This book argues that there is no one best institutional arrangement for organizing modern societies. Therefore, the market should not be considered the ideal and universal arrangement for coordinating economic activity. Instead, the editors argue, the economic institutions of capitalism exhibit a large variety of objectives and tools that complement each other and cannot work in isolation. The various chapters of the book explore challenging issues in the analysis of differing institutional arrangements for coordinating economic activity, asking what logics and functions they follow, and why they emerge, mature, and persist in the forms they do. They conclude that any institutional arrangement has its strengths and weaknesses and that such institutions evolve according to a logic specific to each society. They also note that institutions continuously respond to changing circumstances and are not static entities.
CONTEMPORARY CAPITALISM

The Embeddedness of Institutions

Edited by

J. ROGERS HOLLINGSWORTH
University of Wisconsin, Madison

ROBERT BOYER
CEPREMAP, Paris
To Karl Polanyi, for teaching us about the dynamics of capitalism
CONTENTS

Acknowledgments ix

List of Contributors xi

Chapter 1 Coordination of Economic Actors and Social Systems of Production 1
J. Rogers Hollingsworth and Robert Boyer

PART I THE VARIETY OF INSTITUTIONAL ARRANGEMENTS AND THEIR COMPLEMENTARITY IN MODERN ECONOMIES 49
Robert Boyer and J. Rogers Hollingsworth

Chapter 2 The Variety and Unequal Performance of Really Existing Markets: Farewell to Doctor Pangloss? 55
Robert Boyer

Chapter 3 A Typology of Interorganizational Relationships and Networks 94
Jerald Hage and Catherine Alter

Chapter 4 Associational Governance in a Globalizing Era: Weathering the Storm 127
William D. Coleman
Chapter 5  Constitutional Orders: Trust Building and Response to Change  
Charles F. Sabel  

PART II  HOW AND WHY DO SOCIAL SYSTEMS OF PRODUCTION CHANGE?  
Robert Boyer and J. Rogers Hollingsworth  

Chapter 6  Beneficial Constraints: On the Economic Limits of Rational Voluntarism  
Wolfgang Streeck  

Chapter 7  Flexible Specialization: Theory and Evidence in the Analysis of Industrial Change  
Paul Hirst and Jonathan Zeitlin  

Chapter 8  Globalization, Variety, and Mass Production: The Metamorphosis of Mass Production in the New Competitive Age  
Benjamin Coriat  

Chapter 9  Continuities and Changes in Social Systems of Production: The Cases of Japan, Germany, and the United States  
J. Rogers Hollingsworth  

PART III. LEVELS OF SPATIAL COORDINATION AND THE EMBEDDEDNESS OF INSTITUTIONS  
Philippe C. Schmitter  

Chapter 10  Perspectives on Globalization and Economic Coordination  
Wyn Grant
CONTENTS

Chapter 11 Globalization in Question: International Economic Relations and Forms of Public Governance 337
Paul Hirst and Grahame Thompson

Chapter 12 Clubs are Trump: The Formation of International Regimes in the Absence of a Hegemon 361
Lorraine Eden and Fen Osler Hampson

Chapter 13 The Emerging Europolity and Its Impact upon National Systems of Production 395
Philippe C. Schmitter

PART IV CONCLUSION 431

Chapter 14 From National Embeddedness to Spatial and Institutional Nestedness 433
Robert Boyer and J. Rogers Hollingsworth

Index 485
ACKNOWLEDGMENTS

The preparation of this book was facilitated by support from the American Institute for Contemporary German Studies, Washington, D.C.; the Center for Urban Affairs and Policy Research, Northwestern University; the Council for European Studies; the Ford Foundation; the Global Studies Program, University of Wisconsin (Madison); the Maison des Sciences de l’Homme, Paris; the Rockefeller Foundation; the Social Science Research Council; and the Swedish Collegium for Advanced Study in Social Sciences. The Bigorio Convento Santa Maria dei Frati Cappuccini (Switzerland) generously made its facilities available for a conference as the project neared completion, with funding from Delegato alli Problemi Universitario del Ticino, departimento della Instruzione e della Cultura, Switzerland.

Many scholars provided helpful criticism and input into all or parts of this project, and we gratefully acknowledge their assistance. In particular, we wish to thank Larry Dickey, University of Wisconsin; Hal Hansen, University of Wisconsin; Gary Herrigel, University of Chicago; Gerhard Lehmbruch, University of Konstanz; Yoshitaka Okada, Sophia University of Tokyo; Woody Powell, University of Arizona; Joel Rogers, University of Wisconsin; Marc Schneiberg, University of Arizona; David Soskice, Wissenschaftszentrum, Berlin; Burton Weisbrod, Northwestern University; and Richard Whitley, University of Manchester. As Ellen Jane Hollingsworth offered vigorous criticism and editorial assistance on each draft of the manuscript, the participants very much appreciated her generosity and excellent sense of what makes for a good book.
LIST OF CONTRIBUTORS

Catherine Alter is Dean and Professor at the University of Denver Graduate School of Social Work and Codirector of the Center for Evaluation and Assessment. She has researched a wide variety of service delivery systems and networks, and has used network analytic methodologies to do program and system evaluation. Her publications include articles, books, and technical monographs on networks as structures for the delivery of human services, with special regard for social welfare programs.

Robert Boyer is Senior Researcher in Economics at CEPREMAP, a research center related to Commissariat General du Plan and the national center for research (CNRS). He is a Professor at Ecole des Hautes Etudes en Sciences Sociales (EHESS). His research has investigated French and American long run economic history, with a special concern with growth, productivity, and inflation. He is a major contributor to the well-known régulation approach, which focuses on the impact of institutions and organizations upon cyclical economic patterns, long term growth, and external competitiveness. His publications include The Regulation School: A Critical Introduction (1990), The Search for Labour Market Flexibility (1988), and The Return of Income Policy? (with Ronald Dore and Zoe Mars, 1994).

William D. Coleman is Professor of Political Science at McMaster University, Hamilton, Ontario, Canada. Educated at Carleton University and the University of Chicago, he is the author of The Independence Movement in Quebec, 1945–1980 (1984), Business and Politics: A Study in Collective Action (1988), and The State, Business and Industrial Change in Canada (with Michael M. Atkinson, 1989). The latter book was awarded the Charles H. Levin Prize for the best book in the fields of public administration and public policy by the International Political Science Association. His most recent book is Financial Services, Globalization and Domestic Policy Change: A Comparison of
North America and the European Union (1996). In addition to these books, he has written articles published in Australian, Canadian, American, and European journals dealing with Quebec politics, business–government relations, and the making of economic policy.

Benjamin Coriat is Professor of Economics at the University of Paris XIII University and is head of the Center for Research on Industrial Economics (CREI). He is a well-known scholar in the area of industrial relations, and has recurrently investigated the impact of new technologies on firms’ organization and macroeconomic regimes. His recent books include Made in France (1993) and Europe’s Next Step: Organizational Innovation, Competition and Employment (1995). He is a prominent member of the so-called French régulation school.

Lorraine Eden is an Economist and Associate Professor of Management, Texas A&M University, and Adjunct Research Professor, the Norman Paterson School of International Affairs, Carleton University. Her research specialization is multinational enterprises, focusing on the areas of regional integration, transfer pricing, and international taxation, and the North American auto industry. Recent awards include a 1991–92 Pew Faculty Fellowship, a 1992–93 U.S.–Canada Fulbright Research Fellowship at Harvard University, and a 1994–95 Carleton University Faculty Research Achievement Award. She has published four edited books: Multinationals and Transfer Pricing (with Alan Rugman, 1985), Retrospectives on Public Finance (1991), Multinationals in the Global Political Economy (with Evan Potter, 1993), and Multinationals in North America (1994).

Wyn Grant is Chair of the Department of Politics and International Studies at the University of Warwick, where he is also Chair of the Social Studies Faculty Graduate Committee and serves on a number of other University committees. His recent books include Dairy Industry: An International Comparison (1991), Politics of Economic Policy (1993), and Business and Politics in Britain (2nd ed., 1993).

Jerald Hage, Professor of Sociology at the University of Maryland and Director of the Center for Study of Innovations, has written numerous books in the area of organizations, his most recent being Organizations Working Together (with Catherine Alter, 1993). His other recent books include Formal Theory in Sociology: Opportunity or Pitfall (ed., 1994) and Post-Industrial Lives: Roles and Relationships in the 21st Century (with Charles Powers, 1992).

Fen Osler Hampson is Professor of International Affairs at the Norman Paterson School of International Affairs, Carleton University, Ottawa, Canada.
LIST OF CONTRIBUTORS

He is the author of Multilateral Negotiations: Lessons from Arms Control, Trade, and the Environment (1995), Unguided Missiles: How America Buys Its Weapons (1989), and Forming Economic Policy: The Case of Energy in Canada and Mexico (1986). In addition, he is the coeditor of seven books on international affairs and Canadian foreign policy. In 1993–94 he was a Jennings Randolph Peace Fellow at the United States Institute of Peace. He is also the recipient of a Research and Writing Award from the John T. and Catherine D. MacArthur Foundation.


J. Rogers Hollingsworth is Professor of Sociology and History and Chairperson of the Program in Comparative History at the University of Wisconsin. Recently awarded an honorary degree by the University of Uppsala (Sweden) and a Humboldt Research Prize, he is the author or editor of numerous books and articles on comparative political economy. His recent publications include Governing Capitalist Economies (with Philippe C. Schmitter and Wolfgang Streeck, 1994) and Governance of the American Economy (with John Campbell and Leon Lindberg, 1991). He is currently president of the Society for the Advancement of Socio-Economics.

Charles F. Sabel (B.A. and Ph.D., Harvard University) is a Professor at Columbia Law School. Author of Work and Politics (1982) and The Second Industrial Divide (with Michael Piore, 1984), he has published many essays in various journals. He was previously in the Department of Political Science at the Massachusetts Institute of Technology.

Philippe C. Schmitter has been on the Stanford faculty since the fall of 1986. He taught for many years at the University of Chicago (1967–82) and held visiting appointments at many universities in Europe, South America, and the United States. Before going to Stanford, he spent the previous four years as a professor at the European University Institute in Florence. Schmitter has conducted research on comparative politics and regional integration in both Latin America and Western Europe, with special emphasis on the politics of organized interests. He is the coauthor of Transitions from Authoritarian Rules (4 vols., 1986). He has been the recipient of numerous
professional awards and fellowships, including a Guggenheim in 1978, and has been vice president of the American Political Science Association.


Grahame Thompson is Senior Lecturer in Economics at the Open University. He is a member of the editorial board of Economy and Society. His latest books include The Political Economy of the New Right (1990), Markets, Hierarchies and Networks (ed., 1992), The Economic Emergence of a New Europe? The Political Economy of Cooperation and Competition in the 1990s (1993), Managing the UK: An Introduction to Its Political Economy and Public Policy (ed., 1993), and America in the Twentieth Century: Markets (ed., 1994).

Jonathan Zeitlin is Professor of History, Sociology, and Industrial Relations at the University of Wisconsin–Madison. He has written widely on flexible specialization and industrial districts in both contemporary and historical settings. Among his publications are Reversing Industrial Decline? Industrial Structure and Policy in Britain and Her Competitors (coedited with Paul Hirst, 1989), Between Fordism and Flexibility: The Automobile Industry and Its Workers (coedited with Steven Tolliday, 1992), and World of Possibilities: Flexibility and Mass Production in Western Industrialization (coedited with Charles F. Sabel, 1996).