
Geoffrey Jones

This edited volume brings together the results of a unique decade-long collaborative research project on the historical evolution of Dutch business in the twentieth century. The authors include many of the leading figures in Dutch business and economic history. The editor is an internationally acclaimed doyenne of the discipline of business history. The organizing framework of the volume is the concept of the ‘Varieties of Capitalism’. The book seeks to test whether or not the history of Dutch business supports or challenges this much debated political science theory.

The varieties of capitalism literature originated in a book published by the American and British political scientists Peter Hall and David Soskice in 2001. They argued that there were two different types of capitalism. Liberal Market Economies (LMEs) coordinate transactions through arms-length exchanges and market forces. They include countries such as Britain and the United States, where there is little role for government, and where trade unions, for example, have limited say in economic decisions. In contrast, in Coordinated Market Economies (CMEs), transactions are coordinated through societal stakeholders. Decisions were reached more through consensus between all the parties involved. Hall and Soskice argued that these economies included Germany and Japan, as well as the Netherlands.

The authors were at pains to argue that contemporary globalization was not inevitably resulting in a convergence of systems, but rather each system had different merits. CMEs benefitted from co-operation and were good at incremental innovation. LMEs were more risk-taking, and able to move more quickly. Hall and Soskice saw the institutions of both systems as complementary. For example, in CMEs, vocational training systems, relational banks and an emphasis on quality rather than price competition were intimately linked with each other. Hall and Soskice also saw the institutions of both systems as path dependent, evolving over familiar paths, with changes hard to make and potentially disruptive.

For business historians, the Hall and Soskice argument that the capitalist system differs between countries was not surprising. The nature and consequences of such differences have been at the heart of the subject for decades, manifesting themselves in often futile debates on ‘British economic decline’ or ‘Japanese economic success’. In 1995 a text book by the Harvard business historian Thomas McCraw called Creating Modern Capitalism, which compared Britain, Germany, Japan and the United States, even had a sub-section entitled ‘Varieties of Capitalism’.

98
It is, therefore, slightly surprising that a number of business historians, including
the authors of a text book on the history of Nordic capitalism, have sought to make
use of the Hall and Soskice model rather than previous publications in their own
field. Such studies have concluded that the varieties of capitalism model fails to
capture the complexity of historical changes over time, and is misleading in pre-
senting institutional arrangements as fixed and slow to change, while in reality
they are always in flux. Inevitably, this is the principal conclusion of the present
volume also. The book as a whole demonstrates clearly that the Netherlands could
be regarded as a LME before the interwar years, then moved to being a more
coordinated economy, and then from the 1990s became more liberal again. The
same historical story could be told, with numerous local nuances, of practically
the entire Western world, and even Japan. ‘It becomes clear’, Sluyterman notes in
an admirably clear editorial introduction, ‘that the generalizations of Hall and
Soskice captured a moment in time and described the developments in the
1990s’ (p.18).

If the overall conclusion, that the Hall and Soskice model is not of much value
for historical analysis, contains little element of surprise, the journey is well worth-
while. Each of the chapters contains rich empirical research and demonstrates the
benefits of fine-grained analysis and careful nuancing. Unlike Hall and Soskice,
each chapter shows how things change and, more importantly, explore why they
changed. Erik Nijhof and Annette van den Berg, for example, offer an authoritative
account of the history of Dutch industrial relations, vocational training and em-
ployee representation. They show how a specific event, World War I, resulted in
employees, employers and the government coming together. They have remained
closer than in, say, Britain, ever since. However the authors also show there have
also been changes within the basic model, with the role of government declining
in recent years.

Beyond demonstrating that things change, the chapters do a good job in ex-
posing weaknesses in the overall Hall and Soskice model. In a fascinating study of
the evolution of technological innovation in the Netherlands, Mila Davids and
Harry Lintsen show both that things changed over time and that at the same
historical moment there can be different things happening. The Netherlands was
distinctive in being the home of major multinationals, such as Philips and Royal
Dutch Shell and the authors show that their innovation resembled the LME model
of the United States, with a limited role for government and inter-firm collabora-
tion. In contrast, the innovation undertaken by many small firms resembled was
more CME-like, with inter-firm collaboration and a greater government role. An
insightful chapter by Abe De Jong, Ailsa Röell and Gerarda Westerhuis, which
explores the changing roles of shareholders in Dutch corporate governance,
shows how the same word can mean quite different things in different historical
periods. In LMEs, the interests of shareholders are allegedly dominant, while in CMEs the interests of multiple stakeholders were taken into consideration, including labour. The chapters confirm that the position of shareholders in the Netherlands was more LME-like in the early twentieth century and since the 1980s, and more CME-like in the intervening period. However the really interesting part of the argument is that they show how the concept of shareholder varied over time. The category meant mainly family shareholders at the beginning of the period, but in recent decades it has comprised large institutional shareholders, such as pension funds. In another chapter, Bram Bouwens and Joost Dankers examine business interest associations, cartels and other inter-firm arrangements. They appear to confirm the Hall and Soskice view that Dutch business was ‘coordinated’ for much of the last century, but then go on to show how such an argument oversimplifies matters, because the way it was coordinated varied greatly over time.

The three remaining essays also raise fundamental issues about the Hall and Soskice model. Jacques van Gerwen and Ferry de Goey, in a chapter on entrepreneurship, provide a welcome comparative element as they compare and contrast entrepreneurial activity in the Netherlands with Britain, Germany and the United States. Their most interesting observation is more conceptual. Although Hall and Soskice claim that their model made an important contribution to the existing political science literature on comparative capitalism by emphasizing that the firm was a key actor, van Gerwen and de Goey highlight that in reality their work gives little agency to firms, and indeed has nothing to say about entrepreneurship. The chapter by Keetie Sluyterman and Ben Wubs deals with the role of multinationals in the highly globalized Dutch economy, a topic not well-addressed by Hall and Soskice. They do not find, historically, that multinationals were overwhelming drivers of convergence, as the foreign subsidiaries of Dutch firms and the Dutch subsidiaries of foreign firms, tended more to conform to local norms than impose their home country practices. Yet the authors also suggest that in the most recent era of globalization, multinational firms were significant actors in steering the Dutch economy in a more LME direction. A final essay by Jan Luiten van Zanden tackles the issue whether and how different models of capitalism impact performance. As the author makes clear, this question is virtually impossible to answer because there are multiple other variables impacting performance, but it would appear that the era when the Dutch economy was very ‘coordinated’ after World War II saw distinctive declines in equality and good industrial relations.

This book represents business history scholarship at its best. It shows the contribution which empirical research can make to challenging ahistorical models developed by social scientists. However the approach of using a somewhat flawed social science model to organize historical research is more problematic. It serves
as a form of straightjacket, forcing the authors to constantly state the obvious – that the variety of capitalism concept is static and fails to explain change. The varieties of capitalism approach also traps the authors in the framework of the nation state, which is still the optimal unit of analysis for political scientists, but which business historical research is moving away from in favour of local, regional and transnational research agendas. Business historians need to have the confidence to develop their own, historically-informed, organizational frameworks.

Geoffrey Jones
Isidor Straus professor of business history Harvard Business School at Boston.