

The Rise of Asian Capitalisms: Commonality and Diversity

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Capitalism and Capitalisms in Asia: Origin, Commonality, and Diversity.
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Jonghoe Yang Professor Emeritus
Department of Sociology Sungkyunkwan University

I

The first chapter of this volume, “Capitalism in Asia,” is the introduction to *Capitalism and Capitalisms in Asia: Origin, Commonality, and Diversity*, and starts with the claim that “Asia is on rise”. The writers of the Introduction as well as the editors of the book, Hyun-Chin Lim, Jan Nederveen Pieterse, and Suk-Man Hwang observe that “the world is witnessing a power and wealth shift from Europe to Asia ... (and) the advent of ‘Asian Century’” (p. 2) It is true that in spite of being latecomers, Asian countries have achieved remarkable economic growth in a relatively short period of time and now spearhead the 4th industrial revolution. Their capitalist economies are also proved to be remarkably resilient by successfully dealing with the onslaught of globalization and neoliberalism, and by overcoming such crises as the East Asian financial crisis in the late 1990s and the 2008 world financial crisis.

However, the editors are not sure that Asian capitalism can be an alternative to the Western one, because, despite remarkable development dynamism, Asian economy has been plagued by “widening economic equality, social conflict, political instability, environmental degradation

and so on” (p. 2). Thus, they want to compare Asian capitalism with the Western one to find out whether Asian capitalism converge on or diverge from the original model of Western and American capitalism and to test the possibility that Asian capitalism can provide an alternative model to Western capitalism. They also want to explore the regional diversity and commonality of capitalism among Asian countries.

To tackle these questions, the editors suggest several theoretical and methodological perspectives including the varieties of capitalism (VoC) and comparative capitalisms (CC) perspectives. Obviously the varieties of capitalism perspective has been one of the most influential theories since the turn of 21st century, spawning many different versions and theoretical debates. At the core of the VoC lie the institutions and rules that coordinate economies. Among the institutions that constitute a capitalist economic system, market is pivotal, influenced by the state and society at large. Depending on the relationship among the three, liberal market economies (LME), coordinated market economies (CME), and state-led market economies (SME) can be distinguished, and European countries typical of these categories, such as LME dominant in the UK, CME in Nordic Europe, and SME in France, can be identified.

Then, can this typology of capitalism be equally applied to Asian countries? The authors are cautious in this matter. First of all, Asia is different in several respects. Asia is much larger and more diverse than Europe. Secondly, Asia has lived under the shadow of the cold war and as a frontier between capitalism and socialism for a longer period than any other. Third, Asia’s experience with market economies and openness to trade is the world’s oldest and longest. These points may affect the way that the varieties of capitalism perspective apply to Asia. There can be varieties of capitalism not only within regions but also within countries in Asia. There are also cases that within countries, types of capitalism can

change, such as from a SME to a CME in recent Korea. Thus, the editors propose “wider comparative political economy and analysis of comparative capitalisms” (p. 9) in dealing with Asian cases.

These were main questions to be discussed in the conference held jointly by Seoul National University Asia Center and Korean Social Science Research Council in the fall, 2015. This book is a collection of the papers presented in the conference.

II

The first chapter after Introduction in this book is Kyong-Dong Kim’s “Formation and Development of Capitalism in the Modernization of East Asia: An Alternative Theoretical Explication.” In his attempt to explain East Asian experience of capitalist development in this article, his long-standing theory of modernization is utilized, arguing that capitalism is an inherent socioeconomic component in the dynamics of modernization, so that the latter can provide a useful frame of reference for understanding of the capitalist development in this region. According to his alternative theory of modernization, a distinctive characteristic of modernization is that it spreads across national borders, causing international acculturation. In the process of acculturation, countries involved make some form of selective adaptation of foreign cultures to be indigenized. In this process of adaptation, principles of selectivity in the political arena and cultural resources are critical. In the three East Asian countries, China, Japan and Korea, the initial responses to modernization were similar because they shared the common ideological influence of Confucian world view. But later political selectivity aided by cultural selectivity operated to yield the divergent responses and paths of modernization, and thus capitalist development. His theory is

somewhat old-fashioned and sometimes ambiguous such as the concept of selectivity, but still provides an interesting alternative approach to the diverse courses and consequences of capitalist development in East Asia.

Jan Nederveen Pieterse's paper "Comparing Capitalisms, East and West" is mainly a methodological essay criticizing the institutional political economy approaches to capitalisms such as the varieties of capitalism approaches and the world system theory, and proposing instead multilevel approaches. Against totalizing tendencies in the study of capitalism, such as global capitalism and "neoliberalism everywhere," the author wants to maintain the variety of perspectives on capitalism, such as high resolution perspectives which employ thick description (as in anthropologist, Clifford Geertz) yielding finer analyses than analyses that work at high level of abstraction, and the concept of hybridity which describes the economies in which multiple capitalist formations and institutions coexist. Nederveen Pieterse specifically proposes a layered analysis, through which "we can see convergence occurring at one level, divergence of institutions and practices at another level, mixing and new combinations of institutions and policies, all occurring simultaneously" (p. 90). Layered processes produce layered outcomes—with diverse, uneven and combined patterns of transnational, regional, national and local cooperation. Here the concept of embeddedness is important. Markets are embedded in society, and types of capitalism are associated with types of social formation. The author of this article seems to be advocating agency and choice instead of structure and determination, and favoring hermeneutic approach instead of structural one. His approach is novel and provocative in this field, possibly complementing the existing structural approaches, if not replacing them.

Wolf Schäfer addresses a familiar, but important, issue of the doomsday prophesy caused by runaway capitalism. Especially when runaway capitalism is combined with uncontrolled technoscience, the predicament

would be catastrophic. Subscribing to the varieties of capitalism theory, Schäfer identifies four types of regional capitalisms: Nordic (a free market economy with a comprehensive welfare state), German (a coordinated market economy), American (an unrestrained market economy) and Chinese (a state-sponsored capitalism in a single party-state). Among the models of capitalism, Schäfer seems to favor most the Nordic model, because it has managed to avoid economic sclerosis and extreme inequality. But Schäfer sees the existing capitalisms as the economic equivalent of biodiversity, where antagonistic regional capitalisms compete each other for survival and may all eventually be doomed to perish. The immediate task is to set agenda to transform the world's antagonistic capitalisms into the global common good. Especially the recent development of technoscience without responsible social direction in combination with runaway capitalism would foreshorten humanity's future with reckless exploitation and mismanagement of the global commons. His conclusion is that the contemporary human predicament is dire, but luckily not all bleak. And he mentions many research institutes, thinks tanks, NGOs, and UN etc. for the reason to hope.

Markus Pohlmann and Hyun-Chin Lim's paper, "A New Spirit of Capitalism?: Globalization and Its Impact on the Diffusion of Neoliberal Management in Germany and the East Asian Economies" attempts to test the famous Weber's thesis of the spirit of capitalism in the modern context. They assume that modern capitalism is based on neoliberalism, a radical market orientation in economic thinking, of which top managers are carriers. It was further hypothesized that neoliberal management thinking will globally spread to other capitalist countries. They test these hypotheses by analyzing the interview data with top managers in Germany and the East Asian economies. They found that neither the top managers in the corporate industrial sector are necessarily carrying the neoliberal mindset, nor the collective mindsets across countries are converging. These findings

imply that collective mindsets are deeply rooted in culture which does not change easily. Thus, according to the authors, “it is useful to stick to a ‘varieties of capitalism’ approach, one that takes into account the unwritten institutional rules, cognitive frames and belief systems” (p. 166)

The next three chapters are dealing with capitalism in China from slightly different angles and with different focuses. China is a socialist country committed to build a communist society according to Marx-Lenin-Mao’s ideals. But after the devastating experiment of Mao’s cultural revolution, China’s new leader Deng Xiaoping turned the country toward capitalist road to development, with the communist-party-state intact. This seemingly contradictory combination has been a major topic for research and scholarly debates and the three papers reviewed below are an important contribution to the existing literature on this topic.

Nan Lin’s chapter, “Capitalism in China: A Centrally managed capitalism (CMC) and Its Future” calls China’s capitalism a centrally managed capitalism (CMC), or politically commanded capitalism, because the state manages capitalism with a reward and control system. However, the state does not own firms, nor rigidly controlled markets. Rather the central government delegates much power and responsibility to local governments, and the relationship between local governments and markets are flexible enough to allow free competition in the marketplace. In this process the Marxist ideology has been put aside and the pragmatic approaches to economic growth and social stability were taken. Still an ideology to legitimize CMC is needed and an indigenous Confucian ideology has been introduced. This was necessary to convince the Chinese people to maintain party authority and to engage in capitalistic measures at the same time. Nan Lin also proposes incorporating democratic practices both inside the party and at the grass-root level, which would enhance the vitality of CMC. Nan Lin’s detailed description of the evolving process of the CMC in China and its

problems and his suggestion of possible future directions are informative and insightful.

While Nan Lin's paper pays more attention to ideological aspect of China's state capitalism, Alvin Y. So and Yin-Wah Chu's paper "Neoliberalism: The Chinese Road to Capitalism in Comparative Perspective" focuses more on economic aspects of China's capitalism. The authors argue that China's capitalism is a new variety of state capitalism with neoliberal characteristics. China's state is a developmental state in the sense that the state, strong and autonomous, actively intervenes in the economy in order to achieve economic growth through various measures. However, the Chinese state turned to neoliberal reform in the 1970s and the 1980s when it faced the crisis of capital accumulation. The communist party-state started to liberate the market from the state and to re-integrate China into the capitalist world system. The neoliberal reform was intended to allow the communist party state to survive as an instrument of economic development. The authors suggest three new challenges, the challenge of maintaining the hyper-growth rate, the challenge of hegemonic struggle and the challenge of changing class structure, that Chinese capitalism may face in the course of moving from the catching-up phase to the mature phase of 'rising power.' In any case, the authors warn that China's bid for global ascendance will trigger more conflicts, more uncertainties and more chaos. So and Chu provide an interesting analysis of Chinese variety of capitalism. They describe the process of neoliberal reform and the country's bid for super power in some detail. The question is that: Will the reform help survive the Communist party state as the reformers intend, or will it eventually destroy the party-state itself?

Tobias ten Brink, in his article "The End of the Long Boom: A Comparative Institutional Analysis of Long-Term Growth in China", analyzes the growth potential of China's economy, as a form of state-permeated capitalism.

Taking institutional insights in comparative political economy as theoretical guides, the author tries to analyze China's growth model and to find out whether the long-term growth of China's economy is possible or not. Tobias ten Brink wants to distinguish China's capitalism from the state or developmental capitalism, in that in contrast to an all-powerful, centralized steering bureaucracy in the state or developmental state capitalism, Chinese capitalism is based on close, competition-driven operations between various state and domestic business alliances. The Chinese economy is coordinated mainly by closely interwoven private-public alliances, not by formal institutions. Then he analyzes key institutional foundations of China's capitalism, including strong state permeation in corporate governance and corporate finance, segmented systems of low cost, yet comparatively well-educated labor, increasing innovation efforts, and company access to large domestic markets. In short, according to him, China's political economy seems to demonstrate the advantages of state permeated capitalism. However, the persistence of this growth model is not guaranteed, because there are also destabilizing processes such as export stagnation, interpersonal 'cronyist' economic coordination and the rising demand for higher skilled labor. He warns that when the objective of increased prosperity for broad sections of the population and the motivation for individual advancement are in jeopardy, the Chinese system will be put to the test.

Andrew Rosser and Maryke Diermen analyze the nature and recent changes of welfare capitalism in Indonesia in their paper, "Beyond Predatory Productivism?: The Political economy of Welfare Capitalism in Post-New Order Indonesia". Based on Holiday's typology of the East Asian welfare capitalism, the authors define the Indonesian welfare regime as 'productivist'—that is—characterized by the subordination of social policy to economic policy and the presence of a growth-oriented state.

According to their analysis, the Indonesian welfare regime was predatory and particularistic during the New Order period. But, since the economic crisis and subsequent collapse of the New Order regime dominated by bureaucratic officials and predatory military in 1997-1998, it has shifted towards a more progressive and universalistic welfare regime. This shift was made possible by the strengthening of the poor and their NGO allies. However, the new government's social policy initiatives remain limited, focusing on areas that contribute economic growth and subject to capture by predatory networks, because the poor and their NGO allies are not politically strong enough. The authors conclude that in order to develop an Anglo-European form of welfare capitalism along social democratic lines, there will need a prior shift in the country's political power base, from the former coalition of state apparatus to the poor and their NGO allies with a left-wing political party with significant electoral support. This is an interesting case study analyzing one of the weak points of East Asian capitalism, and may be applicable to other East Asian countries.

According to the varieties of capitalism literature (e.g., Hall and Soskice, 2001; Walter and Jhang, 2012), core institutions of a capitalist economy are business, financial, and labor market systems. These three institutional components are closely related in various ways, functionally as well as causally. In other words, they are functionally complementary (institutional complementarities) and changes in one component may affect changes in others, often transforming the model of capitalism itself. Among the three the financial systems have recently been a target of intense scholarly attentions, probably because of the recent trend of rapid financialization and the 2008 world-wide financial crisis. Two of the chapters in this volume, Kim's and Morgan's, deal with this important issue.

Hyungkee Kim's paper, "How Financial Liberalization Transformed the East Asian Development Model" is a fine example of scholarly endeavor

that applies the varieties of capitalism perspective to the case of East Asian capitalism. According to the author, one of the distinctive characteristics of the Anglo-American model is financial liberalization, in contrast to financial repression in the East Asian development model. But in the course of capitalist development, East Asian countries have followed the trend of financial liberalization in different ways among the countries. It was not a uniform transition in East Asian countries; there were cases of reversals and those of mixing between the two opposite trends. Thus, Kim characterizes the East Asian experiences as hybridization. At the same time with financial liberalization, or as a consequence of it, corporate governance and labor market have been transformed; the principle of shareholder capitalism was introduced and labor market became more flexible. In short, some elements of the Anglo-American model have been introduced to the East Asian model, but they did not replace traditional elements of the latter model. Rather they coexist with each other, in the form of hybridization of the coordinated economy with the liberal market economy (LME) in Japan, that of the regulated market economy with the LME in Korea, and that of the socialist market economy with the LME in China.

Rodrigo Luiz Medeiros da Silva argues in his paper “The ‘Renminbi Swap Lines’ and the Emergent Role of China as an Emergency Lender: Evidence from Argentina” that China’s ascendance as an economic super power has changed its international role in many areas wittingly or unwittingly. However, the yuan-renminbi does not yet rank among the acknowledged convertible currencies, despite its stated goal of currency internationalization. China is taking a gradual approach toward increasing the international presence of the yuan-renminbi, starting with currency swap agreement as a way to increase the international supply of Chinese currency. More than 30 countries have swap agreement with China, but none of the countries had actually used it until recently. Argentina is the

first country to actually withdraw its 'swap line' with China as a sort of emergency roan. In order to stabilize the soaring exchange rate, Argentina government added Chinese currency to foreign exchange reserve and was able to reestablish liquidity conditions in its economy threatened by financial collapse. The Chinese yuan renminbi has indeed functioned as a convertible currency to contain an imminent devaluation of the Argentina Peso. The author of this paper concludes that the Argentina case is a sign of a new age in global monetary relations and of the imminent obsolescence of current international monetary system. This may be true not only because of the rise of such economic super powers as China in the international monetary system, but also because of the birth of such totally new electronic currencies as bitcoin.

The rise of global value chains (GVC) indicates the increasing interdependence in the global economy. For many developing countries, participation in GVCs represents a new mode of industrial upgrading. In their paper, "East Asia's Inter- and Intra-Regional Trade Networks and Changing Roles in Global Mobile Phone Value Chains," Joonkoo Lee and Hyun-Chin Lim analyze the changing patterns of international trade in the mobile phone GVCs and specifically the role of East Asian countries in inter- and intra-regional trade networks, and the divergent positions of East Asian countries in the high-tec sector. In the world's mobile phone trade, the consolidation of Chinese position and the fast rise of Vietnam as the leading exporters and importers of mobile phone parts are prominent. All in all, Four East Asian countries, China, Japan, Korea, and Taiwan are strong in the high-tec sector, but the roles of these countries in the GVCs are not same and changing over time, which would not only reflect the countries' industrial conditions but also affect their economies as a whole.

Thomas Kalinowski and Minjoung Park find a legacy of the developmental state in Korea's development cooperation with Mozambique

and Rwanda. In their paper, “Development Cooperation and the Legacy of the Developmental State: Government Initiative and State-Business Partnership in Korean Government Cooperation with Mozambique and Rwanda,” they argue that elements of the developmental state model, which has been discredited because of its lost relevance in contemporary Korean domestic context, continue to play an important role in shaping Korean development cooperation. In other words, two core elements of the development state model, that is, government leadership and state-business collusion, can be found in two cases of Korean development cooperation with Mozambique and with Rwanda. But the two cases differ, according to the authors, in the closeness of the cooperation between state and businesses, the type of project and the expected outcome. They also suggest that the purpose of development project itself and the existence of sound national development plans in the recipient country are more important than detailed rules of aid effectiveness. However, as the authors admit, in assessing the international development cooperation program, further studies including the mechanisms of state-business collaboration and its effect on the outcome, the context of development cooperation including both the donator and the recipient countries, and comprehensive evaluation of development projects would be necessary.

In the final chapter, “Exploring 21st Century Capitalisms and Asia: The Impact of Financialization”, Glenn Morgan discusses about changing forms of capitalism in East Asia in the context of interaction with Western forms. He particularly focuses on financialization, a concept used to explain a fundamental shift in the nature of recent capitalism. Financialization may be defined on various levels, but the growth of shareholder driven firms and deregulation of financial markets are at the core of this process, which would lead to a risky economic situation where booms and collapses are endemic. It also has a greater impact on labor and work conditions and

on the state financing. In general, the financialization process has changed the institutional framework of Western forms of capitalism with impacts on inequality, security, welfare policy, taxation, innovation and the provision of state services. The author also stresses that the degree of financialization differs across national contexts, depending on institutional legacies, path dependencies, political coalitions and external conditions. Especially Western financialization was highly interdependent with developments in China. How about financialization in East Asian countries? To this question the author's answer was negative, observing that financial institutions are not the dominant players and remain to be weak, probably due to the fact that the extended family as the financial unit remains much more important than in the West. If we compare East Asian processes of financialization with those of Western capitalisms, we may agree with the author's opinion. But if we consider the changes in the degree of financialization over time in East Asian capitalisms, we may find surprising progresses in it in many of the East Asian countries.

III

As seen in the above, this book encompasses a wide variety of topics, cases, and methodologies, and provides excellent analyses and interesting discussions and suggestions, by top-notch international scholars. Because of the breadth of issue areas covered by the book, the papers in this volume as a whole do not seem to be tightly coordinated. Still we may be able to garner from the analyses in the book some important pieces of evidence to support the varieties of capitalism perspective, the uniqueness of Asian capitalisms different from Western ones, and the thesis that Asian capitalisms are deeply embedded in deep-seated cultural traditions

and long-standing social organizations. Since this volume contains many excellent, high-quality papers, I am sure that it would open up new research agenda and new insights on this important topic, the nature and future of Asian capitalisms.

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