

**Book Review: Andreas Nolke, Tobias ten Brink, Christian May and Simone Claar, *State-permeated Capitalism in Large Emerging Economies*, Routledge, 2019, 298 p.**

Globalization has not resulted in the establishment of homogeneous liberal market economies in transition countries after the economic transformation. Even though many countries have adopted similar policies and similar institutions, the policy outcomes proved to be different, thus confirming the idea that ‘varieties of capitalism’ research (Hall and Soskice eds. 2001) must be adopted to emerging economies.

This book systematically analyses “the economic dynamics of large emerging economies from a comparative capitalism perspective” (p. 2). The authors consider state not as a powerful and centralized institution but rather underline its role in cooperative/coalitional and competitive activities with business and people. From this angle, ‘state-permeated market economies’ (SME) has become a keyword in the book. This model is coordinated by “reciprocal mechanisms of loyalty between members of competition-driven state-business alliances, based on informal and non-transparent personal relations, family ties and shared social or political backgrounds” (p. 192). The authors adopt extended comparative capitalisms approach which “shares common ground with other approaches, most notably business systems studies, social structures of accumulation and, above all, regulation theory” (p. 8) and focuses on the following: global context and historical evolution, coordination in the political economy, the institutional foundations (corporate governance, finance for investment, industrial relations, education and training, innovation, domestic markets, comparative advantages, institutional complementarities and contradictions. Based on the above, the authors compare capitalist institutions in large emerging economies: China, India, Brazil and South Africa.

Limited central state power is compensated by strong, multi-layered and reliable interpersonal public-private relations, and “state-permeation and pro-business policy supporting national development and large domestic markets are its main characteristics” (p. 193). Among country case studies covered in the book, China is considered as the typical example of SME; features of SME are less found in other countries. In short, there are significant differences among SME; for instance, China and India enjoy beneficial factors such as global economic process, advantages of backwardness, and political advantage of late catching up. They have comparative advantage in the production of medium-tech goods for the domestic market, and public-private growth alliances play the dominant mode for coordination. Their institutional features are as follows: dominant national capital; relative independence from global capital markets; segmented labour force; higher public education investments; and state support

innovation; selective integration into the global economy. The above institutions are compatible with strong complementarities, which shape SME capitalism type. Concerning the sustainability of the SMEs, authors conclude that SMEs “will eventually exhaust itself or erode from within” (p. 200). Both economic and political challenges will destabilize the state-permeated model.

There are many approaches towards state capitalism, and Bremmer (2010) may be regarded as a representative one. His approach focused on the direct influence from the above through a variety of intermediary institutions: national energy corporations, privately owned national champions, sovereign wealth funds, and others. In contrast to the growth model, the key concept ‘*permeation*’ in this book includes massive adaptation and shared interests between state and society through various reciprocal mechanisms. Moreover, this book focuses on institutions and institutional complementarities, which are persuasive in explaining phases of economic growth and risks. The concept of state-permeation is outstanding judged both from its originality and theoretical universality.

At the same time, the economic and political foundations for the massive adaptation are different among SME countries. In comparison to China and India, the cases of Brazil and South Africa look substantially different. In fact, BICS must be BRICS. This book excludes Russia from the analysis, however, it may also be regarded as an example of SME, and its rent-structure (production and distribution) becomes a cornerstone for theoretically expanding the proposed SME model. When we analyse BRICS from the angle of “varieties of state-permeated capitalisms”, mutual differences are more noticeable than commonalities in economic institutions. There is further room developing SME approach. In order to analyse *permeation*, not only state-business nexus but also state-business-society nexus is necessary.

Overall, this book is successful in presenting new prospects and expanding the existing theoretical approaches of state capitalism. The authors deserve outstanding credit for introducing original viewpoints. This book undoubtedly lays the foundation for developing new methodology of comparative economics.

## References

- Bremmer, I. (2010) *The End of the Free Market: Who Wins the War Between States and Corporations?*, Portfolio/Penguin.
- Hall, Peter A. and Soskice, D. eds. (2001) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, Oxford University Press.

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