

Preface

This book is one of two volumes that resulted from a these-year research project that began when we first met at a conference in Hawaii in September 1995. At the conference, which was an land-use regimes in different types of market economies, we presented background papers an the economic institutions of German and Japanese capitalism.¹ In subsequent discussions—mostly over meals and during coffee breaks—we became fascinated with the many similarities between the two capitalisms, the no less intriguing differences between them, and the differences between the two and Anglo-American "standard capitalism." While the research questions and policy problems associated which these seemed frighteningly complex, they also seemed of enormous significance and attraction.

Hawaii is a place that makes the impossible appear feasible. There obviously was no simple way to investigate the social origins, the economic consequences, and the political prospects of German and Japanese capitalism. Any undertaking as daunting as this would require the combined effort of scholars from a variety of disciplines and with very different research experiences. Nevertheless, it was resolved an the last evening of the conference—optimism squelching caution as we watched the sun sink from the pink and blue sky over the North Shore of Oahu into the turquoise ocean beyond Turtle Bay—to try organizing a planning workshop in the spring of the subsequent year. At the time, Streeck had just moved from the University of Wisconsin-Madison to the Max-Planck-Institut für Gesellschaftsforschung in Köln, Germany, and this was where the workshop took place in June 1996.

1. The conference proceedings are now published in Cho and Kim 1998.

Participants were Ronald Dore (London School of Economics), Gregory Jackson (then still at Columbia University), Peter Katzenstein (Cornell University), Herbert Kitschelt (Duke University), Stephen Krasner (Stanford University), Gerhard Lehmbruch (Universität Konstanz), Philip Manow (Max-Planck-Institut), and T.J. Pempel (University of Washington Seattle).

The mid-1990s were a time when the economic fortunes of Germany and Japan had radically deteriorated compared to the previous decade and to a newly prosperous United States. The two economies, which had for so long been extremely successful in international competition, seemed to be finding it unexpectedly and increasingly difficult to cope with accelerating internationalization and the "borderlessness" of economies of the post-cold war world order. This was a development few had anticipated. In the 1980s, the obvious question for a comparative study of the German and Japanese political economies would have been the reasons for their apparent superiority over Anglo-American capitalism. In fact, Wolfgang Streeck had for some time talked with Ronald Dore about a joint study on exactly this topic—a project that was pre-empted not only by Michel Albert's *Capitalism vs. Capitalism* (1993) and other contingent events, but also by the empirical reality of German and Japanese crisis accompanied by a robust return of American economic hegemony. And Kozo Yamamura, who had coauthored a book with Walter Hatch, *Asia in Japan's Embrace: Building a Regional Production Alliance* (1996), was finding many of the book's central arguments, such as Japan "exporting" its efficiency-promoting close interfirm relationships (*keiretsu*) to Asia and the resilience of government-business and management-labor cooperation, less and less persuasive in the second half of the 1990s.

To many, the crisis of the 1990s was the result of a mismatch between the German and Japanese economic institutions and the demands of a changed economic and political environment. Both inside and outside the two countries, there was a growing belief that their socially embedded economic institutions had turned from assets into liabilities for future performance. Pressures were mounting for German and Japanese capitalism to restructure so as to fit better with a much less regulated international political economy. Indeed, there were strong tendencies in both countries for far-reaching institutional change in the direction of a less regulated, Anglo-American version of capitalist economy—the same sort of institutional arrangement that a short time earlier had appeared hopelessly in decline. Suddenly, the main question was whether Germany and Japan, confronted with the political and economic challenges of economic internationalization, had to give up their distinctive institutions and the specific competitive advantages these seemed to have produced in the past, or whether they would be able to adapt and retain such institutions and restore their economic competitiveness without losing their social cohesion.

The 1996 planning workshop concluded that the future-oriented perspective of the envisaged project required extensive opportunities for discussion among a diverse group of scholars knowledgeable in political economy, as well as detailed new research on a variety of subjects. A first conference was held in April 1997 at the University of Washington in Seattle, where participants presented work-in-progress and research proposals for comparative studies on the German and Japanese political economies. In addition to the editors and the participants in the planning workshop, paper-givers included Robert Boyer, John Haley, Hiroshi Iyori, Fumio Kodama, Ikuo Kume, Mikio Matsui, Yukio Noguchi, Tsutomu Tanaka, Kathleen Thelen, Sigurt Vitols, and Steven Vogel. Two more conferences followed, one in January 1998 at the Japanisch-Deutsches Zentrum Berlin (JDZB), and another in June 1999 in the new building of the Max-Planck-Institut in Köln. On both occasions the group was joined by other authors of comparative research on Germany and Japan who contributed papers, including Heidi Gottfried, Erica Gould, Ulrich Jürgens, the late Frieder Naschold, and Jacqueline O'Reilly. A companion collection to the current edited volume is in preparation that will include project contributions focusing on the future of German and Japanese "nationally embedded" capitalism in a global economy.

During the long collective effort to assess the prospects of German and Japanese capitalism and its nationally distinctive institutions, we became keenly and increasingly aware that the institutional analyses the group relied upon would be greatly improved by a better understanding of the historical background of the German and Japanese "models" of the 1970s. How had these been assembled in the past? What had made their various elements cohere, and what had made for their distinctiveness? How had they changed? What was the role of culture and politics, of path-dependent evolution, and of external shocks? How had markets fit in, and how had the two countries in the past dealt with pressures for liberalization? Early on, the group discovered that some of the conference papers had the potential, if properly elaborated, of contributing new insights on these issues. Moreover, the fledgling historical papers that could be discerned among the many early project manuscripts happened to address the areas of corporate governance, financial markets, training, and social security—issues clearly fundamental to the construction and identification of "models of capitalism." When the editors succeeded in convincing the authors that only a minor effort was required to turn their initial pieces into publishable manuscripts, the idea of an "origins volume" to supplement the "forward-looking" volume took root.

Thus, what was originally believed to be no more than a side activity

mainly if not exclusively to inform and enlighten other project participants, slowly turned into a research project in its own right. As always in such an undertaking, everything took longer than expected. A series of workshops in Köln brought together authors from the present volume for intensive discussions of successive drafts. The reader will have to judge whether the product is worth the effort. But to entice potential readers, we may be allowed to point to the truly interdisciplinary character of a book that undertakes to combine insights from history, economics, sociology, and political science. Indeed, we feel entitled to state that we know of no other study looking in such detail and by major policy sectors at the historical origins of the distinctive German and Japanese institutions of economic governance and their integration into cohesive national "models of capitalism."

While monographs may sometimes be preferable to collected volumes, we think it obvious that a book like the present one could not have been written by any single author, given the high demands it makes on empirical knowledge of the history of economic governance in two countries in which, in spite of many politically and systematically important parallels, very little directly comparative research exists. And finally, while the book will be useful to specialists in, say, corporate governance or the study of the welfare state, it also shows the potential of economic sociology in general, as well as of an approach to economic history that aims at systematic understanding and not just historical description.

In discharging our debt of gratitude to those who have helped us make this volume possible, we feel we should first mention the authors of the five chapters—Gerhard Lehmann, Philip Manow, Gregory Jackson, Sigurt Vitols, Kathleen Thelen, and Ikuo Kume—who have contributed to the Germany-Japan project far beyond the call of duty by agreeing to produce yet another chapter in addition to the one they were preparing for the other, "forward-looking" volume. We are also much obliged to those who participated in our various conferences and drew our attention to important questions and answers. This includes a number of participants who for different reasons did not contribute research papers but acted as discussants, thereby enriching our thinking and helping our project broaden its perspective. Among them are Masahiko Aoki, Harald Baum, Angelika Ernst, Susan Hanley, Anke Hassel, Kenji Hirashima, Thierry Ribault, Michael Shalev, Karen Shire, Akira Takenaka, and Hajo Weber.

Of course, had it not been for the generous and sustained support of the Tamaki Foundation in Seattle, nobody could ever have come to any of our conferences as we would not have been able to fund them. And had it not been for Wolfgang Brenn and the Japanisch-Deutsches Zentrum Berlin, we would have had to do without a memorable conference in the new German capital.

This conference included a public session on the future of the German and Japanese models. Among those attending were Klaus Murmann, former president of the German Employers' Confederation (BDA), Kazuo Nukazawa (Keidanren), Noriko Hama (Mitsubishi Research Institute, London), Rainer Hank (Frankfurter Allgemeine Zeitung), Hans Jürgen Krupp (Landeszentralbank Hamburg), Tsutomu Tanaka (Chuo University Tokyo), and Norbert Walter (Deutsche Bank Research). It also included a visit to a Japanese restaurant which provided conference participants with unexpected insights into the transformation potential of Japanese cuisine abroad.

Our most heartfelt appreciation, however, goes to Martha Walsh in Seattle and Gregory Jackson in Köln. Martha transformed Germanic, Japanese, and bad English into good English while issuing stern administrative guidance to authors reminding them to respect logical consistency, accuracy of facts, and accepted translation and uses of terms. And Greg, in addition to contributing a chapter to each of the two volumes and working on his dissertation, held it all together by keeping track of an unending stream of manuscripts, conference participants, and visitors. We have no doubt that without their help, we would never have been able to bring this project to a good end.

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