Comparative Capitalism and Regulation Theory: Contrasts between Eastern Europe and Southeast Asia

ELSA LAFAYE DE MICHEAUX
(CASE, Université de Rennes 2)

ERIC MAGNIN
(Ladyss, Université Paris Cité)

The History of Regulation Theory and its Contributions to the Analysis of Global Capitalism and its Recent Crises (Covid-19, Ukraine, etc.)

Paris, September 8-9 2022
1. Comparative capitalism and the postsocialist transformation

- Since the early 1990s, a vast literature has contributed to expanding the field of Comparative Capitalism. The «transition to a market economy» in Central and Eastern European countries is not alien to this development.
  - The debates on the target model.
  - The outcome of the double process of institutional change (transition and integration into the EU)
  - The victory of capitalism in the war of the two systems (capitalism and socialism)
  - The institutionalist revival since the 1990s
Two main approaches:

- *Varieties of Capitalism* (VoC), Hall et Soskice (2001)
- *Diversity of Capitalism* (Amable, 2003), rooted in the *Régulation* Theory (Boyer 1986; Amable, Barré, Boyer, 1997)

And a constellation of critical works, which questions the relevance of the two approaches to analyze emerging and/or transition countries (Drahokoupil et Myant, 2011; Bohle et Greskovits, 2012; Schedelik et al., 2021).

RT is a forerunner in the field of comparative capitalism, but VoC is the most influential but contested approach.
2. Application to emerging and transition countries

- The countries of Central and Eastern Europe and East Asia represent a great opportunity to test both theoretical approaches.

  - **A. VoC framework:** Dependent Market Economies (DME, Nölke and Vliegenthart, 2009) in CEE; Family or State Market Economy (Carney, 2016) in SEA; Variety of Asian Business Systems (Witt and Redding, 2013).
<table>
<thead>
<tr>
<th>Institution</th>
<th>Liberal Market Economy (LME)</th>
<th>Coordinated Market Economy (CME)</th>
<th>Dependent Market Economy (DME)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distinctive coordination mechanism</td>
<td>competitive markets and formal contracts</td>
<td>interfirm networks and associations</td>
<td>dependence on intrafirm hierarchies within transnational enterprises</td>
</tr>
<tr>
<td>Primary means of raising investments</td>
<td>domestic and international capital markets</td>
<td>domestic bank lending and internally generated funds</td>
<td>foreign direct investments and foreign-owned banks</td>
</tr>
<tr>
<td>Corporate governance</td>
<td>outsider control/ dispersed shareholders</td>
<td>insider control/ concentrated shareholders</td>
<td>control by headquarters of transnational enterprises</td>
</tr>
<tr>
<td>Industrial relations</td>
<td>pluralist, market-based; few collective agreements</td>
<td>corporatist, consensual; sector-wide or even national agreements</td>
<td>appeasement of skilled labor; company-level collective agreements</td>
</tr>
<tr>
<td>Education and training system</td>
<td>general skills, high research and development expenditures</td>
<td>company- or industry-specific skills, vocational training</td>
<td>limited expenditures for further qualification</td>
</tr>
<tr>
<td>Transfer of innovations</td>
<td>based on markets and formal contracts</td>
<td>important role of joint ventures and business associations</td>
<td>intrafirm transfer within transnational enterprise</td>
</tr>
<tr>
<td>Comparative advantages</td>
<td>radical innovation in technology and service sectors</td>
<td>incremental innovation of capital goods</td>
<td>assembly platforms for semistandardized industrial goods</td>
</tr>
</tbody>
</table>

Source: Nölke and Vliegenthart (2009)
<table>
<thead>
<tr>
<th>VoC theoretical framework</th>
<th>Dependent Market Economies (DMEs)</th>
<th>RT theoretical framework</th>
<th>Dependent Capitalism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordination mechanism</td>
<td>Dependence on FDIs and on intrafirm hierarchies within transnational enterprises</td>
<td>Competition conditions</td>
<td>Importance of price competition, openness to foreign competition and investment, low protection against foreign firms, tax competition</td>
</tr>
<tr>
<td>Corporate governance</td>
<td>Control by headquarters of transnational enterprises</td>
<td>State</td>
<td>Low to moderate level of social protection, low taxation (flat tax), limited public expenditures in education, « weak States » in some countries</td>
</tr>
<tr>
<td>Industrial relations</td>
<td>Appessemnet of skilled labor; company-level collective agreements</td>
<td>Monetary and financial regime</td>
<td>Dependent monetary regime. Low sophistication of financial markets, high banking concentration, foreign ownership of banks</td>
</tr>
<tr>
<td>Education and training system</td>
<td>Limited expenditures for further qualification</td>
<td>Wage-labour nexus</td>
<td>Weak unionisation, semi-flexible labour legislation, cheap but skilled labour force</td>
</tr>
<tr>
<td>Transfer of innovations</td>
<td>Intrafirm transfer within transnational enterprise</td>
<td>Modes of international integration</td>
<td>High share of exports within EU, dependence on FDI and integration into European (German) value chains, dependence on foreign financial inflows</td>
</tr>
<tr>
<td>Institutional complementarity</td>
<td>Between activity spheres</td>
<td>Institutional complementarity</td>
<td>Between the institutional forms listed above</td>
</tr>
<tr>
<td>Institutional hierarchy</td>
<td>None</td>
<td>Institutional hierarchy</td>
<td>Dominance of international integration and competition, dependent monetary regime, weak State, weakened wage-labour nexus</td>
</tr>
<tr>
<td>Comparative advantages</td>
<td>Assembly platforms for semistandardized industrial goods</td>
<td>Growth regime</td>
<td>Export-led growth, Financialized growth</td>
</tr>
</tbody>
</table>

Application to emerging and transition countries

- **B. Diversity of capitalisms (cluster analysis):**
  Original model of ‘Central and Eastern European Capitalism’ (Farkas, 2016); 5 Asian Models of Capitalism (Harada and Tohyama in Boyer et alii, 2012); Increasing the range of models with late-coming Southeast Asian countries (R. Clouet, 2021).
Taxinomy resulting from comparative analysis:
HARADA Y. and TOHYAMA H., in Boyer, Uemura and Isogai dir. 2012, p. 247

1. Insular semi-agrarian capitalism
2. Trade led Industrializing capitalism
3. City capitalism
4. Innovation-led capitalism
5. Continental mixed capitalism

Source: HARADA Yuji, Hironori TOHYAMA (2012), p. 247
3. A challenging multiple-levels comparison

- Difficult to compare TR and VoC even if both are involved in the field of Comparative Capitalism.

- And above all, it is difficult to compare CEECs and South-East Asian countries because their institutional configurations are quite different, as evidenced by the specific characteristics of the models presented in both approaches: role of the State, large enterprises, conglomerates, family ownership, low social protection...

- Heterogeneity of East Asian countries vs relative homogeneity of Central and Eastern European countries

- Structural differences and uneven achievements of the two regional integration processes
4. Some trends that bring them closer?

- Do not lump all Central and Eastern Europe capitalisms together. Nor seek to do so for Southeast Asia, where a distinction must be made between developed models of capitalism (Singapore) and emerging (Malaysia, Thailand, Indonesia, Vietnam?) or peripheral economies (Myanmar, Laos, Cambodia).

- However between Central & Eastern Europe and Southeast Asia, some similar features
  - The turn of the 90s after the fall of the Berlin wall
  - A rapid pace of change, growth and rise of exports
  - Integration into the global economy prevails (at the top of the institutional hierarchy.. –at least for Central and Eastern Europe and for some of the SEA countries-);
  - FDIs, Aid and dependence -> Dependant capitalisms
  - Export-led growth;
  - Relations with the neighboring power (EU or China);
  - Cronyism
Conclusion

- The countries of Central and Eastern Europe and of East Asia provide a challenging field of study for comparative capitalism.

- For the CEECs, the literature has developed a lot and the field seems rather mature (dependent capitalism). Moreover, they are diversified but relatively homogeneous economies (socialist heritage, integration into the EU).

- From the single 'Asian Capitalism' in B. Amable's Modern Capitalisms (2003) to the wide diversity that is acknowledged today, the process of expanding the regulationist research programme has been fruitful.

- In the case of Southeast Asian countries, the field of comparative capitalism still seems to be at an early stage (ASEAN: Boyer, Yamada, Uemura, Song, 2018; Malaysia: Lafayette de Micheaux, 2017, 2019, 2022; Vietnam: Anh-Dao Tran and Boyer, 2022). Especially since their economies are quite heterogeneous despite a shared and rapidly growing relationship with the Chinese power. As for the 2000s compared to the 1990s by Harada and Toyama (2012), no clear nor easy convergence is observed.
Mid-1990 vs mid 2000s: transformations but no convergence between Asian Capitalisms

Harada and Toyama (2012)