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978-0-521-14546-6 - The Evolution of Modern States: Sweden, Japan, and the United States

Sven Steinmo

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The Evolution of Modern States

Sweden, Japan, and the United States

The Evolution of Modern States begins with a simple question: Why do rich capitalist democracies respond so differently to the common pressures they face in the early twenty-first century? Drawing on insights from evolutionary theory, Sven Steinmo challenges the common equilibrium view of politics and economics and argues that modern political economies are best understood as complex adaptive systems. The book examines the political, social, and economic history of three different nations – Sweden, Japan, and the United States – and explains how and why these countries have evolved along such different trajectories over the past century. Bringing together social and economic history, institutionalism, and evolutionary theory, Steinmo thus provides a comprehensive explanation for differing responses to globalization as well as a new way of analyzing institutional and social change.

Sven Steinmo holds the Chair in Public Policy and Political Economy at the European University Institute in Florence and is a professor of political science at the University of Colorado at Boulder. He is also an Honorary Professor at the University of Southern Denmark and the NordWel Professor of Comparative Politics at the Institute for Future Studies in Stockholm, Sweden.

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For Kirsten Amundsen

Teacher, Scholar, Mother

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Preface

Systems within Systems

I started the research for this book several years ago because I was curious about the effects of “globalization” on democratic welfare states. I was puzzled by the fact that, despite the enormous competitive pressures facing rich democracies, there was almost no evidence of the oft-predicted “race to the bottom.” I began this study with an analysis of the politics of taxation in four countries (Sweden, Germany, the United States, and Japan). I had some expertise in the political economy of taxation and thought that tax policy ought to be a good test of the various globalization hypotheses. It was, after all, rather obvious that taxes should be more sensitive to international competition than any other policy arena.

The deeper I looked into the relationship between tax policy and international competition, however, the more I realized that a nation’s tax policies are so deeply intertwined with the structure of the national political economy and welfare state that I could not answer my original puzzle by looking at taxes alone. In other words, to really understand how and why tax systems were changing, I needed to examine how they related to other policy systems. This is fine as a general proposition, of course, but analytically and practically it presented rather significant problems: Trying to understand how different parts of a tax system affect other parts of the tax system is difficult enough – trying to understand their relationship to the broader political economy can be mind-bogglingly complex.

The deeper I looked at each of these countries, the more I came to see each of them as remarkably different *systems*. In other words, the more I tried to understand how the various parts of each system fit together, the more patterns I saw in each of these political economies. I also came to see that changes in taxation had hugely different political and economic implications in each of these countries because their tax systems were only part of their

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social welfare systems and their political economies. In other words, if I *really* wanted to explain something as specific and narrow as corporation tax, I needed to pay attention to a whole complex of other factors. And as I looked at this complexity, the differences, rather than the similarities, came into sharper focus.

I believe it was the attempt to bring Japan into this analysis that pushed me down this road. In the very early stages of this project, my colleague and friend T. J. Pempel convinced me that I should include Japan in my study if I wanted to look at the effects of globalization on rich industrial democracies. Professor Pempel correctly argued that comparative political economists such as myself almost never took Japan seriously and, if we really wanted to test our arguments for their generalizability, then Japan would be a good test case. Too much of our theorizing about comparative political economy, he argued, was based on the experience of too few countries. Frankly, he told me, most political economists are “Euro-centric” – tending to see the whole world through an Anglo-European lens – and often unintentionally assume that all capitalist democracies are some version of the same basic political economic model.

I spent most of the next two years learning about, traveling to, and living in Japan. The more I learned about Japan, the more I realized that Pempel was right. To be sure, Japan has many of the same institutions as most other advanced capitalist democracies (regular elections, a capital market, free press, etc.). But as I looked closer, I came to see that how these institutions were constructed, how they function, and *how they fit together* is really quite different from in the United States, for example. As I turned this logic back on myself, I soon realized that the differences in how these institutions evolved and function in Sweden are equally huge.

I soon realized that I had expected rich democracies to react to the forces of globalization in similar ways because I assumed that all capitalist democracies are *essentially* the same. But, the closer I actually looked at these systems, the more I saw how different they were. Eventually (perhaps I am just slow) this realization helped me solve my original puzzle. The straightforward explanation for why different political systems are adapting to the pressures of globalization in different ways is obvious: *They are different systems*.

The book you hold in your hands is my attempt to make some sense of the enormous complexity and diversity in the countries I studied. Although the research was originally motivated by the desire to understand how these countries are adapting to “globalization,” the eventual book takes a long historical view of this question. Similarly, whereas tax policy clearly gets

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special attention in the analysis, the scope has broadened significantly. For reasons of space and intellectual limitations, I have decided not to bring the German case into the analysis.

In the comparative historical analysis that follows I construct what I call “evolutionary narratives” that explore how each of these systems (Sweden, Japan, and the United States) has evolved over time. I show that these different systems have evolved from quite different starting points, or initial conditions, and that each has fit different niches in the global political economy over time. Instead of trying to explain away these differences because they make structured comparisons difficult, I emphasize them because they matter.

In the final analysis I have come to realize that I (like many political scientists) have tried so hard to find variables that are comparable that I sometimes forget some of the most obvious facts about the countries I study. In my case, my favored variables were institutions. I have emphasized their “structuring” role in politics and history in many publications over the years. In the attempt to show the importance of institutions, however, I have either implicitly or explicitly denied or ignored some pretty obvious things about the countries that I wished to compare, such as their size, their cultural homogeneity (or diversity), their geographic endowments, and even their political cultures (or norms, values, and beliefs). It was not that I truly believed that these things did not matter, but rather that I did not feel I could compare all these variables in a coherent scientific study. I worried that my analysis would be overdetermined. But as I got further into this project – and once again, specifically because I was trying to understand Japan in comparison to the other countries – I came to see that the differences between these countries *was* in fact overdetermined. The problem was not the world; it was how we were trying to understand it.

The book that follows, then, does not attempt to hold some variables independent from others. Worse yet, in each of the narratives I emphasize different factors when trying to explain how each system evolved. This is simply because different factors mattered in each of these cases. I try to tell as coherent a story as I can in each case, and I have tried very hard to include as much detail as necessary to make sense of each narrative without overwhelming the reader with these details. But the truth is that I have left out far more than I have included.

So many people have helped me through this process that I do not know where to begin in thanking them. No matter what I say, I cannot hope to reveal the true depth of my gratitude to them. I first must thank the more than 260 policy makers, academics, and journalists who lent me their

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time and expertise and tolerated my naïve questions for the often lengthy in-depth interviews they offered me. Next, deep gratitude goes to several former students and researchers at the University of Colorado who aided me at various stages of this project. Some of them might not even recognize this final manuscript. Special thanks go to Erin Anna, Alisun Chopel, Emma Lance, Lindsay Stone, Christopher Vockrodt, and Jason Jordan. As I have already suggested, understanding the Japanese case was the biggest challenge for me. But I received extraordinary assistance and support from several academics including: Mari Miura, Takeshi Hieda, Toshimitsu Shinkawa, Naohiko Jinno, and T. J. Pempel. I have to single out three colleagues who did far more than help me with my research in Japan; in rather profound ways they each took me as their student. Without Ide Eisaku, Taka Akaishi, and Andrew DeWit this book and my basic understanding of how capitalist democracies actually work would have been very different.

Several colleagues and students have read parts or all of this manuscript and offered their advice, consultation, and criticisms. Although sometimes I wish that they had been more gentle, in the end this book is far better after their interventions. Claes Belfrage, Mark Blyth, Johan Christensen, Gus diZeriga, Takeshi Hieda, Joseph Hien, Orion Lewis, Bo Rothstein, Stefan Svalforss, Sara Tescione, and Kathleen Thelen have given me invaluable help in improving and sharpening my arguments and in avoiding many a mistake. Any errors that remain are all my own. Jeppe Olesen and David McCourt are owed a special thanks for reviewing endless versions of this manuscript and helping me make it far more readable and presentable than it ever would have been without them.

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