Review Essay

All on the Way to ‘Capitalism American Style’?

MEHDI PARVIZI AMINEH AND HENK HOUELING


“For my argument is that we must analyse the whole ... to account for the development even of any of its parts, including that of Europe.”

A.G. Frank

ReOrient. Global Economy in the Asian Age

1. Introduction: The World-economy Context of National Systems of Political Economy

The quote above from Frank reminds us of the banal truth that no ‘inside account’ of economic development of the now high-income economies will be complete without connecting domestic institutions of these countries to their external expansion by war, trade, plunder and investments. It is in this spirit that we review Models of Capitalism.

The review article is organized in the following way. Section 1 is about the global context of competing national systems of political economy of high-income countries. The rationale of this part of the review is to assist the reader to better comprehend the position in the global system of the national systems of political economy under study in Models of Capitalism. The three volumes under review are about national systems at the apex of wealth and power in the global order. The upward mobility of today’s high-income countries towards the top-rank in the global order cannot be
understood at the national or regional level of analysis. It is during the last 150 years that the ‘rise of the West’ to the apex of world order in terms of wealth and power has been consummated.

In section 2 the reviewers set out the argument why in their minds Coates’ work is important for comprehending issues in managing high-income economies and their relations with the rest of the world.

Section 3 is about the organization of the work; in section 4 our conclusions follow.

In 2002, World Gross Product, in current exchange rates and prices, was $31 trillion, 927 billion. The share of high-income OECD societies in World GDP in that year amounted to 79% (UNDP 2004: 186-87). In other words, in that year approximately 15% of world population produced and consumed almost 4/5 of world income.

In pre-industrial times, domestic income inequality is believed to have outpaced inequality between societies. Imagine a frequency distribution of societies according to their income per capita (see Figure 1). Up to the mid-19th century most societies, including the high-income countries of today, are believed to be located somewhere in the middle section of that distribution (Maddison 2001, Table 1.2: 28). In the course of less than two centuries, a twin-peak distribution has emerged. In one peak, we find high-income societies. The bottom part of the configuration depicts the spread of per capita income of low-income countries (Quah 1997: 27-59). The change over time in the configuration of cross country inequality given in Figure 1 has been achieved quite recently, that is in the last 150 years.

Colonization of North America by migrants from Europe, subjection of societies in the tropics by the powers of the western world and exchanging their raw materials for manufactured products, are transactions at the system level. In other words, to better understand how high-income societies got so rich, requires recourse to the global system level, in addition to their national-level or regional level characteristics.

In Figure 1 above, the world’s middle income layer begins to vanish after the 1850’s. The middle class is the bulwark of stability in any society, presumably also of world society. The vanishing middle class transforms the multi-layered global society into the polarized one of our time.

According to the direction of the arrows in Figure 1, the somewhat better-off societies [in Western Europe] of the 1850’s turned into the high-income elite of today. That is indeed the case. These countries, however, were joined by a few upstarts, Japan, the US and Australasia. Figure 1 implies that poorer societies in the 1850’s find themselves in the lower-income peak of today. That suggestion is equally true.

A note of caution is required about the suggestion of Figure 1 that societies survived over the 150s years trajectory of upward, respectively