**Theme 1- Varieties of Capitalism In The Twentieth Century – Dore, Lazonick, O’Sullivan**

**1. Convergence To a Dominant mode?**

* Concentrate on Britain, USA, Germany and Japan the 4 countries at the core of the ‘rhenish versus anglo-saxon capitalism’ which involves issues of both welfare and economic efficiency.
* Pattern of gradual convergence as the pressures of globalisation relentlessy force abandonment of practices deeply rooted in national cultures.
* It is the story of rise and fall of a major 20th century heresy.?
* Other variety of reasons out there but none for certain.

**2. From Managerial Revolution to Great Depression:**

* **Britain:**
  + Was the global leader in GDP per capita and exports.
  + Manufacturing enterprises mainly family controlled
  + Had ample supplies of highly skilled craftsmen – enabled them to dominate world economy without systematically educating and training specialists.
  + Industrial sectors characterised by separation of share ownership from managerial control in other major capitalist economies, proprietart capitalism persisted in Britain.
  + Even with science based enterprises, technical specialists found little opportunity to become generalists ‘leaders of men’
  + Social status difference clear between workshop and bank.
  + Middle class were educated, and members of arts degree were picked as managers if son or son in law was not available.
  + Power gap between top management who controlled allocation of resources, and technical specialist upon whom businesses relied to improve process and product quality and reduce costs, was also a social gap and a cultural gap.
  + The consequence of underdevelopment of modern management contributed a mixture of individualism instead of cooperation, secretiveness instead of publicity, neglect of marketing and indifference and hostility to research.
* **The United States:**
  + 1920s- stock ownership came to be separated from managerial capitalism.
  + The great merger movement at the turn of the century played a pivotal role in effecting this separation.
  + Wall street created the market in industrial securities by floating stocks and bonds to carry out mergers and other activities.
  + At the top were salaried managers who worked they way to the top around increasingly formalised structures of growing enterprises.
  + The stocks of these dominant corporations came to be widely hled by the public, the stock market became increasingly liquid, fewer stockholders paid attention to monitoring corporate managers.
  + Stock market played only a minor role in providing new capital.
  + Retained earning became the financial foundation for investing in further growth of enterprise.
  + Managerial orgs became autonomous, melded and integrated both executive generalists and technical specialists.
  + Their mass production technologies reduced the need for operator skills, thereby sharpening the line of division between manager and shop floor worker.
  + Higher education became central in supplying technical specialists to industrial corporations after the industrial revolution.
  + Separation of ownership and control, specialists could rise to geralist positions as upper level managers.
  + They began o create their own corporate research facilities and develop close links with the leading research universities.
  + New and automated processes eliminated the need for many of the skilled craft workers.
  + High fixed costs of installing new technology managers had to win the cooperation of production workers in maintaining the flow of work.
  + Non union era- promise of long term employment, employee welfare, and subordination of line management counteracted the threat of independent unions.
* **Germany:**
  + Germany state building ambitions, particularly those of Prussia in the wake of its ignominious defeat by napoleon provided early incentives for the promotion of technological education.
  + The diffusion of high level scientific and technical education from mid centuy and the network of ingenieurschulen for more practical skills created in the 1890s gave german industry a competitive edge particularly in chemicals, metals and heavy machinery.
  + Balance of german exports had already shifted from textiles and consumer goods to these technically based industries by beginning of century.
  + 2nd distinguishing characteristic was venture capital role played by leading banks. Bank would evaluate an entrepreneurial project and provided loan capital to enable the venture to become a going concern.
  + The bank would arrange a public share flotation that enabled the enterprise to repay its bank loans leaving enterprise managers with control over retention to finance future expansion. Even when loan was payed back bank held positions in org.
  + 3rd characteristic was a greater mobilisation and further development of the capacity for collective action.
  + Compulsory membership in local chamers provided a basis for developing a widespread apprenticeship system in which firms were induced to train for their own needs and for the sectors collective needs.
  + The direct continuity in many trades of traditional guild orgs made this easier.
  + The bismarckian establishment sought other means of responding to the growing worker movement and deflecting the dangers of class conflict observed in the early industrialisers.
  + The expansion for war production, subsequent military defeat, the loss of international markets and the victors demands for reparations had a crippling effect on the german economy.
  + Corporate sector responded to crisis by intensifying its capacity for collective action through the formation of industrial concersn that created a dense web of interlocking share holding and directors among companies.
  + In meantime process of rationalisation and concentration of industrial production strengthened the power of industrialisits and weakened power of workers.
* **Japan**
  + Was a later developer. In 1900, industrialistaion was barely 25 years old. Pursued a strategy of borrowing and improving upon western technology.
  + Critical to this develop effort was rapid creation of a high quality system of higher education.
  + Lacked the supplies of skilled craft labour in metal working technologies.
  + Developed its critical metalworking sectors and during first world war was able to capture asian export markets which Europe couldnet supply.
  + Subsequently made progress in manufacturing and export of cotton textile and textile machinery which in 1930 it took over from world leaders of Britain.
  + In late 19th century state investments in armouries, shipbuilding , stell, mining and railways fostered many of the early large scale enterprises.
  + But ownership and control were handed to the *zaibatsu* whic Mitsubishi, yasuda emerged most prominent.
  + Meanwhile groups of entrepreneurs launched successful going stock companies in a number of industrial secotrs including textiles, paper and engineering by investing in training.
  + Ownership of the zaibatsu was in the hands of powerful families who ran their empires by building substantial managerial orgs. They recruited the neede experts form nations new unis.
  + The zaibatsu and constituent enterprises were strategic in making long term employment commitment to their personnel.
  + Most commitments only made to highly trained technical and administrative employees within managerial structure.
  + Lack of workers traind in industrial skills between the wars, small number of innovative enterprises began developing formal training and promoting schemes.
  + Despite this there was emergence of class conscious protest movements by those workers on low pay in unstable employment.
  + Intensified industrial unrest of 1920s sparked off a brief policy debate between those who favourd the british approach and those heirs of Japanese transplant. Japs won.

**3. Depression, War and Divergent Development:**

* Depression changed everything. In US intimations of welfare capitalism gave way to intensifying industrial conflict which became increasingly institutionalised.
* Both germany and japan, a mixture of repression and patriotic mobilisation put an end to the class conflict of early 1930s, only to set up the 2 nations for a devastating defeat at hands of the allies.
* What emerged in germany and japan from ww2 were distinctive capitalist regimes characterised by substantial worker-manager cooperation and less w-m in-equality of power and reward than in other coutries.
* Despite increase in government intervention into economy under the new deal it would take entry into ww2 to pull the nation out of depression. 1940-enemployment rate 14.6%
* During ww2 government spending vastly increased the research capabilities and production capacity of the major corporations.
* **D**
* Us dominated the post war world economy, over 40% of world GDP in 1950.
* Wartime expansion continued with demand generated by European reconstruction. Throughout this process, managerial control of enterprises was strengthened.
* Corporations and state joined forces to keep the growing poer of the industrial unions in check.
* The institutionalisation of collective bargaining and seniority provisions of labour contracts imporved the stability of employment and levels of pay for blue collar workers.
* Arms spending deepened technological relations among corporations, research unis and the military.
* D
* Legacy of depression in Britain was the victory of labour party in 1945 election.
* Dire need of modernistaion greatly increased the role of the state.
* In private industries, large firms increased their preponderance and takeover movement of late 1950s finally reduced the scale of family ownership and family control.
* Salaried managers who took control of companies still sought to emulate the aristocratic british elite and segmented themselves from interaction iwht technical specialist remaining reliant upon shop floor workers to manage skill formation and work org.
* By 1960 a from of managerial capitalism had evolved in Britain but one which compared with the managerial capitalisms theat had emerged in other advanced economies, britihs managers exercised little power over the stakeholders.
* D
* In nazi germany the highly concentrated industrial sector provided ready foundations for its coordination to mobilise the economy for war.
* Prep for war led to strengthening of linkages among companies through nazi policy of enforced cartellisaiton.
* 1940s- transformed the economy trad sectors forcing smaller enterprises to integrate their operations with those of larger combines.
* Intervened to shape the skill formation system by integrating the apprenticeship training structures in hadwerk sector with industrial needs, thus laying the foundation for the modern german system of apprenticeship.with onset of cold war, the perceived importance of a strong west german economy as a bulwark aginst the soviets led to a declin in the commitment to this path.
* What emerged- ordo-liberal ideology, tough competition policy, compulsory kammern membership, still strong and strongly hierarchical sectoral business association, a reinforcement of a collectively orientated training system.
* Post war period- class conflict became continued on the one hand by the institutionalisation of the zero sum element of the employment relationship in a highly organised wage-bargaining system through industrial sector union, and on the other by institutionalisation of the positive sum elements in the system of codetermination.
* D
* Japanese wartime mobilisation learned alot from the german- the imperative integration of small firms supply networks which laid foundation for modern syste of long term subcontracting.
* The young officer conspiracies assassinated leading zaibatsu managers as well as bourgeois politicians.
* Managers were accused of being more interested in extracting revenues from firms through dividens and bonuses than committing these financial resources to further development of enterprise and hence nation.
* When war came industrial mobilisation was in the hands of men who believed passionately in organisational efficiency, but not in shareholders rights.
* During war, stock exchange closed, bureaucrats directed the allocation of bank loans to particular enterprises.
* Industry control associations run by experienced managers also rationalsed trading relations of parts suppliers and contolled the allocation of raw materials.
* Officials used power to replace shareholder representative with experienced and competent managers.
* Until arrival of foreign firms in 1980s, japan had practically no external labour market for executive talent.
* Post war dissolution of the zaibatsu under the allied occupation served to consolidate this wartime shift in control over the allocation of corporate resources.
* Managerial control left in the hands of third rank exes.
* Reopening of stock exchange 1949, these corporate managers refashioned in a much looser form the inter fimr and firm bank relationships of the zaibatsu system by building a web of cross shareholding with other companies.
* Cross shareholding system allowed enterprise to maintain control over its revenues for the sake of developing its org and technological capabilitie.
* The militant movement of the immediate post war period was dominated b eladers bent on the replacement of capitalism by socialism.
* By 1950s a settled compromise that recognised the negotiation and consultation rights of enterprise unions and an implicit commitment
* Japanese household consumption grew on the basis of the ability of lifetime employees to share in the prosperity of their companies nad the high level of income equality engendered by taxation and farm subsidy.