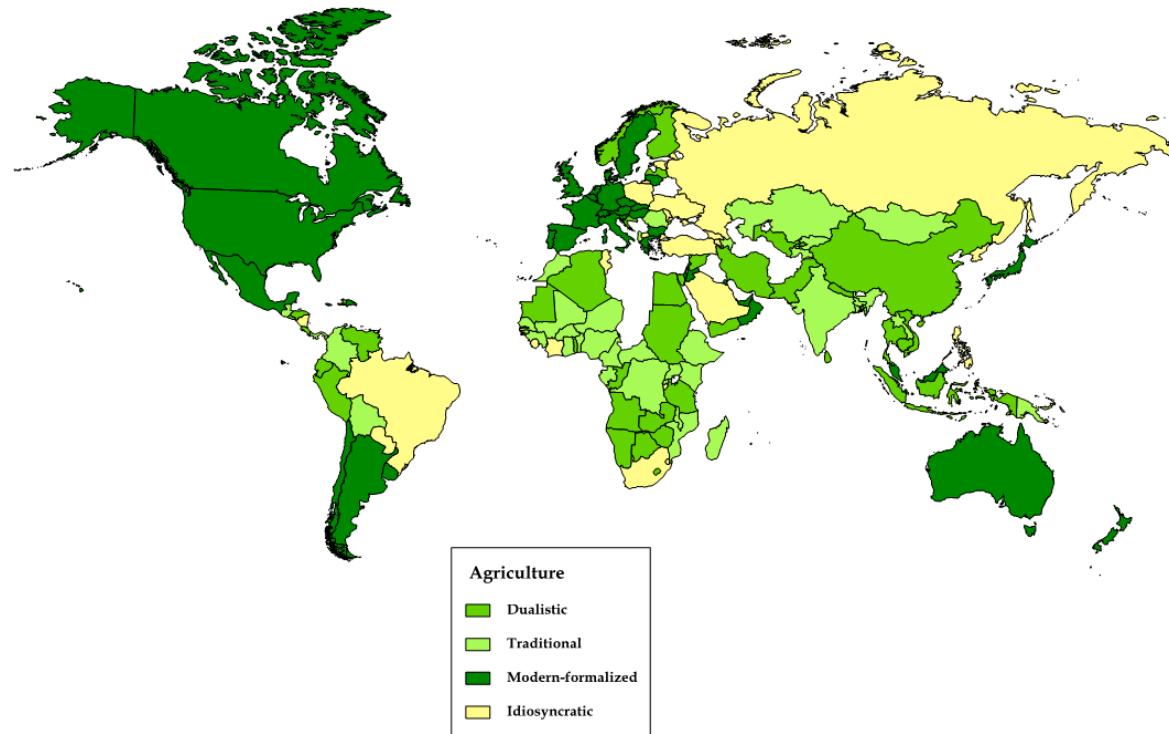
**Figure 7.4. Map of the social protection models**



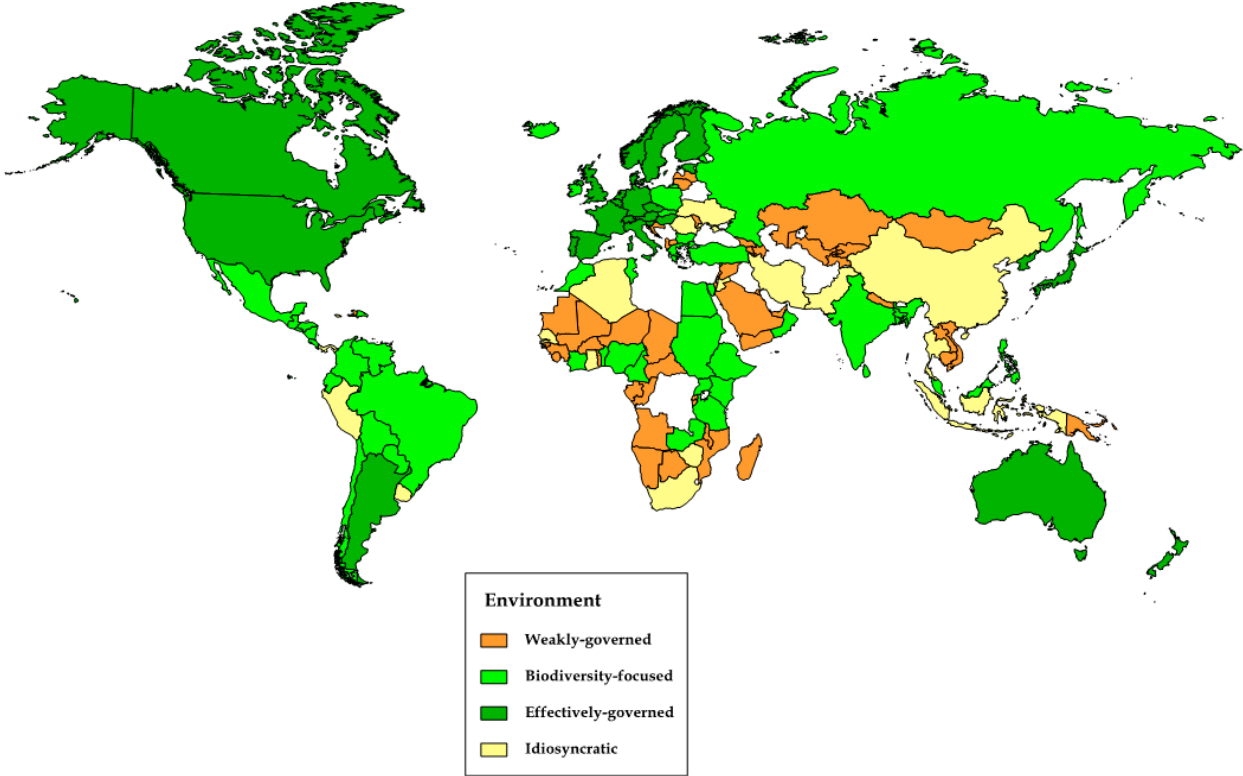
**Figure 8.5. World map of the models of finance and credit market governance**



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

