

## Methodological Reflections on the Comparative Analysis of Capitalism

Toshio YAMADA \*

\* Nagoya University, Japan; tyamada@rainbow.plala.or.jp

**Abstract:** In this essay, we consider basic methodological issues of the comparative analysis of capitalism by focusing on the three main issues. First, we provide reasoning that the concept of ‘capitalism’ is more suitable as an analytical object than the concept of ‘market economy’, as the comparative analysis is particularly efficient when we intend to analyse not just market economies, but capitalist economies comprising of a set of market relations, the capital–labour nexus, and power relations. Second, we shed light on the role of quantitative or qualitative methods in the comparative analysis of capitalism. We argue that initial analysis of capitalism lies in a quantitative comparison of targeted countries, but it should be further extended into a qualitative analysis targeting socioeconomic systems comprised of complementary institutions. Third, we discuss stage theory and typology approach widely presented in contemporary social science literature and aim to identify the appropriate theoretical framework of comparison. We conclude that by overcoming abstract boundaries between stage theory and typology, we should aim to restore a dynamic concept of history (stage theory view) by paying attention to the diversity of capitalism (typology view).

**Keywords:** Comparative analysis of capitalism, stage theory, typology

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### 1. Introduction

The comparison of economic systems is a subject as old as the field of economics. It is fair to say that ever since Adam Smith (1776), every study of economics has incorporated such comparisons. However, the drastic changes in recent world history — such as the development of globalization that is often interpreted as a convergence toward the ‘one best way’ and the transition of ex-socialist countries to market economies — have led to a growing requirement for a self-realized theory of economic systems based on comparative methods and perspectives (Yamada 2006, 2008).

This essay re-examines the most basic methodological issues in order to advance the study of the comparative analysis of capitalism (CAC). As a prerequisite for contemporary CAC, it is necessary to determine (1) the object of comparison, (2) the aspects of the object that should be the primary focus of analysis, and (3) the proper theoretical framework for the analysis. In this study, prior to the concluding remarks in Section 6, we discuss the following: (1) whether the ‘market economy’ or ‘capitalism’ is the proper primary analytical object (Section 2), (2) whether the ‘quantitative’ or ‘qualitative’ aspect should be the primary focus (Section 3), and (3) whether the ‘stage theory’ or the ‘typology’ framework should

be used to compare economic societies (Sections 4 and 5).

The countries to be studied in CAC have been conventionally divided into three categories according to the stage of development: the advanced capitalist countries who are the main members of the Organization for Economic Cooperation and Development (OECD), the ex-socialist countries who have been in transition to capitalism, and the underdeveloped or developing countries. In addition, region-based categorizations are frequent, for example, Asia (Boyer, Uemura, and Isogai 2012; Walter and Zhang 2012), Europe, and Latin America, among others. This study focuses on the advanced capitalist countries as the object of comparison.

## 2. Market economy or capitalism?

We define contemporary economic societies as ‘capitalist’, rather than as ‘market economies’. In modern usage, both terms often refer to the same entity, an economic system (in many cases, a national economy) that has been established as a particular historical entity since the modern age. However, upon reflection, it is clear that the two terms are vastly different (see Table 1).

While the term market economy attempts to define modern economic societies as consisting only of market relations (commodity exchanging relations), ‘capitalism’ includes the wage–labour nexus as well. To incorporate this nexus alongside market relations means that we must not simply regard the modern

**Table 1. Market economy versus capitalism: two research programs**

	Market economy	Capitalism
Concept of Market	<ol style="list-style-type: none"> <li>1. A pure economic abstraction of supply and demand adjustments</li> <li>2. Horizontal coordination among equals</li> <li>3. Ideally self-equilibrating</li> </ol>	<ol style="list-style-type: none"> <li>1. A nexus of social relations</li> <li>2. Both horizontal (competition among firms) and vertical relations (capital/labour nexus)</li> <li>3. Propagation of an unbalanced capital accumulation</li> </ol>
Links between various spheres	<ol style="list-style-type: none"> <li>4. Ideal of total disconnection of the economic sphere (pure economy)</li> </ol>	<ol style="list-style-type: none"> <li>4. The interdependence of economy, society and polity is intrinsic</li> </ol>
Nature of evolutions	<ol style="list-style-type: none"> <li>5. Implicit conception of ‘natural equilibrium’</li> <li>6. At best, kinematical time</li> </ol>	<ol style="list-style-type: none"> <li>5. Law of accumulation and changing social and economic relations</li> <li>6. Sense of historical time</li> </ol>
Uniqueness/Diversity	<ol style="list-style-type: none"> <li>7. Ideal of Pareto optimality ... and benchmarking or competition reducing variety</li> </ol>	<ol style="list-style-type: none"> <li>7. Succession of historical stages and coexistence of various brands of capitalism</li> </ol>

Source: Boyer (2007)

society as a space of rational choice by free and equal individuals, but that we also have to take into account the non-symmetrical character of social relations and the elements of political power. This means that an economic society is not an abstract world composed of timeless and universal laws resembling Newtonian physics, but that capitalism proceeds toward an uncertain future through an irreversible historic timeline.

In addition, 'market economy' presupposes the existence of the economic realm independently from the other social realms. However, 'capitalism' does not incorporate such exclusive independence of an economic field or market. Although centred on the economic view, 'capitalism' includes the interrelations with other fields such as the polity, society, and ideology. Moreover, while 'market economy', through its hypothesis of convergence to an optimal state, understands the economic world as uniform on a global scale, 'capitalism' represents the diversity of economic societies in time and space.

Of course, there are some nuances in the use of the term 'market economy'. For example, Hall and Soskice (2001) use 'market economy' almost interchangeably with 'capitalism' through reliance on their terms of 'liberal market economy' and 'coordinated market economy'. Therefore, we do not dogmatically insist on our definitions, but prefer 'capitalism' to 'market economy' for the reasons set forth above.

The question of 'market economy' or 'capitalism' reflects methodological differences not only in the representation of economic society as a whole, but also in the analytical angle and recommended solutions of socioeconomic problems. 'Capitalism' represents broader horizons of research than 'market economy'. If the market economy approach aims at an understanding of precise — and often deductive — laws in a narrowly defined — even fictitious — theoretical world (that is, a free and perfect market), the capitalism approach intends to grasp realities of actual socioeconomic situations in relation to politics and history. The capitalism approach aims, although it may leave some rambling aspects, at a total recognition of economic societies as a whole.

It is just here that a method of comparative analysis matters. For the market economy approach that follows a deductive method starting from predefined axioms, a method of comparison is not important. On the other hand, for the capitalism approach it is indispensable. When we intend to find and formulate the laws of economic societies in relation to their polity and culture, comparative analysis is one of the most effective methods. In the capitalism approach, a theory becomes more generalized and perfected only through comparison because the realities of capitalism are too complicated to be deductively formulated in legal definitions. For this reason, a comparative analysis of capitalism is significant. In this regard, the following passage concerning conventional economic theories (the market economy approach) vis-à-vis the *régulation* approach (one of the capitalism approaches) is very suggestive.

Whereas conventional economic theories have progressed via intensive elaboration of concepts and the search for axioms, *régulation* approaches have pointed out that any theory has initially a quite limited domain of validity in time and space. Consequently, the international comparisons have been

quite helpful in enriching the basic concepts and overcoming the temptation to diagnose a single capitalist configuration for each historical epoch. (Boyer 2007)

### 3. Quantitative or qualitative analysis?

Recent literature concerning the main OECD countries indicates potential shifts in the direction of inquiry. The simplest and most appropriate starting point would be a quantitative comparison of their relative economic performance. In this sense, the compilation of economic statistics at national and international levels is the first step for the comparative analysis of capitalism. The representative indicators are GDP, GDP per capita, productivity gains, and economic growth rate. The statistical analyses by Maddison (1982, 1991, and 2003) are an example of such results of CAC.

Significant aspects of CAC studies include an abstraction of historical trends or grouping of countries by type based on the quantitative indicators and their comparisons. For example, it is often questioned if the levels of productivity (Abramovitz 1986; Baumol 1986; De Long 1988) and the standards of living as expressed by GDP per capita (Baumol, Blackman, and Wolff 1989) are going to diverge or converge among industrialized countries. However, one cannot find clear answers to either of these questions. In the case of both productivity and standards of living, the results of econometric comparison depend to a great extent on the range of targeted countries and periods. It is impossible to define the divergence or convergence among countries as a universal historical law solely by means of quantitative comparison.

Furthermore, one can observe comparable macroeconomic performance in the long run even among countries whose institutions differ, such as between the United States and Switzerland and between the main European countries and Japan in the post-WWII era (Amable 2003). This suggests that it is dangerous to infer a qualitative similarity from a quantitative similarity. In short, the quantitative comparison by itself does not tell us much about the substantial similarities and differences among countries or their long-term trends.

Thus, it is necessary to advance to the second step, the qualitative comparison or the comparative analysis of economic systems. A 'system' incorporates 'mechanisms' (in regulationist terms, 'a growth regime') and 'institutions' (also known as 'institutional forms' and 'mode of *régulation*'). The studies of CAC have developed in tandem with a revival and innovation of institutional economics in the recent years. In short, modern CAC has advanced the comparisons and typologies of countries, on the ground of representation that a country's capitalism or national economy consists of a set of institutions, that is, an ensemble of institutions that are organically entangled.

Here, a new concept of 'institutional complementarity' plays a decisive role. It is defined as follows: 'two institutions can be said to be complementary if the presence (or efficiency) of one increases the returns from (or efficiency of) the other' (Hall and Soskice 2001), or, 'institutional complementarity is present when the existence of the particular form taken by an institution in one area reinforces the presence, functioning, or efficiency of another institution in another area' (Amable 2003). Capitalism is

said to become stable and growth promoting due to institutional complementarity. An oft-cited example is the institutional complementarity between the long-term employment system (labour arena) and the main bank system (finance arena) in the post-war Japanese economy (Aoki 1988).

The existence of institutional complementarity implies that a country cannot freely choose some institutions that are efficient and effective, but rather that institutions are integrated in a 'system' where they are operating in a complementary manner. This system can be also called 'institutional framework' or 'institutional structure'. Regardless, CAC must incorporate a system comparison or the comparative institutional framework.

An institution is an element of the system. A socioeconomic system is composed of many institutions in many institutional arenas. Among those institutions, some are particularly significant from the viewpoint of a political economy. For example, Hall and Soskice (2001) emphasize institutions in four arenas: the market for corporate governance or financial systems, industrial relations, education and training systems, and intercompany relations. In Amable (2003), institutions in five arenas matter: product markets, labour markets, finance, welfare, and education. Boyer (2004) distinguishes five arenas of 'institutional forms': the wage-labour nexus, competition or inter-firm relations, money and finance, the state, and forms of international insertion. The institutional arenas focused on labour, firms, and finance are commonly regarded as important. The importance of welfare, education, and the state varies from scholar to scholar.

#### **4. Stage theory or typology? (1): The German Historical School and Marxism**

The third and most important reflection on the methodology of the comparative analysis of capitalism is the theoretical framework of comparison. Although two given countries can be accurately defined as 'capitalist', those countries will differ both quantitatively and qualitatively since capitalism is not uniform. Knowing this, how does one go about understanding the plurality of capitalism? Within what theoretical framework can countries and economies be compared? This issue has loomed large in the history of the social sciences. With such a broad scope of inquiry, we devote two sections to these questions, examining a brief history of the social science as it relates to this issue.

There are two typical viewpoints. Either one assumes a tendency to converge among economic systems by viewing any differences as transitory and temporary or one assumes a divergent or diversified character among economic systems by viewing differences as necessary and durable. The first viewpoint defines these differences in terms of stages of economic development. The second viewpoint emphasizes that socioeconomic differences are not merely a difference in the stage of development. Ultimately, the question is whether we should adopt a convergence perspective or a divergence perspective. That is, should we subscribe to stage theory or typology? The social sciences have always questioned such issues (see Table 2). In this section, we will examine the perspectives of the German Historical School and Marxism.

**Table 2. Two types of perspective on plurality of capitalism**

Schools or periods	Issues	Stage theory/ convergence perspective	Typology/ diversity perspective
German Historical School	Human history	List (1841): stage theory of economic development Hildebrand (1864), Schmoller (1884), Bücher (1893)	Weber (1904, 1921): “ideal types” denying a general law of historical development
Marxism	Human history	Historical materialism: Asian, ancient, feudal, modern bourgeois, and socialist modes of production	Suggestions on an original path of capitalist development in Russia (Marx 1881)
*Marx	Development of capitalism	Convergence-biased view emphasizing “the great civilizing influence of capital” (Marx 1857-58) and that an advanced country is the future image of a less advanced country (Marx 1867)	
*Marxism in the 20 <sup>th</sup> century	Transformation of capitalism in the 20 <sup>th</sup> century	Lenin (1917) : stepping up of stages in capitalism along with its own intensifying contradictions, defining imperialism as “the highest stage of capitalism”	
*Japan in the 1930s	Debate on Japanese capitalism	<i>Rono-ha</i> school: feudal remnants are results of Japan’s backwardness in the developmental stages of capitalism	
*Japan in the postwar era	Historical character of Japanese capitalism	Uno (1980): convergence of Japanese capitalism with capitalism in general, emphasizing the stage theory	Otsuka (1965): typological originality of Japanese capitalism constructed on industrialization without modernization
Social sciences in the postwar era	Advanced capitalist countries	Shonfield (1965): convergence to mixed economy Kerr et al. (1960), Kerr (1983): convergence to industrial society	Goldthorpe (1971, 1984): diversification into neoliberal and corporatist ways
	Developed and underdeveloped countries	Rostow (1960): convergence to high mass-consumption society, based on unilinear path view of stage-of-growth	Frank (1969a, 1969b): polarized or double tracked development into center and periphery
Today’s arguments	Convergence to market-led model, or not	Many international organizations: efficiency of market-led model and a necessary convergence to it	Albert (1991), Hall and Soskice (2001), Amable (2003), Boyer (2004): varieties/diversity of capitalism, denying a convergence to the market-led model

The issue was first examined in a dramatic fashion in 19th century Germany. List (1841), the founder of the German Historical School, proposed the ‘national economy’ view, which differs from the cosmopolitan and universal law of economy and from the consequent argument favouring free trade by the English Classical School. For List, human history consisted of five stages: original barbarism, the pastoral condition, the agricultural condition, the agricultural–manufacturing condition, and the agricultural–manufacturing–commercial condition and each national economy develops by succeeding to ever-higher stages. List was very cognizant of the differences between English and German capitalism, understanding them, above all, from a stage theory perspective by emphasizing advanced

(‘normal’) nationality versus backward nationality. While the Great Britain of List’s time was already in the agricultural–manufacturing–commercial condition, Germany was only in an agricultural–manufacturing condition. For Germany to attain the former condition, List insisted upon the necessity of an industrial protection policy and protectionism in trade, both of which ran counter to the English Classical School’s free trade doctrine. However, according to him, then Germany should become an economy underpinned by free trade and unrestricted competition once it reached the final stage of development.

List understood the differences between Great Britain and Germany as pertaining to their developmental stages, stressing the present necessity of a protectionist policy for Germany in order to catch up to Great Britain. List’s stage theory of economic development thus derived from a strong, practical concern, the modernization of Germany, which at that time was behind Great Britain economically. After List, the German Historical School developed various stage theories of economic development, for example, those of Hildebrand (1864), Schmoller (1884), and Bücher (1893). However, these theories gradually lost their practicality and became contemplative. Finally, through a Debate on Method with C. Menger and others, Weber (1904, 1921) transformed the perspective from stage theory to typology by forging a concept of ‘ideal types’. Weber emphasized the individualist nature of the historical society by denying the existence of a general law of historical development.

What is the contribution to this issue of K. Marx, who also lived in the 19th century? As is well known, Marx’s historical materialism saw human history as a succession of Asian, ancient, feudal, and modern bourgeois modes of production, and he believed that the last would be replaced by a socialist or communist one. With regard to the question of diversity in modern capitalism, Marx was inclined to see differences among countries as those pertaining to the stage of development. According to Marx, all of the so-called backward countries, including Germany, would soon approach the most advanced form of capitalism — that is, that of England — by virtue of ‘the great civilizing influence of capital’ (Marx 1857–1858). In the preface to *Capital*, Marx says that ‘the country that is more developed industrially only shows, to the less developed, the image of its own future’ (Marx 1867). That is, an advanced country is the future image of a less advanced one. Here the differences between England and Germany are understood not only from a stage theory perspective, but also from a strong convergence-biased one. We can conclude that Marx’s basic view point vis-à-vis the plurality of capitalism mirrors the stage theory perspective.

However, in his argument on Russian rural communes (Marx 1881), Marx suggested a perspective pertaining to an original path of capitalist development in each country, that is, a perspective incorporating national or regional diversity in capitalism.

After Marx’s death in 1883, Marxists in the 20th century have faced an inconsistency between the theory-based world depicted in Marx’s *Capital* and the actual world developing in front of them. The Revisionism and Imperialism Controversies of the early 20th century represented their initial struggles with the new realities. The core question was, above all, how do they explain an imperialism-based

transformation in capitalism? Lenin (1917) defined imperialism as ‘the highest stage of capitalism’. He predicted the collapse of capitalism by defining imperialism as a new and final stage of capitalism, known as ‘moribund capitalism’. The imperialist or monopolistic stage of capitalism differs from the free competition stage seen in the 19th century.

Ever since, Lenin’s stage theory perspective has significantly influenced the Marxist school of thought. For a long time after Lenin, Marxism fell into a cognitive trap, assuming that capitalism proceeds by ‘stepping up’ from a stage of free competition to that of monopoly capitalism, and, finally, to state-monopoly capitalism, and that the contradictions inherent in capitalism would become more and more severe with this ‘stepping up’ and lead to its breakdown. In general, based on its concerns with the historical law of capitalist development, Marxism is inclined to consider the plurality of capitalism from the viewpoint of stage theory and, as such, Marxism tends to lack a perspective vis-à-vis the diversity among capitalist countries in the contemporary world.

Looking back to Japan, the country has experienced a severe controversy about ‘stage’ or ‘type’ of capitalism. The first Japanese language translation of *Capital* appeared in the 1920s. However, the capitalist world depicted in *Capital* differed greatly from Japan’s socioeconomic realities of the time. The greatest issue was how to estimate ‘feudal remnants’, which existed extensively throughout Japan at the time. Were they something transitory that would disappear along with the capitalist development of Japan or something structural that would survive as long as the country remained capitalist? Were they a result of Japan’s backwardness in the stages of capitalism or a necessary element peculiar to Japanese capitalism? These questions provoked severe disputes among Japanese Marxists in the 1930s since they were closely related to their practical interests in working out a revolutionary strategy. The *Rono-ha* School considered ‘feudal remnants’ a product of Japan’s backwardness in terms of its stage of development, insisting that Japan would converge with the advanced capitalist countries in proportion to Japan’s capitalist development. On the other hand, the *Koza-ha* School stressed the impossibility of ‘feudal remnants’ dissolving under capitalism and, therefore, its inevitable survival, which would result in a specific type of Japanese capitalism (cf. Yamada 2014b).

These same opposing viewpoints were reproduced in the post-WWII social sciences. On the one hand, Uno’s (1980) political economy proposed the convergence of Japanese capitalism with capitalism in general from a stage theory angle, while on the other hand, Otsuka’s (1965) economic history pointed out the typological originality of Japanese capitalism by contrasting ‘industrialization with modernization’ (Occident) with ‘industrialization without modernization’ (Japan).

## 5. Stage theory or typology? (2): Social sciences in the post-WWII and modern eras

In the several decades following WWII, the advanced countries, whether victor or vanquished, entered an era known as the ‘golden age of capitalism’, during which they experienced unprecedented rates of economic growth. Economic systems had obviously changed from those in the early 20th



century. Shonfield (1965) found the root causes of this economic prosperity to lie in the new role of governments actively intervening in the private economy. From this viewpoint, he compared capitalist countries such as France, the United Kingdom, West Germany, and the United States. Government intervention was high in France, for example, compared to that seen in the United States. France recovered outstandingly from the devastation of war and had strong economic performance that surpassed that of the United States. Shonfield concluded that France developed not in spite of its anti-market principle, but precisely because of it. Here, we can perhaps say that he found a type of capitalism different from that in the United States, but he himself emphasized the fact that, in the middle and long term, modern capitalism had transformed itself into a mixed economy that included both market principles and government intervention. American capitalism should also converge to a mixed economy. Shonfield, thus, proposed a kind of convergence perspective, convergence not to a market economy, but to a mixed one.

In the 1960s, Kerr defined the dominant trend of the times as ‘industrialization’ or ‘industrialism’ (Kerr et al. 1960; Kerr 1983). His viewpoint — by which he sought to overcome Marxist thought, which emphasized class struggles and social conflicts — was that, with the development of industrialization, capitalist countries would become similar to one another in terms of technical structure, education systems, and social stratification. Thus, according to Kerr, every society would finally converge to a system called ‘industrialism’, regardless of the means to achieve it or the fact that concrete forms of their existence are varied. In an industrialist society, neither the state nor the market dominates and countries gradually become more homogeneous with regard to technology or education systems. In short, class struggles will end, and history will be motivated by a universal and ahistorical factor, technical and economic rationality. History may not have followed a Marxist path from capitalism to socialism, but all of the world’s economic societies are indeed evolving into industrial ones. The engine driving this industrialist convergence resides in technology.

Countering this industrialist view of convergence is the Corporatism Theory that has been developed mainly in Europe (Goldthorpe 1971, 1984). The term ‘corporatism’ here refers to a system where governments organize formal or informal arrangements for consultation and negotiation among employers’ associations, union federations, and government to deal with problems in macroeconomic policy. The important role of labour unions is stressed. Increased movements toward corporatism since the 1970s, especially in Nordic countries and Austria, diminishes the validity of industrialist theory, which predicts the dissolution of class struggles. The rise of corporatism during the crisis of Fordism in the 1970s and 1980s implied a diversification into at least two means of reaction, a neoliberal one and a corporatist one. According to Goldthorpe, capitalist societies are not converging, but rather diverging.

In shifting our attention from developed countries to developing ones, we find that nearly at the same time as the works of Shonfield and Kerr, Rostow published a book entitled *The Stages of Economic Growth* (1960), which addresses a new ‘stage-of-growth analysis’. He established a convergence view that based on stage theory, while the convergence view of Shonfield and Kerr is not necessarily founded

on a firm stage theory conception of history. Rostow's aim was to prevent underdeveloped countries from transforming themselves into socialist nations by showing them a route to an American-style society. This aim manifested in his book's subtitle, *A Non-Communist Manifesto*. In place of the Marxist stages of development, Rostow offered five stages-of-growth: traditional society, pre-conditions for take-off, take-off, the drive to maturity, and the age of high mass-consumption. The take-off stage is the most critical one. China and India at Rostow's time were attempting to 'take off', and many other underdeveloped countries remained at the pre-conditions stage. Thus, all the countries had a place along a continuum anchored by traditional society on one end and a high mass-consumption society on the other. Although he admitted to the existence of some peculiarities that stem from traditional society and the political choices of each country, on Rostow's unilinear path of development, differences among countries dissolve into differences in their stage of development. Thus, underdeveloped countries have a promising future if they wish to converge into the American style of mass-consumption society, but only if they successfully pass through the take-off period first. Here, we see the typical stage theory view of history and its strong bias toward a convergence view, wherein stage differences will eventually disappear.

On the other hand, as a perspective of 'polarized development' or 'double tracked development', Dependency Theory counters the thinking of Rostow (Frank 1969a, 1969b; Amin 1970). 'Underdevelopment' is, as per Frank, not equal to 'undevelopment'. While the metropolitan centres of industrialized capitalist countries have advanced from 'undevelopment' to 'development', many third world countries have been obliged to follow a course from 'undevelopment', not to 'development', but to 'underdevelopment'. This is the 'development of underdevelopment'. Economic development and underdevelopment are the opposite faces of the same coin, and they are inseparable in modern world history. Dependency Theory, showing two divergent courses in history — or two diversified types of capitalism, which are 'development' and 'underdevelopment' — revealed the illusionary character of Rostow's arguments. These arguments, based on a unilinear stage-of-growth view of history, had promised to underdeveloped countries an affluent future resembling that of American society at that time (cf. Yamada 2014a).

Over the last two or three decades, in the midst of a flurry of financial liberalization and globalization, we have seen the increasing influence of the argument for the efficiency of the market-led economic model *à l'américaine* and the necessary convergence of the rest of the world to this model. Although the strength of this argument was weakened by the bankruptcy of Lehman Brothers in 2008 and the global economic crisis that followed, the market-based type of convergence view persists among economists of world institutions, governments, and central banks even currently. Moreover, many academic and educational institutions of economics are still dominated by the neoclassical school that focuses only on the market economy (not capitalism) and insists, intentionally or not, on the efficiency of, and the necessary convergence to, the American economic model.

Opposition to this view had, of course, been raised earlier and many criticisms of this convergence

view were developed under the name of the Varieties of Capitalism (VOC) approach, Comparative Institutional Analysis, and the Comparative Analysis of Capitalism (Hall and Soskice 2001; Aoki 2001; Amable 2003). These comparative approaches determine the existence of types of capitalism other than the American type and posit not only their *raison d'être*, but also their efficiency and fairness as economic models. The question of 'stage theory v. typology' or of 'convergence view v. diversity view' persists as a preeminent issue. However, beyond a mere parallelism, we must extract some lessons from the historical retrospective examined in these two sections.

## **6. Conclusion**

In this short essay, we considered some basic methodological issues of the comparative analysis of capitalism: market economy or capitalism, quantitative analysis or qualitative analysis, and, most importantly, stage theory or typology. The comparative analysis is useful and indispensable when we intend to analyse not just market economies, but capitalist economies that are made up of market relations, the capital-labour nexus, and power relations. The first step of comparative analysis of capitalism may lie in a quantitative comparison of countries based on the statistical data. In the second step, the comparison must be developed into a qualitative analysis that investigates the socioeconomic systems composed of the complementary institutions. Lastly, we have to extract lessons from an extensive body of research from the modern social sciences concerning stage theory and typology to determine the appropriate theoretical framework of comparison.

As we have reviewed, stage theory understands differences between economies more in terms of a time horizon and typology understands these differences more in terms of a space horizon. Stage theory is inclined to view differences as accidental and transitory, and typology, as necessary and persistent. Therefore, stage theory has an affinity for the convergence view and typology, for the divergence view. In other words, stage theory emphasizes the belief that 'Country A will soon reach country B'. In recent years, market fundamentalism has also stressed this aspect of necessary convergence to 'the one best way', positing that all other countries, by dissolving their peculiarities and distortions, can and should emulate the American model.

We can learn a great deal from stage theory in that it places a great emphasis on historical changes. At the same time, it does have some weaknesses. First, stage theory is likely to assume the convergence view. Second, stage theory is rather indifferent to the varieties of capitalism that exist concurrently. Third, stage theory often falls into a teleological interpretation of history. For example, 20th century Marxism insisted that capitalism would 'step up' in its stages, intensifying contradictions, and end in the collapse of capitalism and the advent of socialism. For Marxism, ascending the ladder of development implied taking necessary steps to reach the ultimate goal, which was socialism. In the case of Rostow, the society of high mass-consumption was considered the final goal of history. We cannot approve of the teleological view of history offered by stage theory, regardless of our respect for its problematic

concerns about capitalism's time variability. Rather than take an arbitrary view like 'stepping up of stages' or 'reaching the final objective of history', we need to embrace some new key concepts that can align with historical changes in capitalism.

Can typology meet this need? It should be put to better use as a critical lens through which we can examine the convergence view of the American model or the unilinear theory of development in recent years, because it squarely wrestles with the issue of the national or spatial diversity of capitalism. However, typology in itself is not necessarily sufficient. First, classifying countries into certain types very often means fixing each country to a particular type, and this leads to the depiction of the world map as static and unchangeable. Second, world history is likely to be understood as a parallel arrangement of some types of capitalism, consequently resulting in a relative view of history or, eventually, in a 'discontinuance of history' view. For example, as is often pointed out, dependency theory, which insists on the polarized development of world history, has lost its explanatory power with the emergence of countries like the newly industrialized Asian economies, which escaped from underdevelopment. We need to maintain a perspective that is mindful of the spatial diversity of capitalism, and this is a virtue of typology. Nonetheless, how do we go about restoring a dynamic conception of history? (cf. Yamada 2104a)

How do we transcend the abstract opposition of stage theory v. typology? Alternatively, how do we integrate both? One key to the answer may reside in a construction of theories of institution and institutional change. Such theories have so far been developed mainly in political science, particularly in a stream of 'historical institutionalism' (Mahoney and Rueschemeyer 2003; Streeck and Thelen 2005; Thelen 2004, 2014). This will be the subject of our next study.

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