PANOECONOMICUS, 2019, Vol. 66, Issue 2, pp. 273-276 Book review
Received: 16 January 2019.

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Varieties of Capitalism in Southeast Asia

by **Joel David Moore**

Palgrave Macmillan, 2018.

The discussion of development in relation to capitalist diversity has become one of the hottest topics among political economists in the last two decades or so. Especially since the publication of Hall and Soskice's seminal work in 2001 (Peter Hall and David Soskice 2001), a vast literature that aimed to explain varieties of capitalism (VoC) in different regions of the world by criticizing, modifying, and expanding the initial framework's analytical vision has accumulated. In his *Varieties of Capitalism in Southeast Asia*, Joel David Moore focuses on VoC and employs "a modified version of the VoC framework to conceptualize the differences between developing economic systems and to explore their determinants in a systematic way" (p. 2). The author applies his framework to Thailand, Malaysia, and Singapore and rightly claims that his findings have strong implications for other developing countries.

The primary objective of Moore is to contribute to VoC theorization, which is outlined in the first two chapters of the book. At the beginning of the analysis, Moore is particularly interested in the literature that tries to explain the origins of divergent institutional constellations that form different types of capitalism with reference to the role of veto players in the process. As such, Moore briefly reviews how liberal market economies (LMEs) and coordinated market economies (CMEs), that is two ideal types commonly put forward in VoC, emerged: "as the number of veto players increases, investors, managers, and workers become more willing to hold co-specific assets and form coordinated governance institutions" (p. 4). In that process, "policy volatility is … the key mechanism … linking veto players and types of capitalism" (p. 5). The main idea is that in the presence of policy volatility (frequent policy shifts), which is inversely related to the number of veto players, political economy actors are not incentivized to acquire co-specific assets, and therefore, they invest in coordinated market institutions. Then, based on an elaboration of veto players literature with reference to autocratic regimes, Moore derives two puzzles: "why do some single veto player regimes resemble coordinated market economies and others defy characterization in the VoC/VP (veto player) framework", and "why might countries with a very high number of veto players not act as expected (developing coordinated governance institutions)" (p. 6).

To be able to address the puzzles, Moore expands the analytical lens of VoC by integrating the concept of "systemic vulnerability" to the framework. "Systemic vulnerability" is borrowed from Richard F. Doner, Bryan K. Ritchie, and Dan Slater (2005), and stipulates that the political elites are encouraged to build pro-development institutions only in the simultaneous presence of external threats, risk of massive social unrest, and resource scarcity. The core of Moore's analytical frame is, "together, the number of veto players and the level of systemic vulnerability are expected to influence economic governance institutions by shaping the policy environment and thus the micro incentives facing workers, investors, and managers" (p. 27). Moore specifically focuses on single veto player and excessive veto player governments, and defines three degrees of vulnerability: low, medium, and high. Thus, there are six possible theoretical outcomes. The framework expects that coordinative economic governance institutions emerge only in the simultaneous presence of a single veto player and high vulnerability: in case there are moderately vulnerable mixed institutions, and in case low vulnerability, hierarchical institutions emerge (when there is a single veto player). Irrespective of the degree of vulnerability, excessive veto player governments lead to particularistic policy environments, and thus hierarchical institutions (except for high vulnerability, which leads to a case that cannot exist for long). Here, Moore considers hierarchical market economies (HMEs) as a third type of capitalism, following Ben R. Schneider (2013).

One of the exciting points about the book concerns the elaboration of systemic vulnerability concept. The concept is initially designed to shed light on state formation processes and their subsequent effects on institutions, as Moore puts forward. However, Moore "relax(es) the assumption of path-dependency and assess(es) changing values over time" (p. 26). This is a valuable attempt, albeit debatable. Perhaps it would have been better if Moore had justified this analytical departure by engaging with the literature on institutions and institutional change. Furthermore, systemic vulnerability is commonly elaborated at the national level as Moore notes. Yet, Moore also utilizes the concept to shed light on institutional divergences among states in a country – the case in point being Malaysia. This is also an intriguing attempt. In any case, Moore allows some variation in the degree of vulnerability and its impact on institutions, and analyses the cases accordingly – Thailand, Malaysia, and Singapore. In each empirical analysis, the following order is maintained in elaboration: constraints (systemic vulnerability and veto players), policy environment (Moore distinguishes between macroeconomic and sectoral policy), economic governance institutions (Moore focuses on corporate governance and inter-firm linkage institutions – not all institutional domains outlined in VoC), and electronics and electrical appliance industries (Moore turns a keen eye on these industries).

Accordingly, in Chapter 3, the longest one with 71 pages, Moore analyses Thailand in six distinct periods between 1957 and 2006, which reflect both single and excessive veto player governments facing low, medium, and high systemic vulnerability. In Chapter 4, the second longest one with 43 pages, Moore elaborates the Malaysian case, where the variation is regional instead of longitudinal. He compares the Penang state government with the rest to see how differing levels of systemic vulnerability give birth to divergent institutional configurations, even in different regions of the same country. Chapter 5 briefly examines Singapore (12 pages) where coordinated institutions emerged under the condition of a single veto player and high systemic vulnerability. Chapter 6 shortly compares the cases and concludes by examining alternative explanations and further implications (11 pages). Overall, the empirical chapters provide concise historical accounts of the cases – especially Thailand and Malaysia. However, perhaps it would have been better if Moore had cited more works or referred more to primary sources. This could have helped readers who are not very familiar with the cases or seek to follow the argumentation more closely.

Moore's piece has many merits and the author provides attention-grabbing analyses throughout the book. Moore's engagement with theory and empirics would be especially appreciated by scholars who praise the parsimony of VoC stance; and the book is a must-read for them. Moore constructs an elegant analytical framework by harmonizing the propositions and insights of different literatures on VoC, veto players, and systemic vulnerability, and applies the framework to highly relevant cases – Thailand, Malaysia, and Singapore. In this regard, the book is an ambitious and inspirational project. The findings are suggestive for other contexts, although confident generalizations are difficult to make, as also noted by Moore. Another merit of the book is that it explicitly puts forward many limitations of the analysis, which is expected from any high-quality work.

On the other hand, many recommendations can be made. First, a considerable amount of literature is accumulated on VoC; and more engagement with that scholarship would have better contextualized the book and clarified some of its core propositions. This is especially the case regarding the emergence of institutions and dynamics of institutional change. In some cases, Moore derives sharp expectations on the origins of institutions by equating it with the number of veto players; and those are attributed to VoC approach. To illustrate, Moore notes, "risk of radical policy shifts may remain higher in non-alternating single veto player governments than would be suggested … if this were so, (VoC framework) would expect single veto player autocracies to be liberal market economies." Does VoC (as a whole) form such strong expectations by only taking veto players as the sole determinant of capitalist diversity? In addition, Moore does not make an analytical distinction between the emergence of institutions and their later development even though these two are analytically different phenomena. Thus, maybe the framework's analytical rigor could have been more clearly articulated if various definitions of institutions, origins of institutions, and causes of institutional change had been elaborated in a separate section.

One can discuss many further strengths and potential drawbacks of *Varieties of Capitalism in Southeast Asia*, but I think Moore's analysis is a valuable addition to the scholarship. First and foremost, it is a thought-provoking endeavor. The analytical framework is elegant; and the ways in which the systemic vulnerability concept is integrated with the analysis is intriguing. The book focuses on Southeast Asia, one of the most curious regions in the world, and offers key insights for other contexts. I recommend the book to scholars who are interested in VoC, wider discussions on development, and theories of institutions and institutional change.

References

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