DIVERSITY IN GLOBALIZATION

Organizational Change in Argentina, South Korea and Spain

Mauro F. Guillén

Discussants: Evelyne Huber and Michael Mosher

JANUARY 2000, PAPER NUMBER 6

The Occasional Papers of the School of Social Science are versions of talks given at the School's weekly Thursday Seminar. At these seminars, Members present work-in-progress and then take questions. There is often lively conversation and debate, some of which will be included with the papers. We have chosen papers we thought would be of interest to a broad audience. Our aim is to capture some part of the cross-disciplinary conversations that are the mark of the School's programs. While members are drawn from specific disciplines of the social sciences—anthropology, economics, sociology and political science—as well as history, philosophy, literature and law, the School encourages new approaches that arise from exposure to different forms of interpretation. The papers in this series differ widely in their topics, methods, and disciplines. Yet they concur in a broadly humanistic attempt to understand how—and under what conditions—the concepts that order experience in different cultures and societies are produced, and how they change.

Mauro F. Guillén is Assistant Professor of Management at the Wharton School of the University of Pennsylvania. Evelyne Huber is Morehead Alumni Professor of Political Science at the University of North Carolina-Chapel Hill. Michael Mosher is Associate Professor of Political Science at the University of Tulsa. All three were members of the School in 1998-99.

During 1997-2000, the School was engaged in a four-year focus on the process of globalization and different local responses to it. The 1998-99 seminar addressed questions particular to political economy, to the interrelated processes of economic globalization and political change as they are manifest in various parts of the world. Of all the papers we have chosen from the 1998-99 seminar, Guillén's paper perhaps most directly addresses the topic. His aim is to understand how governments, firms and labor unions position themselves within the global economy. Trained both in Political Economy and Sociology, Guillen found that existing theories of economic development did not sufficiently take account of the social and historical factors that help shape economic decisions. They tended, therefore, to see "globalization" as a monolithic force compelling the behavior of governments, firms and labor unions along a single evolutionary path (often cast as modern progress). Working from the institutional tradition in social science–one that emphasizes a comparative approach—Guillén's new "institutional perspective on development" proposes instead to see "globalization" as a series of distinct and diverse solutions made by countries and firms that allow each to find a unique place for themselves in a global economy. In his view, the rise of cross-border trade and investment, and interdependence among social and political units in the world promotes diversity rather than homogeneity. To demonstrate this thesis, Guillén made comparative case studies of three countries that have pursued different developmental paths. But as much as this paper gives evidence of a massive empirical project, it is also a work of rather passionate persuasion: Guillén has found that his scholarship gives rise to an optimistic vision of a more hopeful future.

—Debra Keates, Series Editor

Diversity in Globalization: Organizational Change in Argentina, South Korea and Spain

Conventional wisdom has it that the world is undergoing rapid globalization. Although academic and popular writers have described this process in a myriad ways, there seems to be wide agreement among those who claim globalization is in fact happening that it compels countries, industries and firms to converge towards a single, most efficient or adaptive, pattern. I argue against this modernist, flat-earth view of globalization. Countries and organizations do not gravitate towards a supposedly universal model of economic success in order to cope with globalization, as a few dissenting voices have pointed out. Rather, they strive to be different, namely, to leverage their unique economic, political and social advantages in the global marketplace. In this paper I first outline the contours of the debate over globalization and economic development, then illustrate the dynamics of organizational change under conditions of globalization with a comparison of the wine and liquor industries of Argentina, South Korea and Spain. Lastly, I compare the ways in which these three countries have coped with globalization and raise a number of key issues about this cardinal process of our time.

I. GLOBALIZATION AND DEVELOPMENT

Observers and theorists of globalization have variously argued that the rapid increase in cross-border economic, social, technological and cultural exchange is civilizing, destructive or feeble, to borrow Albert Hirschman's (1982) celebrated metaphors. Harold Levitt's "Globalization of Markets" (1983), Kenichi Ohmae's *Borderless World* (1990), and John Naisbitt and Patricia Aburdene's *Megatrends 2000* (1990) all promise a world of boundless prosperity and consumer joy as a result of globalization, i.e. the global as civilizing. In sharp contrast to this view, the historian Paul Kennedy warns in *Preparing for the Twenty-First Century* (1993) against our lack of structures to deal with a global world, while political economist Dani Rodrik rings a similar bell of alarm in *Has Globalization Gone Too Far?* (1997) concerning the increasingly free international economic and financial flows. Like in the civilizing view, the destructive interpretation regards globalization as leading to convergence, albeit predicting harmful rather than beneficial consequences. Unlike the adherents to either the civilizing or the destructive views of globalization, there are also a few skeptics who see globalization as a feeble process that has failed to advance enough to challenge the nation-state and other basic features of the modern world, namely, Paul Hirst and Grahame Thompson's *Globalization in Question* (1996), and Robert Wade's "Globalization and Its Limits" (1996). As captured in Figure 1, the literature on globalization has grown over the last fifteen years much faster than the economic, political, social or demographic phenomena which it supposedly attempts to document and explain.[1]

In this paper—and in the book on which it is based[2]—I cast doubt on the civilizing and destructive metaphors of globalization by documenting that this process actually encourages diversity in economic action and organizational form rather than convergence. I also refute the feeble metaphor on the grounds that globalization is in fact redefining the modern world as we knew it. My argument about diversity rests on the assumption that the study of globalization needs to be firmly rooted in the debate about economic development. Globalization and economic development are intimately related to each other (Giddens 1990:63-65; Kobrin 1998; Sklair 1991; Waters 1995). In fact, globalization is simply impossible without development. In turn, globalization is not only the result of an intensification of long-standing trends—such as increasing cross-border flows of goods, money and people, and a growing mutual awareness and interdependence among social, economic and political units in the world—but also the very context in which development has taken place during the post World War II period. Economic development is about finding politically feasible, ideologically tolerable, and economically workable combinations of domestic and foreign resources to promote growth. Obsessed with the obstacles to economic growth, previous theories of development neglected that countries and firms look for ways to be different. An institutional perspective on development emphasizes how countries and firms seek to find a unique place for themselves under the sun of the global economy.

While most previous theories of development have seen global forces as tending either towards convergence or towards duality and oppression, there is ample evidence suggesting that governments and countries can and do exercise choice in the global economy (Boix 1998; Campbell 1998a; Garrett 1998; Gilpin 1987; Haggard 1990). In making decisions, they follow their political and ideological instincts and preferences, and they try to strike a balance among competing claims and pressures. Like governments, organizational actors such as labor unions and firms also respond in a variety of ways to globalization, adopting different approaches and organizational forms. Following economic sociologists (Smelser and Swedberg 1994), I take actors' preferences as problematic, and assume that they may shift over time as they learn how to cope with globalization.

Theoretical Approaches to Development and Globalization

Economic development and globalization have always been central research topics in the social sciences. Right from their beginning as scholarly disciplines, sociology and economics concerned themselves with industrialization and socioeconomic change (Giddens 1990; Robertson 1992; Smelser 1976; Smelser and Swedberg 1994). Such pivotal social scientists as Comte, Saint-Simon, Spencer, Marx, Durkheim, Weber and Parsons developed theories to understand the social and economic change induced by industrialization, and could be considered as pioneering theorists of globalization as well (Albrow 1997; Robertson 1992; Waters 1995). However, the systematic study of the causes of economic development and underdevelopment, and the formulation of specific prescriptions as to how to generate economic growth, did not start until the end of World War II. The time was then ripe for development studies to flourish: economies had to be reconstructed, colonies were emancipating themselves, and the two superpowers competed with each other to extend their influence throughout the developing world (Bell 1987; Gereffi 1994b; McMichael 1996). Not surprisingly, the first students of economic growth adopted a "developmentalist" approach, first cast in terms of modernization and later of dependency.

The publication of Walt W. Rostow's *Stages of Economic Growth* in 1960 marked the heyday of modernization theory. In his view, countries progress from "undeveloped" to "developed" via five stages as long as the right value incentives are in place: traditional society, preconditions for take-off, take-off, maturity, and high mass-consumption. Each stage is a prerequisite for the next because new political, economic and social institutions make possible ever more economically advanced and differentiated activities over time, a point also underscored by Kerr, Dunlop, Harbison and Myers in their landmark book, *Industrialism and Industrial Man* [1960]. Political scientists (e.g. Apter 1965) refined the argument when asserting that the primary engine of change was a piecemeal shift from traditional to modern values, i.e., a transformation of authority structures, a perspective also embraced by many sociologists (see the review by Smelser 1976:144-163). As reflected in Table 1, the modernization approach to economic development regards globalization as a civilizing force.[3] In addition, modernization theorists thought of economic development as contributing to a "shrinking" of the world, a convergence of economies and societies, a trend towards homogeneity (Kerr et al. [1960]; see also Robertson 1992:91; Waters 1995:13-19). In their eyes, traditionalism stood in the way as the main impediment to economic growth, and development could only occur if a modernizing elite acted as the agent of change (Rostow 1960:4-12, 26). This argument translated into the prediction that large-scale enterprises would eventually dominate the economy as family firms and cooperatives decline in importance.

Modernization's tenets were challenged early on by a second strand of developmentalist thinking. During the 1950s and 1960s dependency scholars noted that developing countries were dependent on more advanced ones, often former colonizers, for capital, technology and access to markets. Dependency theorists observed that the "terms of trade" between advanced and developing countries tended to evolve against the latter, who would become more impoverished as they engaged in international trade (Prebisch 1950). Thus, the tendency of capitalist development was to create oppressive relationships between developed and underdeveloped countries as first-world multinational corporations sought to exploit their oligopolistic advantages in developing countries (Haggard 1990:16-21). According to dependency theorists, only an autonomous state bureaucracy capable of imposing a logic of import-substitution industrialization could offer a feasible solution to dependency in the long run. Thus, policies were consciously designed to discourage imports and promote local production (Prebisch 1950; Frank 1967; Cardoso and Faletto [1973]; see Table 1). Other leading theorists such as Hirschman (1958, 1968) endorsed import-substitution industrialization as one way of turning "unbalanced growth," shortages and bottlenecks into sustainable economic development, a position that stood in sharp contrast to the staged model of modernization theorists.

Immanuel Wallerstein (1974) proposed another influential theory of development that emphasized systemic patterns of dependence in the world economy. Wallerstein saw underdevelopment as the result of a country's integration into the modern "world-system" created by the capitalist development of Western Europe since the 16th century. Thus, the longer a country remains outside the world-system, the more easily it will develop (Ragin and Chirot 1984:292-294). In this view, global capitalist forces have not only generated oppression and duality between the "core," on the one hand, and the undeveloped "periphery" and developing "semiperiphery," on the other, but also a momentum of their own as the capitalist world-system inexorably experiences a series of recurrent crises that result from its inherent contradictions. Unlike dependency theorists, however, states (and not social classes) are central to world-system analysis because they manage the social problems generated by the expansion of world capitalism and thus contribute to the stabilization of the world-system (Waters 1995:22-26). Dependency theory and world-system analysis generally lead to the prediction that business groups with ties to foreign multinationals and to the state—Evans's 1979) famous 'triple alliance'—will predominate in the economy.

Dependency theory and world-system analysis lost clout during the 1980s and 1990s. Two other approaches—late industrialization and neoclassical economics—have come to dominate debates about policy making over the last fifteen years. The origin of the late industrialization thesis dates back to the pioneering work of Gerschenkron (1962), who argued that economic laggards must engage in certain price distortion and protectionist policies so as to stimulate export-oriented economic activity. More recently, Johnson (1982), Amsden (1989) and Wade (1990) have refined this model and provided extensive empirical evidence on the Japanese, South Korean, and Taiwanese cases, respectively. Amsden (1989, 1994) has provided the most elaborate account of the theory. Globalization and development are seen as processes of "catching up" which exhibit certain patterns of convergence, including the growth of large enterprises in industries similar to those found in the advanced countries. A "developmental state" is proposed as the key actor whose role it is to distort prices using subsidies and protectionism so as to encourage local firms to increase investment, production, and exports. The emphasis on export-led growth clearly sets late industrialization theory apart from dependency approaches, even though both theories see an autonomous state as the key actor. Because of its emphasis on scale economies and subsidized credit, late-industrialization theory agrees with dependency theory in predicting the rise of large business groups with arm's length relationships with foreign multinationals.

By contrast to the dependency and late development approaches, recent neoclassical theory and practice of development and reform argue that "market-friendly" policies and "getting the prices right" are the only sustainable way of achieving high growth (Balassa et al. 1986). They take globalization as a given, arguing that countries cannot possibly ignore or resist its convergent and homogenizing effects without paying a dire price. Like modernization theorists, market-driven economic reformers see the global economy as a civilizing force. Unlike modernization theory, however, gradualism is abandoned in favor of swift deregulation or transition to the free market, a strategy commonly known as "shock therapy" (Sachs 1993). Although countries are asked to dismantle most of the state regulatory apparatus, careful attention is given to the role of an autonomous technocracy that is supposed to impose a logic of market-driven reform on actors. Countries are advised to emulate a laissez-faire model, to expose their economies to the winds of global investment and trade (see Table 1). Although macroeconomists have rarely made predictions as to the resulting organizational forms, other economists have argued that in developing or transitional economies market failure is rampant. Thus, business groups emerge in order to internalize inefficient markets for managerial talent, worker skills, capital, and intermediate goods (Leff 1978, 1979; Caves 1989).

The Curse of Modernity in Development Studies and an Institutional Alternative

Modernization, dependency, world-system, late-industrialization and neoclassical theories have shared the stage of development studies and policy-making over the last half century. This book's contention is that previous theories of development suffer from an infatuation with what Jürgen Habermas has called "the project of modernity," or the revolt "against the normalizing functions of tradition" (Habermas 1983:5, 8; Guillén 1997). Modernity is "the imposition of practical rationality upon the rest of the world through the agency of the state and the mechanism of the market, [and] the generation of universal ideas to encompass the diversity of the world" (Albrow 1997:33; see also Robertson 1992:97-105). Modernism—the cultural glorification of things modern—developed a fascination towards the "regularity, continuity and speed of technology and mass production" and a taste for the "one best way" to fix social and economic problems (Guillén 1997: 697).

Common to the main five theories of development are three quintessentially modernist features. First, development is about overcoming obstacles rather than building on strengths (other than those captured by the rather narrow concept of comparative advantage in the case of neoclassical theories). Tradition, dependency, peripheral status, right prices or wrong prices—depending on the theory—are constructed as stumbling blocks standing in the way of development. Thus, countries must eliminate or circumvent such obstacles so as to develop economically (Bell 1987; Biggart and Guillén 1999; Evans and Stephens 1988; Portes and Kincaid 1989).

Previous theories of development assume not only that there are discernible, self-evident obstacles to development but also that the policy prescriptions proposed to overcome such obstacles apply to most, if not the whole range, of developing countries. Thus, little, if any, serious attention is paid to historical particularity or institutional variation when it comes to extrapolating specific success stories into general policy recipes. As Haggard (1990:9) has put it, development theories are intrinsically voluntaristic in their view of how to overcome obstacles. For them, "policy is simply a matter of making the right choices; 'incorrect' policy reflects misguided ideas or lack of political 'will'," and "economic successes can be broadly replicated if only 'correct' policy choices are made" (Haggard 1990:21). This universality of application and replication represents a second modernist feature of previous theories.

The third modernist feature is the intimate linkage that previous theories establish between economic development and the modern nation-state, both as a geographic entity and as an agent of change (Block 1994; Evans and Stephens 1988; McMichael 1996; Pieterse 1996). Development policies—as proposed and interpreted by a modernizing elite, an autonomous state bureaucracy or a cadre of neoclassical economic experts—are instruments designed to accelerate the growth of the national economy.[4]

In contrast to the main theories of the last fifty years, modernist each in its own way, this book approaches economic development as a process by which countries and firms seek to find a unique place for themselves in the global economy that allows them to build on their preexisting economic, social and political advantages and to learn selectively from the patterns of behavior of other countries and actors. Following the institutional tradition in social science, <u>variation</u> and <u>diversity</u> of economic action and form are seen as providing multiple solutions to the complex problem of economic performance (Biggart and Guillén 1999; Geertz 1963; Stinchcombe 1983). The approach taken in this book runs parallel to Geertz's "critique of conceptions which reduce matters to uniformity, to homogeneity, to like-mindedness-to consensus," preferring instead to open things up "to divergence and multiplicity, to the non-coincidence of kinds and categories" (Geertz 1998:107). Not unlike the modernist view of the world, however, an institutional perspective does accept progress as a goal.

An institutional perspective on development sees globalization as promoting diversity and renewal. Although globalization has some of its roots in the tremendous expansion of trade, investment, communication and consumption across the borders of nation-states over the post World War II period (Louch, Hargittai and Centeno 1998; Sklair 1991), it is not merely a continuation of modernity or modernization, as social theorists such as Anthony Giddens (1990:64, 1991:22) have argued. However, one does not need to go as far as Martin Albrow (1997:100, 101) and declare that globalization is the "transition to a new era rather than the apogee of the old." For the purposes of this book, suffice it to argue that "globality restores the boundlessness of culture and promotes the endless renewability and diversification of cultural expression rather than homogenization or hybridization" (Albrow 1997:144; see also Mittelman 1996).

As Nicole Biggart and I have recently proposed, development studies can learn a new theoretical and methodological vocabulary from organizational and management scholarship, which has long emphasized firms and industries as "phenomenological accomplishments embedded in institutional 'logics' that shape possible strategies of action" (Biggart and Guillén 1999; see also Clegg and Hardy 1996, and Nord and Fox 1996). Different logics enable different types of actors to engage in different activities. Such logics vary greatly across and within countries, and represent not obstacles but rather resources for development. Institutional logics are sense-making frames that provide understandings of what is legitimate and reasonable (Barley and Tolbert 1997; Powell and DiMaggio 1991; Scott 1995; Smelser and Swedberg 1994). Those who act outside institutionalized frames or in disregard of acceptable roles are regarded as illegitimate or not knowledgeable. Only practices or organizational forms that "make sense" to preexisting actors are adopted. Foreign models seen as a threat to preexisting roles and arrangements are rejected (Arias and Guillén 1998; Cole 1989; Djelic 1998; Dobbin 1994; Fligstein 1990; Guillén 1994, 1998a; Kenney and Florida 1993; Orrù, Biggart, and Hamilton 1997; Westney 1987).

Unlike previous theories of development, the institutional approach takes the social organization specific to a given region, country or set of countries as resources for development rather than as obstacles. Thus, preexisting institutional arrangements are regarded in this book as the path-dependent context of action, as guiding and enabling socially embedded action (Douglas 1986; Geertz 1973:220; Granovetter 1985; Swidler 1986). Following the institutional perspective, Biggart and Guillén (1999) have argued that

> organizing logics vary substantially in different social milieus. For example, in some settings it is "normal" to raise business capital through family ties, while in others this is an "inappropriate" imposition and fostering ties to banks or to foreign investors might be a more successful fund-raising strategy. Logics are the product of historical development, are deeply rooted in collective understandings and cultural practice, and resilient in the face of changing circumstance. Culture and social organization provide not only ideas and values, but also strategies of action.

It is important to note that a sociological concept of institutions as constituting actors, and guiding and providing resources for action, stands in contrast with the economic view of institutions as mechanisms to overcome anomalies, e.g. market failure due to the costliness of measurement and enforcement (North 1990, 1997; Williamson 1985). Institutions do much more than fill in the gaps of the market. The institutional perspective on development also represents a radical departure from economic theories of comparative advantage in two respects. First, it considers social and political endowments in addition to economic ones (Biggart and Orrù 1997). And second, it takes economic, social and political resources as malleable, socially constructed and subject to change. A country's institutional resources and logics, though resilient, are not to be seen as entirely fixed.[5] Rather, they are subject to social construction and transformation over time through the agency of the various economic and political actors, including the state (Biggart and Guillén 1999; Storper and Salais 1997).

As reflected in the last column of Table 1, the institutional perspective argues that development is about matching organizing logics to opportunities made available by the global economy to countries and organizations. The institutional perspective on development has its intellectual roots in the classic comparative analyses of industrialization by Bendix (1956) and Dore (1973), which underscored that economic and organizational arrangements spring from social structure. It takes institutional logics as repositories of distinctive capabilities that allow firms and countries to pursue certain activities in the global economy more successfully than others, thus echoing the so-called resource-based view of the firm (Nelson 1995; Nelson and Winter 1982). It also builds on: (1) Schumpeter's (1934) society-centered theory of development, which highlights the role of the innovative entrepreneur as the main engine of development; (2) the "varieties of capitalism" research tradition, as initially outlined by Polanyi (1944), and subsequently developed by political economists and political scientists (Boyer 1996; Hollingsworth et al. 1994; Katzenstein 1985; Lindberg et al. 1991; Piore and Sabel 1984; Sabel 1982; Storper and Salais 1997; Streeck 1991, 1995); and (3) institutional analyses of the transition from plan to market (Stark and Bruszt 1998). All of these scholars argue one way or another that there are multiple solutions to the problem of economic performance.

Elements of an Institutional Approach: Actors and Relationships

As a society-centered approach to development, the institutional perspective advanced in this book focuses on the categories of <u>actors</u> and the types of <u>relationships</u> among them that social organization enables and sustains over time. These are the two central elements of an institutional theory of development, especially in a context of globalization (Biggart and Guillén 1998; Hollingsworth et al. 1994; Smelser and Swedberg 1994; Stark and Bruszt 1998; Storper and Salais 1997). In this book, the availability and legitimacy of different categories of actors—individuals, families, large companies, business groups, banks, small and medium firms, networks of firms, state-owned enterprises, worker-owned cooperatives, foreign multinationals, and, of course, the state itself—are invoked to explain how countries develop and firms make a dent in international competition. Ideologies, taken-for-granted assumptions, politics and geopolitical conditions will be used to understand which categories of actors are legitimate in a particular country (Haggard 1990; McGuire 1994).

The second element, relationships between actors, points to a major departure from previous theories of development. The post World War II period's modernist obsession with the territorial nation-state as the target of development efforts elevated location as the key variable in development studies. An actor's location in geographic space—defined as a system of generally non-overlapping nation-states—became a key determinant of its possible role in the global economy, basically because of the factor-endowment issues so intimately related to location. Development scholars studied nation-states as having various degrees of control over relatively immobile factor endowments and actors located within their territorial boundaries. Actors were literally trapped in their local environments and it was the duty of the state to mobilize them in the pursuit of economic growth (McMichael 1996; see also Kogut 1991).

Location matters in a global world because it shapes the very ability, propensity and desire of actors to network. Thus, social, cultural, political and even geopolitical conditions facilitate or privilege different types of relationships, e.g. vertical, horizontal, cooperative, competitive, domestic or cross-border. In a context of globalization, Gereffi (1994a, 1994b) has proposed a particularly useful distinction between "producer-driven" or push linkages to the global economy, and "buyer-driven" or pull linkages, both of which emerge from the increasing international division of labor produced by globalization (Giddens 1990:75-76; Kogut 1985). A vertical pattern of social organization (e.g. Korea's patrimonialism) facilitates producer-driven linkages fostering large-scale, capital-intensive activities by local firms, while a horizontal pattern (Taiwan's family business networks) enable buyer-driven linkages leading to flexible, knowledge-intensive activities (Biggart and Guillén 1999; Orrù et al. 1997). In addition to push and pull linkages, countries may also relate to the global economy by means of direct ownership ties. In certain societies, for example, prevailing social organizational patterns or ideologies have fostered relationships between certain categories of domestic and foreign actors, or simply allowed foreign actors unrestricted access to the country. This pattern of linkage to the global economy has proved essential to the development of countries such as Ireland, Singapore, Puerto Rico and Spain (Dietz 1986; Huff 1994; Shirlow ed. 1995; Suárez 1998). I use these three types of relationships—push, pull and direct—to make arguments about diversity and renewal in the global economy.

In many ways, an institutional approach to development in an era of globalization shares much intellectual ground with the "cultural turn" in sociology (Robertson 1992:32-48). In particular, a theory of development centered on actors and relationships highlights reflexivity as the process through which actors acquire the ability to participate in social and economic life in relation to others (Mead 1934). Modernist theories of economic development neglected the reflexive aspect of actors' behavior as socially constructed behavior, as action rooted in patterns of social organization, thus making it very difficult to make sense of their resilient desire to be different.

Globalization offers a unique opportunity to reassess the role of the state and to bring society—actors and networks of relationships—back into the study of economic development and organizational change. The challenge of a "critical globalism" is, as Pieterse (1996:554, 560) argues, to theorize about each and every of the realms impinging on development: the state, the market, the civil society and international forces. From this critical globalist perspective, states, firms, labor unions, community groups and other associations are neither asked to resist globalization nor to celebrate it, but rather to engage it, to make choices, to be selective, to assess and reassess how they relate to the global economy.

A Comparative Study of Argentina, South Korea and Spain

Economic development and globalization are not uniform and homogenizing processes, either in their causes or in their consequences. Rather, they are contingent, contradictory, and discontinuous (Guillén 2000). It therefore makes sense to assess development and globalization in comparative terms so as to explore the range of possibilities that exist and the variations in organizational form and structure that result from them.

My choice of countries for intensive comparative study follows the variation-finding comparative approach (Skocpol 1984:368-374; Tilly 1984:116-124). The analysis focuses on three newly industrialized countries—Argentina, South Korea and Spain—which illustrate three ideal-typically divergent "paths to development" over the last fifty years. Back in the late 1940s and 1950s the three countries were fairly similar in terms of the importance of agriculture and the structure of their (limited) manufacturing activities. Moreover, they attempted to develop their manufacturing industries by protecting domestic producers from foreign trade and investment. Over time, however, they diverged in significant ways. I document how Argentine firms have remained largely oriented to the domestic market as policies towards foreign investors and traders oscillated between relative open and closed conditions. By contrast, South Korean firms have pursued export-oriented growth under restrictive policies towards foreign investors and traders. Finally, Spanish firms have also become more export oriented but, unlike Korean companies, under conditions of free foreign investment and trade. As reflected in Figure 2 and Table 2, these trends have translated into distinctive "development paths" in terms of foreign trade and exports. Similarly, labor unions have come to adopt very different attitudes and policies towards globalization and foreign multinationals in each country, even though they started from virtually identical positions back in the 1950s. Although I pay some attention to the aggregate economic performance of countries, the book focuses on how labor unions and different types of firms respond to globalization, documenting that this cardinal process of our time encourages diversity and renewal at the industry and firm levels of analysis.

II. THE WINE & LIQUOR INDUSTRY

Let me illustrate the interplay between globalization and organizational change with the wine and liquor industries of Argentina, South Korea and Spain, one of the nine systematic comparisons that I make in the various chapters of the book to document diversity in globalization.[6] I have chosen to present in this paper the wine and liquor industry because it speaks well to some of the general themes in the book: the interplay between large and small organizations; the unintended consequences of state policies; and the ingenuity of entrepreneurs. Since this industry is typically populated by small and medium enterprises, let me briefly point out how previous research has dealt with the role that such enterprises play in economic development and globalization.

Small and Medium Enterprises in a Global Economy

An institutional theory of development in a context of globalization certainly argues against the notion that modern technology requires the growth of ever bigger organizations. More frequently than not, industries have become dominated by large-scale enterprises due to the monopolistic actions of firms or to state regulation rather than the supposedly inescapable effects of technology. Globalization enhances the role of the ability to network over sheer size. Networks of organizations can certainly undertake large-scale activities without necessarily creating large, integrated organizations (Perrow 1992; Powell 1990). Small and Medium Enterprises (SMEs) have long attracted the attention of scholars. In a famous essay, Alfred Marshall (1919) sang the praises of small firms in "industrial districts" as an alternative to large-scale corporations. Smallness has been described in the literature as beautiful (Schumacher 1975), bountiful (Granovetter 1983), and irresistibly competitive (Naisbitt 1994). Smaller firms are assumed to be more flexible, adaptive, innovative and perhaps more socially desirable because they spread wealth (Hamilton and Biggart 1988; Perrow 1992; Piore and Sabel 1983; Sabel and Zeitlin 1985; Snodgrass and Biggs 1996:11-12).

More often than not, however, modernist policy-makers have either ignored SMEs altogether or tried to foster their role in the economy through largely ineffective programs seeking to encourage their growth and internationalization in an attempt to compensate for other policies biased in favor of large firms (Snodgrass and Biggs 1996). For example, Argentina's erratic populist policies frequently sidetracked SMEs while incentives and emergency programs privileged large firms, whether affiliated to the state, business groups or foreign multinational enterprises (MNEs). Korea's nationalist policy-making only had room for large firms affiliated to the *chaebol*. Spain's pragmatic model paid considerable attention to attracting large multinationals to the country, but this policy was not necessarily in conflict with the well-being of SMEs.

Much of the literature on SMEs is intriguingly one-sided in its approach to the role that this kind of company ought to play in economic development (Ettlinger 1997). An unwarranted assumption runs through many otherwise sound analyses, i.e., that all countries should have a "large" sector of SMEs regardless of the social structure of the country and the competitiveness of the firms in terms of foreign trade and investment. Most accounts of SMEs are insensitive to the different ways in which they seek to play a role in the global economy. An institutional theory of development argues that SMEs are not necessary merely in large numbers but in terms of being innovative and internationally competitive, an argument that is well illustrated by the wine and liquor industry.

The Wine & Liquor Industry in Argentina, South Korea and Spain

The alcoholic beverages industry has rarely been the target of extensive development efforts on the part of the state. The relatively small size of the industry, the importance of traditional production methods and the small scale of operations have generally rendered it relatively unattractive for modernist policy-makers attempting to accelerate economic growth. Even in the liquor industry, where automation and economies of scale are more feasible, states have tended not to intrude. However, to the extent that agricultural interests have political clout, wine and liquor companies have benefited from trade protectionism. The wine and liquor industries are also affected by government policy in indirect ways. First, industrialization and migration to the cities is likely to create labor shortages in the countryside, thus encouraging mechanization of agricultural and wine production. And second, the formation of urban working and middle classes as a result of industrialization tends to increase the demand for wine and other alcoholic beverages.

In the sections below I compare the fortunes of selected Argentine, South Korean and Spanish wine and liquor producers to illustrate how state policies and institutions affect international competitiveness. Mimicking their intrusive practices in other industries, the Argentine and Korean states also intervened in wine and liquor production, with distinctively harmful consequences. By contrast, the Spanish state stayed away from the industry, while its open policy towards multinationals had beneficial indirect effects on the country's wineries.

Argentine Wine Fordism

The Argentine wine industry began with Spanish colonization around 1560. Wine production remained stagnant until the big immigration wave of the second half of the 19th century brought about a steep increase in grapevine plantings. The next period of rapid growth took place during the 1950s and 1960s, as rising incomes in the cities produced by import-substitution industrialization generated strong demand for wine that had to be fulfilled by local wineries. By 1970, Argentines consumed more wine per capita than any other country in the world (over 90 liters annually), and total production was only surpassed by France, Italy, Spain and Russia. As was typical of other industries in Argentina at this time, virtually all production was consumed domestically, with exports being negligible. Roughly 95 percent of sales was accounted for by low-quality table wine (Tizio 1995).

The collapse of import substitution after 1975, and the inability of subsequent neoliberal and left-of-center policy-makers to fix the economy, wrecked havoc on the industry. Per capita consumption and domestic production plummeted to about half of the record 1970 level. Although the share of table wine in total production fell during the 1980s from 95 to 75 percent, exports failed to increase significantly. The economic boom of the 1990s, coupled with an overvalued currency, has again diverted the attention of the industry away from exports and towards an expanding domestic market. Moreover, most exports are still of table wine or semi-processed grape juice that other countries—especially Spain—use to produce low-quality wine in years of production shortages. While there are 1,500 wineries in Argentina, only 30 are engaged in exports. With a wine industry only one tenth the size of Argentina's, Chile exports three times as much.[7]

The Argentine wine industry's development is aptly labeled as "Fordist." A standardized, low-quality grape juice is mass produced in large-scale wineries located on the foothills of the Andes. Part of it is bottled on location, but a significant proportion is transported by railroad to the Buenos Aires for bottling and sale. The state-owned company Giol was for many years the world's largest winery. Another Argentine firm, family-controlled Peñaflor, built in 1971 the largest wine mixing tank in the world, a cylinder measuring 36 meters in diameter and 10 in height. It is so large that the company rents it for parties and reunions of several hundred people. Let us explain in more detail why these two firms decided to become Fordist wine producers, a strategy that, while effective for grains and oilseeds, seems implausible for wines.

Giol was originally founded in the 1890s by two Italian immigrants. It grew slowly until 1954 when the government of the Province of Mendoza bought it with the intention of regulating the market and guaranteeing small grape growers a buyer. President Perón's "bread and wine" policies for the working class assured Giol an important role to play, which would persist over time even after the General's fall from power. As a state-owned enterprise, Giol grew rapidly to become the largest winery in the world, with 3,500 employees. It fulfilled its function as a policy instrument. In the typical inward-oriented style of populist policymaking, the firm's role in the wine industry was seen as the provider of jobs in the province, guarantor of minimum prices for growers and supplier of affordable table wines for the large urban markets of Buenos Aires, Córdoba and other major cities. Given the inconsistencies inherent to this set of goals, the company suffered from severe financial losses, especially during the 1970s and 1980s, which the official credit institutions were happy to subsidize. Giol was unable to improve quality standards.

Giol also is an important case study because it was one of the first large state-owned enterprises to be privatized in Argentina. In the late 1980s, three years before the currency convertibility plan made headlines around the world, the Peronist, though reform-minded, governor of the Province of Mendoza decided to sell or shut down various facilities belonging to Giol. Fecovita, a federation of wine growing cooperatives, purchased Giol's bottling and distribution facilities in 1990, and some of its grape processing plants in 1997. As a worker and grower-owned cooperative, Fecovita has focused on providing jobs for the long run. During the 1990s, it turned itself into a successful producer of table and fine wines, with exports representing about one fifth of total sales, and ranking 159th among Argentina's largest exporters, even though it is only the 203rd largest firm in sales ($100.7 million in 1996). It presently employs about 550 people.[8]

The case of Peñaflor resembles in many respects that of Giol. This third-generation family winery was founded in 1914 by an Italian immigrant in the Province of Mendoza. In 1930 the second generation decided to set up a large distribution facility in Buenos Aires. Betting on the mass production of wines, they began construction of a large winery outside the city of Mendoza in 1948, just two years after General Perón became President. In 1968 it purchased the quality winery Trapiche, then 75 years old. As would be expected from a company obsessed with scale economies, Peñaflor initially attempted to merge its operations with those of Trapiche. This improbable strategy in the wine industry was only recently reversed as the firm realized the importance of having a portfolio of labels and moving towards quality wines. Peñaflor was involved in some early efforts to increase exports. It set up a Miami distribution office in the 1970s in collaboration with other Argentine wineries, which was shut down in 1993. A similar experience took place in the U.K. In 1981 it created a grape processing and bottling facility in Puerto Rico to serve the local market. In spite of these efforts, only 12 percent of Peñaflor's sales are exports as of 1996. Its installed production capacity is a staggering 210 million liters, twice Fecovita's.

Although the Argentine wine industry has produced a number of small high-quality producers, it is still dominated by the likes of Fecovita and Peñaflor. Argentina has traditionally missed the opportunity to export wines, even as other Southern hemisphere countries like Chile, New Zealand or South Africa have succeeded. Various government incentives enticed producers to focus on the domestic market and to mass produce low-quality table wines. Such a strategy discouraged Argentine wineries from improving quality and investing in reputation.

Soju, State Policy and the Advantages of Size in the Korean Context

While grape wine is not big in Korea, soju is. This clear, fiery, almost odorless, and economical liquor was introduced from China in the late 13th century. Soju is distilled from rice, barley and sweet potatoes (*so-ju* means "made by burning something"). While other traditional liquors exist in Korea, soju became the most popular alcoholic beverage after the Korean War. The government prohibited the traditional method of distillation for being wasteful of such an important source of food as rice. Instead, it encouraged the method of dilution, which adds water to the distilled rice so as to increase the quantity of resulting liquor at the cost of lowering its alcoholic content and quality. Another interesting feature of this industry is that it is dominated by one firm which accounts for almost half of the market, Jinro, and four other smaller firms which jointly account for another 40 percent. Following the Korean pattern, several of the soju companies diversified into unrelated industries, even though the domestic soju market is quite large: $827 million in annual sales of 2.4 billion bottles, i.e. a staggering 54 bottles (some 20 liters) per capita. Although exports of soju started in the 1960s, volumes were very small until the late 1980s. By 1997 Korean soju exports totaled some $55 million, with Japan and the U.S. as the main markets.[9]

As in Argentina with wines, Korean policy-makers followed their interventionist and regulatory instincts in the soju market. In the early 1960s General Park established a policy of "one alcoholic beverage company per province." Jinro (est. 1924) was blessed with receiving the Seoul and Kyunggi-Do provinces, which account for about 40 percent of the Korean population. In 1972 the state granted Jinro the right to be the exclusive manufacturer of Ginseng liquor, and in 1992 it entered into a joint venture with Coors even though the Korean beer market was shrinking at the time. In 1997 Jinro soju was ranked by *Drinks International Magazine* as the world's largest spirits label, with output of 43.8 million cases (9 liters each). With a large territorial monopoly, Jinro rose to become the largest soju company in Korea, and engaged in unrelated diversification and cross-subsidization-foods, pharmaceuticals, construction, advertising, financial services, eventually becoming the 19th largest *chaebol*. On the eve of the Asian crisis, the Jinro liquors company had a debt-equity ratio of 362 percent, low by Korean standards although high by Western ones (which range between 100 and 200 percent). The Jinro *chaebol* as whole, though, had reached a ratio of 3,081 percent. Not surprisingly, Jinro was one of the first highly-leveraged *chaebol* to collapse, five months before the collapse of the Korean currency in November 1997, although it continued operating as a liquors company after shedding real-estate and other businesses. Happily, the crisis reduced the consumption of expensive liquors such as whiskey but increased that of cheap ones such as soju.[10]

The industry's big bang came in March of 1993 when the government partly abolished the thirty-year old regional monopolies. Jinro's foray into beer induced the established market leaders to acquire small soju firms so as to compete in Jinro's traditional stronghold. Chosun took over Bobae and Chungbukso while OB Brewery of the Doosan *chaebol* acquired Kyungwoul. The most interesting changes, though, came in terms of product innovation. The smaller firms in the industry started to enter regional markets previously forbidden to them with a strategy of new product introduction: Kyungwoul's smoother "green soju" in 1994; Bohae's premium soju (combining rice and honey) in 1996; and Kumbokju's "hang-over-free" soju in 1997. In response, Jinro used its market power to introduce its own labels of higher quality, gentler soju, managing not to lose market share thanks to its larger size and established distribution channels.

The vicissitudes of the smaller firms in the industry illustrate the consequences of an institutional context biased in favor of the large *chaebol*. Kyungwoul (2nd largest market share with 17 percent) was an independent company for over 70 years before it became in late 1993 a member of the Doosan *chaebol* (as of 1998 this company is known as Doosan Joo Ryu or Doosan Alcoholic Beverages). This new affiliation enabled Kyungwoul to engage in a major export drive, eventually growing in international markets much faster than Jinro. In China, both Jinro and Doosan-Kyungwoul have set up soju factories to cater to the large Korean-Chinese population in the Northeast part of the country. Bohae was established in 1952 as a family firm, and received in the 1960s a monopoly in the relatively small Chonnam region (4 percent of the population). After liberalization, it attained a 9 percent share of the national soju market. Presently, Bohae employs 700 people and remains under family control. Although this was the company that created the premium soju market segment in 1996, it has failed to gain much by way of market share either in Korea—where distribution channels are key—or abroad. Kumbokju, which holds a tiny 5 percent of the domestic market and barely exports, is also encountering difficulties in gaining market share.[11]

The dominance of a financially troubled Jinro and the rise of Kyungwoul after it became a Doosan *chaebol* affiliate exemplify the overwhelming importance of size and connections in the Korean economy. Small and medium enterprises may come up with innovations, but the larger rivals have the incumbent power and the muscle to mobilize resources so as to neutralize the smaller rivals. A look at Spanish sparkling wine producers, by contrast, illustrates that SMEs have a better chance in other contexts not so dominated by big business.

Spanish Sparkling Wines Take over the World

Unlike Argentina and Korea, Spain has long been an exporter of alcoholic beverages, especially red wines. Spanish sparkling wines, however, did not succeeded in international markets until the 1980s (Mínguez Sanz 1994). French producers traditionally held sway in world markets, especially in the premium segment. Italian and (later) Californian producers could only hope to sell lower quality sparkling wine enjoying much thinner margins. By the mid 1990s one Spanish firm, Freixenet, had turned the world of sparkling wine upside down, becoming the largest producer with just over 100 million bottles annually. Freixenet also became the leading exporter into the world's largest market, the United States, selling 12.6 million bottles, closely followed by Martini Rossi's 11.2 million and leaving far behind the traditional export leader, Moët Chandon at 8.5 million.

Technically speaking, Freixenet does not make "champagne" but "cava," which is the official denomination for sparkling wines produced in Spain along the Ebro valley and, most importantly, in the Penedès county located to the West of Barcelona, where production first began in 1892. Thus, Spanish firms in the sparkling wine business have always had to surmount the comparative *dis*advantage of not being a producer based in the famous French champagne-producing counties, where the *méthode champenoise* was first developed some three hundred years ago (Prial 1996). Up to the 1970s, the lower quality and weaker reputation of the Spanish producers could only be compensated by lower labor costs than in France, and by tariff barriers. Spanish cava output was mostly sold in the domestic market. By the early 1990s, however, 40 percent of Spanish production was sold in the United States, Germany, the U.K., the C.I.S., Sweden, Switzerland, Canada and other countries (Bonet 1993; Mínguez Sanz 1994). Freixenet accounts for 70 percent of total Spanish exports, even though it has traditionally been the second largest Spanish producer. Codorníu, its bigger, neighboring rival, has been much slower than Freixenet at becoming an exporter, investor in distribution channels abroad, and acquirer of vineyards and production facilities in the U.S. and Latin America. Still, Codorníu is becoming more of an export powerhouse, already ranking among the top six importers in the U.S. market (Adams/Jobson 1996:70).

Despite its growth and international prominence, Freixenet is a family controlled and run company. Its origins date back to 1889. In 1935 it opened a short-lived U.S. sales subsidiary. Beginning in the 1950s it pioneered exports to the U.S. and Europe, but by the late 1970s export levels were still rather small. The big push came with the creation in 1980 of Freixenet USA and in 1984 of Freixenet Alemania GmbH, located in the two largest export markets for sparkling wines. Freixenet's market entry strategy in the U.S. was absolutely masterful. First, they studied the different market segments and decided to target the one for champagne bottles priced between four and nine dollars. Below that segment one could find the Californian low-quality competitors. Above it were the Italian and Californian high-quality producers, while the French premium champagnes dominated the uppermost end of the market. Then Freixenet introduced a new label specifically for that intermediate segment, the *Cordón Negro* or "black bottle," which was supposed to appeal to the young professional class. They supported the launch of the new label with a massive advertising campaign eventually turning the firm into the third largest sparkling wine advertiser in the U.S. market. Freixenet became the U.S. market leader in volume within a short period of time, selling more bottles than all of the French producers combined (Adams/Jobson 1996:71-74). The *Cordón Negro* was, still, a wine produced and bottled in Spain, and exported to the U.S. and other major markets, thus suffering from a reputation disadvantage relative to the French labels.

In spite of its $33 million annual advertising budget (12 percent of sales), however, massive and astute marketing is not enough to account for Freixenet's success. Freixenet was torn between adopting industrialized methods of sparkling wine production using large metallic containers, and emulating the traditional *méthode champenoise*. The former is very efficient, but the quality of the wine suffers greatly. Understanding that its success depended on producing champagne of medium-to-high quality at low cost, Freixenet began spending one percent of revenues on R&D, and developed an automated procedure based on *jaulas* or "cage-like" racks for the second fermentation of the wine in the bottle, which produces its characteristic sparkling character. These devices hold a great number of bottles, making it possible to automate the daily operation of turning each bottle so as to shake the sediment of dead yeast cells that accumulate in the neck of the bottle. This operation was traditionally performed by hand. For a high-volume firm producing 100 million bottles annually, automation represented a major advantage, especially at a time when labor costs in Spain were rising quickly. This production innovation has allowed Freixenet to mass produce sparkling wine of consistent medium-to-high quality at low cost.

After building its reputation and improving its production methods, Freixenet transformed itself into a full-fledged multinational firm. In 1985 it founded Freixenet Sonoma Caves in California (one million bottles of the Gloria Ferrer label), and acquired the third oldest (1757) French champagne house, Henri Abelé of Reims (400,000 bottles), in a clear attempt to learn about new trends and technologies in the industry. In 1986 it created the Sala Vivé vineyard in Mexico (400,000 bottles). These and other domestic acquisitions allowed Freixenet to almost double its production capacity in a matter of two years and position its new labels in the higher segments of the market.[12] In the late 1980s and early 1990s Freixenet opened marketing and sales subsidiaries in France, Russia, Mexico, Australia, Japan and China. The U.S. market has lost growth potential as the dollar weakened and anti-alcohol campaigns reduced overall demand. In addition to its grape and wine producing facilities in the U.S., Mexico and France, Freixenet is now planning to acquire wineries in Australia, Chile and Russia. The French and Italian and Californian volume producers can only look enviously at Freixenet's superior price-quality mix while the firm expands into untapped countries and moves upmarket swiftly during the late 1990s, aided by a weaker peseta.[13]

Freixenet's success is built on a rare combination of capabilities. It certainly has benefited from a judicious application of the concept of economies of scale. However, the firm has refused to grow indiscriminately and to diversify, even into related fields. Moreover, Freixenet remains family controlled and managed. Its drive to be different has allowed it to make a dent in the global economy.

Policy, Location and Organizational Dynamics in the Wine Industry

The export success of Freixenet in an industry traditionally dominated by French and Italian producers demonstrates that firms can adapt to changing circumstances and adverse conditions. Unlike in Argentina and Korea, policy makers in Spain did not intervene heavily in the alcoholic beverage industry. No state-owned company was ever created to regulate the market, even though the Franco regime set up large state-owned enterprises in almost every industry. Moreover, economic policies and conditions during the 1980s and early 1990s tended to hurt the wine producers rather than benefit them: labor costs soared; a strong peseta policy was implemented until 1992 to curb inflation; and trade liberalization eliminated tariffs that had protected the industry for years. In the midst of adversity, firms like Freixenet and Codorníu successfully pursued international opportunities in the Americas, Europe and East Asia even though they encountered fierce competition from their better prepared French and Italian rivals.

Field interviews strongly suggest that the Spanish wineries have had one key advantage when compared to their Argentine counterparts.[14] Spain allowed much more foreign investment in consumer goods during the 1960s and 1970s than Argentina did. As a result, Spanish firms in the food and beverages industry were long accustomed to competing against foreign multinationals on price, quality and product differentiation. Multinationals revolutionized marketing and advertising practices in Spanish consumer markets. Moreover, Spanish wineries—especially those making sparkling wines—are located near the industrial belt surrounding Barcelona, home to many domestic and foreign consumer goods firms. In Argentina, by contrast, most wineries are in the Province of Mendoza, some 600 miles away from Buenos Aires. The transportation and business infrastructure leaves a lot to be desired in Mendoza, but is world-class in and around Barcelona. Machinery, metal working and assembly shops are much larger and innovative in the Barcelona area than in Mendoza (Toulan and Guillén 1997; Guillén and Toulan 1997), thus making it easier for wineries to emulate the mechanization and production skills being developed in other industries. Regulation and a bias for size has also hurt Korean liquor manufacturers, which have only recently realized the potential of export markets. The most innovative firms, however, have been swallowed by the *chaebol*.

The wine and liquor industry illustrates the dynamics among the three main types of organizational forms that one finds across developing countries: small and medium enterprises, large business groups, and multinational enterprises. Small and medium enterprises and large business groups are often at odds with each other. If the latter are fostered by the government with subsidized credit and other privileges, smaller firms suffer and find it difficult to innovate and export, as the Korean situation exemplifies. If, on the other hand, the government encourages foreign multinationals to invest under relatively free conditions, small and medium enterprises eventually thrive as they become suppliers to the multinationals or emulate their patterns of behavior, as in the Spanish context. Large business groups, however, see their importance reduced by the arrival of foreign multinationals under relatively free conditions. The Argentine situation lies somewhere in between the vibrancy of Spanish smaller enterprises and the might of the Korean business groups, with state-owned enterprises traditionally playing an important role.

III. ON GLOBALIZATION AND DIVERSITY

The wine and liquor industry is just one illustration of the diverse ways in which countries and organizations within them deal with globalization. In the book I present evidence on a bewildering array of diversity in economic action and organizational form at the country, industry and firm levels of analysis. My narrative makes systematic comparisons among Argentina's love-hate affair with globality, Korea's single-minded, nationalist drive to increase exports and outward foreign investment, and Spain's pragmatic engagement with the global economy. At the industry level, I contrast Spain's success in automobile assembly and component manufacturing thanks to foreign investment with Korea's prowess in automobile assembly but beleaguered component manufacturers and with Argentina's unrewarding attempts to develop a viable industry. People who do not object to foreign ownership might find the Spanish experience appealing while those concerned with indigenous technological development might opt for Korea's route. I also review Korea's use of the banks as instruments of industrial policy, Argentina's relatively stable financial system and Spain's world-class banks. Again, those concerned about foreign ownership might like the Spanish solution better than the Argentine one while those worried about the power of the banks over industry might prefer the Korean approach.

At the organizational level, I document the awesome might of the diversified Korean *chaebol*, the adaptability of the Argentine *grupos*, and the vibrancy of Spain's worker-owned cooperatives and small and medium enterprises. I explain how each of these types of firms has engaged the global economy by networking across borders. I also provide evidence on Korean and Argentine organized labor's reservations about the presence of foreign multinationals, and Spanish labor's partnership with them. Spanish labor unions engaged the global economy and enjoy recognition and influence. In Argentina, by contrast, they are rather powerless, even though they do not have to face the repressive practices of the Korean government. In sum, countries and organizations approach development and globalization in different ways. They yearn to be different as a way of making a dent in the global economy. And they excel and fail at different things.

Modernist policy makers and social scientists would like us to believe that there has to be a one best way, a perfect or most efficient organizational form or mode of integration in the global economy that eventually predominates. An institutional perspective on development and globalization, by contrast, not only celebrates the diversity of the world, but also argues that there is no room for the one best way in the global economy. There is simply no arrangement or course of action that can deliver everything at once, either at the country, industry or organizational level of analysis. In this section I first recapitulate the evidence presented in the book to demonstrate that the various paths taken by newly industrialized countries and their firms have resulted in combinations of strengths and weaknesses, of achievements and failures. Then I discuss three cardinal questions of our global era: whether globalization leads to homogeneity or diversity; whether the economic must take precedence over the political for countries and firms to succeed in the global economy or vice versa; and whether the East Asian crisis marks a turning point in globalization or not.

Strengths and Weaknesses, Achievements and Failures

The evidence presented in this book suggests that neither Argentina nor South Korea or Spain can be proposed as perfect models of economic and sociopolitical development. Each path to development brings with it not only strengths and achievements but also weaknesses and failures, as summarized in Table 3 (see also the quantitative information in Table 2).

Argentina can boast monetary stability and openness to the global economy as considerable achievements in a region of the world mired by inflation and anti-foreign attitudes. Foreign investors are unambiguously betting on a country considered to be a basket case just a decade ago. Its economic weaknesses and failures, however, are equally noteworthy. The country has one of the best educated populations in the world, but is utterly dependent on foreign technology and know-how. Most importantly, Argentina has thus far been unable to reverse decades of inward-looking development. Exports are still low relative to the size and potential of the economy, and the country's close integration with Brazil has retarded restructuring in key industries such as automobiles, chemicals, petrochemicals and steel. It is only a mild exaggeration to conclude that Argentina has not yet abandoned import-substitution policies wholeheartedly.

By contrast to Argentina, South Korea has demonstrated it can export everything from chips to ships, to paraphrase the motto of one of the country's leading *chaebol*. Moreover, Korea is easily the newly industrialized country with a stronger proprietary technology base, especially in electronics, even though it is still heavily dependent in other fields. These are no minor achievements for a country that was among Asia's poorest just a generation ago. Korea's economic weaknesses and outright failures, however, make it difficult to propose as a model to emulate. The country's financial system is in disarray, and the small and medium enterprise sector has been so disadvantaged that it cannot contribute its fair share in terms of innovation, exports and foreign investment.

Spain represents in many ways a story of success. After decades of wrongheaded policies and subservience to interest group pressures, the country has been able to put its house in order and pursue full economic and monetary integration with Europe. This is, again, no minor achievement for a country that was once among the most insular on the continent. Integration with Europe has resulted in a massive presence of foreign multinationals, which has contributed to the decline of large Spanish-owned manufacturing firms but the rise of a vibrant sector of small and medium enterprises. A second unique achievement is the stability and competitiveness of its banking sector, which is making history in terms of international expansion. There is, however, no shortage of weaknesses and failures in the Spanish development experience. First and foremost, unemployment remains the highest among the industrialized countries, reaching almost 50 percent among the youngest age group. Simply put, half of the baby-boom generation has been wasted or underemployed. The human drama is truly breadth-taking: unrealized dreams of personal independence and a shattered sense of dignity among the young. The other weakness of the Spanish economy is its limited ability to generate technological innovations, a situation that is reducing the country's potential in the global economy.

Argentina, South Korea and Spain also have mixed records when it comes to sociopolitical development (see Table 3). The three countries have successfully made a transition to democracy after decades of authoritarian or semiauthoritarian rule. In addition, Argentina achieved national reconciliation during the 1980s after years of bitterness, turmoil and near civil war. Meanwhile, Korea has been able to improve the standard of living of its population as a whole, without generating inequality. And Spain has forged a strong consensus behind most of the key social, political and economic issues affecting the country—with the notable exception of how to accommodate the aspirations of centrifugal nationalist movements. Sociopolitical weaknesses and failures are also apparent in each country. Argentina suffers from degrees of corruption and income inequality that Korea and Spain seem to have avoided. Korea has yet to learn how to build consensus in a country in which regional, rural-urban, and class divides loom large, and it also needs to recognize and enforce full labor rights. Spain, for its part, needs to eradicate the remaining corporatist interests that are still privileging certain business and professional groups.

Three Key Debates of the Global Era

The institutional approach and empirical evidence presented in this book help answer three key questions about the global era. Does globalization produce homogeneity or diversity in the world? Should economic growth take precedence over political reform or vice versa? What is to be made of the East Asian crisis? Consistent with the view of globalization advanced in this book, I shall argue that globalization produces diversity in economic action and organizational form, requires a high degree of consensus based on fully legitimate political institutions and will not be derailed by the Asian crisis.

1. Homogeneity Versus Diversity

If globalization is a process by which actors in the world become more mutually aware of each other, then it multiplies the chances of linkage and the possibilities for exchange. As actors become less bound by location, they will find it easier to develop their own identity. In the modern, world cross-border brokers such as the state and other powerful organizations played a key role in the adoption and diffusion of new possibilities for economic action and organizational forms. The enhanced possibilities for networking in a global world makes it easier for individuals, communities, firms and labor unions to bypass brokers, to look around by themselves, to adopt the patterns of economic action and organizational form that they find most appealing. Thus, globalization encourages diversity rather than homogeneity.

The evidence presented in this book speaks to the growing interconnections among actors and the resulting diversity in economic action and organizational form. Governments, firms and labor unions in Argentina, South Korea and Spain not only did not converge in their approach to development and globalization; they actively sought to be different. For example, the Korean *chaebol* have succeeded at mobilizing vast amounts of labor and capital, while Argentine groups have demonstrated their ability to reinvent themselves under changing circumstances, and worker-owned cooperative groups and small and medium enterprises in Spain have thrived under the conditions created by full economic integration with Europe. In so doing, each of these organizational forms engaged globalization by establishing ties within and across borders that enabled them to be different.

2. The Sequence of Economic and Political Change

The thesis that political reform can—or even should—wait for economic development or adjustment became popular during the 1980s and 1990s. Its proponents point to countries such as Singapore, South Korea, Taiwan, Malaysia, China and Chile as proof of the effectiveness of authoritarian government when it comes to raising countries up economically or rescuing them out of economic trouble. In particular, military or single-party authoritarian regimes are said to be more adept at making painful macroeconomic adjustments to a world economy undergoing globalization, as in the cases of South Korea, Thailand, Chile, Mexico and Taiwan during the 1980s.

There are at least four problems with this line of argument. First, new democracies frequently have a poor record in terms of economic performance compared to authoritarian regimes precisely because it is during times of crisis that most dictatorships collapse or give way to a democratic transition under pressure from a disgruntled business community and labor unrest. New democracies in Argentina, Bolivia, Brazil, Peru, the Philippines and Uruguay, among other countries, inherited acute economic problems from economically incompetent dictatorships, a circumstance that made it hard for them to deliver good economic results in the short run (Haggard and Kaufman 1995). In other cases, dictators happened to pass away in the midst of a world economic crisis, as in Spain. Second, the relatively few authoritarian regimes that manage to make effective macroeconomic adjustments before the transition to democracy begins are generally able to do so at the cost of engaging in wholesale repression, as the cases of Chile and South Korea during the 1980s illustrate. And repression does not nearly always work: many authoritarian regimes force disastrous economic reforms upon business and labor, as in Argentina during the late 1970s. Third, authoritarian regimes are not the only ones that have succeeded at introducing economic reforms. There are cases of new democracies that inherit an economy in crisis from a preceding dictatorship and manage to make a "dual" or simultaneous economic and political transition, namely, Spain and Portugal during the late 1970s and 1980s (Bermeo 1994a, 1994b; see also Centeno 1994).

The fourth and most compelling reason why it makes sense not to subordinate political reform to economic adjustment has to do with the nature of globalization itself. Authoritarian regimes have a very hard time dealing with globalization. Cross-border flows of information, people, goods and money just make it more difficult to control populations and economic actors, and to get away with repression. For example, during the 1960s and early 1970s Spanish unions benefited from the presence of foreign multinationals, which could not mistreat their Spanish workers without arousing international criticism. The South Korean government could not deal with labor unrest in 1987 as harshly as it used to in the past because of the international publicity surrounding the upcoming Seoul Olympic Games of 1988, another manifestation of globalization. More recently, the Zapatista rebels in Mexico were able to turn global awareness of repression and hardship in the Chiapas region into political advantage in their ongoing clash with the Mexican government.

3. Globalization and the Turmoil in East Asia

The recent crisis in East Asia provides additional evidence against the presumed superiority of authoritarian regimes in dealing with globalization. The lack of political legitimacy of the Indonesian ruling elite is proving to be devastating precisely at a time when key economic decisions need to be made. The difficulties of reaching consensus on a solution to the crisis in South Korea after decades of authoritarian rule which excluded labor and other groups from the policy-making arena is also hampering this country's ability to respond to the Asian crisis.

The financial collapse of several of the high-growth East Asian economies in 1997 is not to be seen as proof of the ills of globalization. Rather, it represents a sober reminder of the importance of being different. The real problem in East Asia is that countries in the region have been competing against each other for a share of the global market using the same template: low-cost mass production of goods designed and marketed, though not always manufactured, by foreign multinationals. Asian countries that steered away from this strategy—most notably Taiwan with its dynamic and responsive small and medium enterprises (Fields 1995; Orrù et al. 1997)—have escaped the turmoil largely unscathed. South Korea's effort to invest in proprietary technology, distribution and marketing is another, still incomplete attempt to become different. At the root of the Asian crisis lies the commitment of vast amounts of resources—labor and borrowed money—to megalomaniac industrial and construction projects: shipbuilding, automobiles, petrochemicals, electronics and office space (Krugman 1994; Wade 1998:1539; Wade and Veneroso 1998c:31). This mobilization of resources was fueled by the cultural and elite competition behaviors that Biggart (1998) has called "deep finance" in the case of South Korea. The unrealistic assumptions about economic and export growth underlying such large-scale investments in new production capacity had to become apparent sooner or later. And they did so at the worst possible moment, i.e. when the Japanese economy, financial system and currency were unusually weak.

The turmoil in Asia also demonstrates that modernist approaches to economic development and adjustment cause more harm than good in a global world by preventing countries and firms from being different. The severity of the crisis by country has been proportional not only to the underlying over capacity problem but also to the degrees to which local financial institutions were in trouble and cross-border capital flows liberalized. The leading Western powers and the international lending agencies persuaded and pressured Asian governments during the 1980s and 1990s to adopt a liberal set of rules concerning capital mobility. Meanwhile, companies continued to borrow and banks—both local and foreign—continued to lend. When confidence in the region began to erode after the Thai debacle, capital moved out and currencies plunged. And when the IMF moved in to provide bailout loans it misdiagnosed the situation in thinking that high interest rates would help stabilize currencies, ignoring or downplaying their harmful effects on the highly indebted companies throughout the region. Free capital mobility and tight monetary policies are part of the one-size-fits-all policy toolkit that the IMF uses in its rescue operations. It represents a modernist approach to economic and financial adjustment that may work for some countries and in some situations, for example Mexico and Argentina in 1995. It is a recipe, however, that is institutionally incompatible with the high savings and leveraged business sector of most East Asian countries, as a chorus of highly respected neoclassical and political economists has indicated (Krugman 1998; Rodrik 1998; Sachs 1998; Wade 1998; Wade and Veneroso 1998a, 1998b, 1998c). Household frugality and financial leverage are precisely what allowed South Korean firms, for example, to grow quickly over the last four decades. So the IMF's imposition of a tight monetary policy is preventing South Korean businesses from following their instincts and desires to be different in the global economy, even at the cost of making mistakes, which they have indeed.

It should be carefully noted that it is grossly inaccurate to equate globalization with unhindered capital movements, and the end of globalization with the reintroduction of curbs to the free movement of capital. While excessive financial deregulation both triggered the Asian crisis and aggravated its consequences throughout the region and beyond, the growing importance of cross-border financial flows is only one among the many causes and manifestations of globalization. The global world is characterized first and foremost by a growing mutual awareness and interdependence among social, economic and political units. Whether capital movements are regulated again or not—and perhaps they should be in some regions—will not derail the process of globalization. Neither will tighter international financial regulations diminish globalization's most important corollary, namely, that it pays to be different.

* * *

Globalization raises the likelihood of actors being aware of each other, potentially offering endless opportunities for them to relate to one another. It compels us to abandon modernist dogmas as to what is the best policy for development, the optimal way to organize markets and industries, the right organizational form, the best managerial practice. It asks us instead to look for the differences across and within countries, regions, communities, industries and organizations; to look for what makes each of them unique and valuable. Globalization is neither to be opposed as a menace nor to be celebrated as a panacea; it is to be engaged: comprised, located, given form. To be sure, a global world is more unpredictable and ambiguous than the modern world of the recent past. But it allows individuals and organizations to grow out of the straightjackets of location and the modern nation-state, to express themselves in a more boundless way, to pursue their identities without having to conform to a dominant model or paradigm. The task of an institutional theory of development is precisely to provide an understanding of how difference empowers and enriches without denying the unity and mutual awareness that globalization entails.

ENDNOTES

I thank the John Simon Guggenheim Memorial Foundation for its generous Fellowship, and the Institute for Advanced Study for providing a superb intellectual environment as well as funding. I am also grateful to Hai-Kyung Jun for her research assistance and Debra Keates for her editorial comments.

1 See Berger (1996) and Guillén (2000) for a more detailed account of the arguments and the evidence in favor of each of the three metaphors.

2 *Diversity in Globalization: Organizational Change in Argentina, South Korea, and Spain*. Princeton, NJ: Princeton University Press, forthcoming.

3 The original thesis about how economic development affects democratization was formulated by Lipset in the 1950s (Lipset 1981, chpt. 2). However, political scientists have always been reluctant to argue that economic growth necessarily results in democracy (Lipset 1981:53-54, 469-476; O'Donnell 1979).

4 Perhaps world-system theory is to be exempted from this criticism, for it sees no possibility of national development without change at the world-system level.

5 I thank Clifford Geertz, Mark Granovetter and John Meyer for encouraging me to clarify this important point.

6 The empirical chapters in the book are based on a considerable amount of multifaceted evidence collected since I started work on this book back in 1994. First, my research assistants and I have conducted some 110 semi-structured interviews with key informants. My interviewees included top managers of companies and banks, secretary-generals of labor unions, government officials, and cabinet ministers. Second, I have visited the manufacturing plants of some 25 companies. Third, I have conducted several large sample surveys with closed questionnaires: a survey of 163 firms in the Argentine province of Mendoza; surveys of 120 large firms and of 1,150 exporting firms in Spain; and a survey of attitudes towards economic policy-making in Spain among 1,200 respondents representing the country's adult population. I have also analyzed in depth the census of 3,971 foreign direct investments by Korean companies undertaken between 1960 and 1995 as compiled by the Bank of Korea. Fourth, I have collected data on the ownership of the largest 100 firms in each country in terms of total sales, exports, and foreign investment. Fifth, I have analyzed confidential data on companies collected by government agencies, central banks, industry associations, consulting firms, and research institutions. And sixth, I have consulted archival and documentary material on companies and labor unions referring to the period between 1950 and 1995.

7 *Vinífera* 1(2) (January 1996), Appendix; *El Cronista* (October 8, 1996).

8 See: Juri and Mercau 1990; *Financial Times*, June 13, 1990, p. 6; *Los Angeles Times*, July 31, 1990, p. 4; *Mercado*, rankings, www.mercado.com.

9 Phone Interview, Byeong Joon Hwang, manager, Bohae Brewery, November 10, 1998; *Asia Pulse*, May 18, 1998; *Korea Herald*, August 11, 1998; unpublished data from the Korea Alcohol and Liquor Industry Association.

10 *Asia Pulse*, August 13, 1997; *Far Eastern Economic Review* 157(2) (January 13, 1994):68-70.

11 *Korea Economic Daily*, October 13, 1995, July 20, 1996, and March 3, 1997; *Far Eastern Economic Review* 157(2) (January 13, 1994):68-70; *Asia Pulse*, August 13, 1997, and May 18, 1998; *Business Korea* 11(1) (1993):55-61.

12 In 1984 Freixenet acquired three domestic producers being privatized by the government after the nationalization of the Rumasa business group: Segura Viudas (11 million bottles), Castellblanch (13 million bottles), and René Barbier (10 million bottles).

13 *Wall Street Journal* (December 29, 1994):1, 5; *Dinero* (June 21, 1993):70-71, 74-76; *Expansión* (August 27, 1993):3; *El País Negocios* (June 4, 1995):10; *El País Negocios* (December 7, 1997), p. 6; *Advertising Age International Supplement* (June 29, 1998), p. 13.

14 Interviews included: Raúl Arenas, Director of Public Relations, Peñaflor, Maipú, Mendoza, October 31, 1995; Roberto Arizu, General Manager, Bodegas Leoncio Arizu, Luján de Cuyo, Mendoza, October 31, 1995; Daniel Blas Sánchez, President, Federación de Cooperativas Vitivinícolas Argentinas (Fecovita), Maipú, Mendoza, October 30, 1995; Josep Lluís Bonet, General Manager, Freixenet, Sant Sadurní d'Anoia, Barcelona, November 8, 1994; William Floistad, Export Manager, Osborne, Cádiz, November 28, 1994; A. Pajares, Manager, Bodegas Miguel Torres, Barcelona, January 4, 1995; Félix Solís, President, Bodegas Félix Solís, Valdepeñas, Valladolid, October 26, 1994.

DISCUSSION

Comments by Evelyne Huber

Mauro Guillén's statement that "an institutional approach indicates that it is futile to attempt identifying the best practice or model in the abstract ...[r]ather, countries are socially and institutionally equipped to do different things in the global economy" suggests that economic and social institutions can be seen parallel to factor endowments in economic theories that emphasize comparative advantage. This view then suffers from the same problem as theories of comparative advantage, namely the problem of static versus dynamic comparative advantage. So we would have to ask: what are the mechanisms in this theory or approach that facilitate the pursuit of new forms of organization and new strategies to achieve new situations of comparative advantage?

Whereas one can certainly agree that the notion of one best practice or model for all countries is unrealistic, one of the goals of the literature on models of capitalism has been precisely to understand how different patterns of relationships between capital, labor and the government and different policy patterns affect competitiveness, employment, inequality, etc. This literature, for instance, has found that corporatist practices helped advanced industrial countries perform better in the 1970s and 1980s in terms of unemployment and inflation compared to advanced industrial countries without such practices. Thus, wouldn't it be reasonable to assert that one could compare within an institutional approach sets of countries that are more successful than others at similar levels of development on indicators such as growth, employment, poverty, inequality, and then attempt to identify organizational forms and practices and government policies that distinguish them? Based on such comparisons, wouldn't it then be reasonable to suggest that those countries which perform badly might learn something and adopt certain institutions and policies from the good performers? Here the distinction between institutions, organizational forms and practices, and government policies is potentially important, as it may be easier to adopt certain policies and practices than institutional patterns and organizational forms.

Mauro Guillén responds

Evelyne Huber correctly notes that the approach presented in this paper suffers from a relative lack of clarity regarding the most important issue of the static versus dynamic nature of a country's institutions and policies over time. It is abundantly clear from my field research, and from the empirical evidence that I present in the paper, that newly industrialized countries change their approach to development over time in response to a host of domestic and international circumstances. It is also apparent that part of the process of development has to do with institutional change, as modernization theorists emphasized so much in the 1950s. Having said that, let me turn to the two specific comments included in Evelyne's critique. First, that the theoretical approach in the paper is akin to the theory of comparative advantage in economics. Second, that there is room for comparison of best approaches or practices to development within groups of comparable countries.

It is important for me to clarify what the object of my study is before I respond to the first comment. I am interested in documenting and explaining variation in organizational forms over the course of economic development. By organizational forms I mean different kinds of enterprises such as diversified business groups, family firms, worker-owned cooperatives, state-owned enterprises, foreign multinationals, and so on. I strive to understand why newly industrialized countries differ so much in terms of the 'mix' of enterprises that has resulted from their development experience. I argue that such differences have to do with various aspects of each country's social organization and political system. I further submit in the paper, and in the book, that the differences are not dysfunctional in the economic sense and that there is no one best outcome in terms of organizational forms. Different organizational forms are consistent with different strategies of development and with different roles for the country to play in the global economy. This is the argument that such scholars as Bendix (1956), Geertz (1963) and Dore (1973) formulated when studying organizational transformations over the course of economic development in the Anglo-american, Russian, Indonesian and Japanese social and political contexts.

Thus, my argument is in fact loosely related to the concept of comparative advantage in economics. It is fundamentally different in three important respects, however. First, I do not think that factor endowments (capital, labor, land) are the only relevant cross-national dimensions. My analysis is much richer for it includes social organization and politics as part of the features or resources that countries and their enterprises can draw upon in the pursuit of economic growth. Most importantly, I see social and political resources not as constraints but as enabling mechanisms. Second, my approach also differs from comparative advantage in that I see economic, social and political resources as changeable, malleable as they are socially and politically constructed. It would be unrealistic for me to argue that societies do not change or that political practices are fixed. They change, especially in countries undergoing rapid economic development. I refer in the paper to multiple instances of such change, some continuous, some discontinuous. But what is even more important regarding this second difference between my approach and the theory of comparative advantage is that I strongly believe that resources are socially and politically constructed. Thus, it is not enough to say that Korea had 'cheap' labor in the 1960s that could be used to promote export-led growth. It was necessary for the state to define labor as cheap, treat is as cheap, and make it clear to all actors (domestic and foreign) that labor was cheap, either by persuasion or repression. I think it is clear from this example that my approach is not only more realistic but also theoretically more powerful than that of the theory of comparative advantage.

I discuss in the first section of the paper these two ways in which my theory departs from comparative advantage. I would like to add a third one here that has to do with the very subject of my study. While the theory of comparative advantage is all about the aggregate welfare of a country (or of its population), my theory aims at predicting the organizational forms that result from economic development. I do specify in the last section of the paper some of the social and political consequences of different combinations of organizational forms. Let me reiterate that each combinations has its pluses and minuses, as summarized in Table 3. Thus, it really depends on what one would prefer to emphasize, i.e., income equality, fast growth, quality of life, worker rights, diffusion of power, etc. In my experience and as my research has shown, it is hard, very hard indeed, for a newly industrialized country to achieve all of these things at once. Hard decisions need to be made, and they are fundamentally political. As a matter of record, I prefer to emphasize worker rights, income equality and quality of life over fast growth and concentration of power.

Evelyne's second issue is an important one. I think that my effort to clarify what I am studying here—organizational forms—should go a long way towards elucidating the relationship among institutions, government policies, and organizational forms. It is obvious that the causal links between pairs of these three variables do not run in one direction only. Development is a complex phenomenon, given all too easily to indiscriminate simplification. I do believe that institutions affect government policy and vice versa. Both affect development possibilities and development outcomes (including organizational forms). And yet, as the Spanish, Argentine and Korean experiences illustrate, development changes institutions and government policies. All scientific study represents an effort to control variation and to reduce the overwhelming complexity in the world to some parsimonious theory, explanation, argument or (as I prefer to call it) story. My story—backed up by systematic evidence—is that development does not result in convergence towards one best way, model or practice. Institutions and political traditions, however changing, set countries on different trajectories. Those trajectories are coherent in that they relate to social and political structure in discernible ways. And each trajectory makes 'sense', if only one is willing to give some thought to it and to analyze it systematically. I agree with Evelyne in that comparing sets of reasonably 'comparable' countries is the way to go. We disagree on the goal of such comparison. For me it is a way of illuminating different experiences, of putting them in reciprocal relief, of gaining a superior understanding of diversity and difference. For her it seems to be a way of searching for the answer to that most elusive question of all time: is there a best way? I do not think such a thing exists, even though it sure helps to rule out extreme options. All I can and would like to say is that one cannot rule out the Korean, Argentine or Spanish experiences and routes to development as totally unacceptable or as unworthy of attention. And one can certainly learn from them, from their successes and their failures.

Comments by Michael Mosher

Mauro Guillén's "Diversity in Globalization" is a thoroughly admirable paper. The wine production stories which illustrate its claims are also models of sensitivity to multiple contexts. Though there is no reason to be overly optimistic, I share Guillén's relative optimism about globalization and his sense that it accommodates "diversity" rather than "homogenization" or "convergence." I have a question about the limits of this diversity which may or may not amount to an objection. In addition, Mauro has proposed to me another question, "why do you persist in thinking that my work is compatible with neoclassical analysis?" The reader will recall that neoclassical economics is the fifth of five schools of "modernist" thought none of which accommodate diversity in quite the manner his sixth and superior "institutional" school does. Permit me to raise both questions as a way of re-imagining the rich possibilities found in the author's argument.

Neoclassical analysis is normatively biased in favor of some kinds of markets, but in and of itself it neither prescribes nor predicts the variety of firms which may inhabit any of these markets. It would say, in common with much other commentary, that markets *inherently* support diverse strategies. If such an analysis were to narrowly prescribe "winners," it would claim to have the kind of knowledge that would make the market price mechanism irrelevant since there would then exist (which neither Guillén nor the neoclassical analyst believes) a body of expert knowledge which could point unequivocally in the direction of wealth creation. If we had this knowledge we wouldn't need a market to show us the way:

we could be more confident that we could design a smart state, and fill it with smart actors who could push the market forward in the right way. If we don't believe we have the keys to the kingdom, we will opt for more society friendly approaches that both the neoclassical and the institutionalist schools exemplify. We will favor unplanned initiatives from as many directions as possible, subject only to a state which provides market rules and to at least one underlying economic constraint. However innovative a firm's strategy may be, it operates under the minimal constraint of needing, in the long run, to show a return on invested capital. That there should be such a minimalist universal constraint is why we are justified in referring globally to "capitalism." Neoclassical analysis is a tool for analyzing the diversity of market results, and not a bludgeon for experts who know in advance what combination of factors will make a winning combination.

Globalization may promote diversity, but it is neither unlimited nor always desirable. Suppose the 26 letters of the English alphabet correspond to maximum diversity. From this universe a situation which offered 4 options, H through K, would obviously not count as a good illustration of diversity. But consider two broader scenarios that offered respectively, 10 options, J through S; and 15 options, A through O? You might want to argue that the 15 options scenario was prima facie better than a 10 options scenario. But what if in selecting a wider range by going for the 15 scale, A through O, you eliminated your favored strategy, contained in P through S? Moreover, what if new possibilities, A to I, contained deplorable firm strategies?

Mauro claims to favor diversity all the way down. But on a closer inspection of the scenarios he presents, they look more like the move from the 10 option sequence, J through S, to the 15 option sequence, A through O. There is some overlap, some elimination, and greater diversity on the second sequence than on the first, but more important, neither scenario represents maximum diversity. Why? Because Mauro's favored society-centric approach, whether described with a bare bones neoclassical model or fleshed out in thickly described institutional cases, is biased against the state-centric approach. Similarly, given the cognitive confidence of the state-centric theorists, their models have tended to limit rather than encourage the unplanned diversity preferred by the society-centric kind. Moreover, many state-centric forms are less viable in a society-friendly environment and thus the state-centric firms will tend to drop out. For instance, cross-share holding *keiretsu* or *chaebols* depended upon states that built financial fire walls around Japan and Korea. With deregulation, while some of the *keiretsu* and *chaebols* may survive, they will necessarily have to change. Bank centered financing requires a state that does not permit stock markets to compete with banks in finance, but with the advent of deregulation (i.e. with an opening to a global market), formerly top banks suffer from competitive disadvantage while all surviving banks strive to reinvent themselves. While there may be in globalization a society-friendly advance toward diversity (the A to O model), there will also be a reduction of diversity in the state-centric direction, as P through S, and firms dependent on state-centric regimes, are now at a severe competitive disadvantage or have disappeared.

Mauro Guillén makes an effort to be neutral to both state-centric and society-friendly forms of economic organization in acknowledging that "countries and organizations ... yearn to be different," and in expressing the hope that each country and firm will find a "unique place ... under the sun of the global economy." But Guillén also anticipates that in bringing society back in, "globalization" will "reassess the role of the state." The reassessment is not positive. His indictment of the "modernist" approach is addressed precisely to its statist premise which would require cognitively superior governments to "mobilize" cognitively inferior and allegedly "trapped" actors. The negative view is most clearly borne out in the cases where state led Argentina exhibits disasters while state-centric Korea, though better off, is not as sound as "pragmatic" Spain. The Argentine and Korean states engage in "intrusive practices," while Spain's "open policy toward multinationals" was more beneficial. There is a sort of Whig history in this comparison of diversities where the least state-centric model turns out to be the most fetching.

Let us return to the six schools of thought admirably summarized in Table 1. In many respects I have no complaint about this particular classification, but as with all such schemes, one could ask either why not more schools or why not fewer? For instance, however useful it is to see the many small differences that generate a variety of schools, there is also something to be said for the dichotomizing mentality which would see only two schools here, not six. Three of the schools (dependency, world systems, and late industrialization) share the perspective that, whatever the problems afflicting the economy, some sort of knowledgeable and strongly interventionist state will eventually have to pick up the reins of control. Neither the neoclassical nor the institutional schools share this confidence, which is presumably why they are open to unanticipatable, socially generated diversity. That it is more attuned to the micro-logic of corporate structures and to cultural possibilities does not make the institutional school incompatible with neoclassical analysis, since the latter recognizes itself to be but an abstraction from thick institutional descriptions.

My only problem is where to fit the first school, the modernization theorists, into this dichotomy. I can certainly see Mauro's point. On grounds of arrogance alone, and a know it all attitude, the post-World War Two modernizers displayed enough cognitive confidence to place them with their rivals in the state-centric camp. Then it might be appropriate to label all five schools as symptoms of a disease called modernity, a contagion traceable to the Enlightenment, and to opt for a kind of postmodern cure in an institutionalist school that is open to diversity. I prefer, however, another interpretation. The arrogance of the modernizers was typical of the Americans who won a great war, and says relatively little about anything beyond this generation, and certainly doesn't reach back to indict eighteenth century European thinkers. What distinguishes the modernizers from their state-centric rivals, and puts them into the camp of both neoclassical economics and Guillén's institutionalists is that all three recognize the state having only a limited role to play. However important the state's regulatory work may be, the heavy lifting of a productive economy must come from a multidimensional "society."

Mauro Guillén responds

As in the case of Evelyne's comments, I am very grateful to Michael for compelling me to rethink and clarify certain aspects of the paper and the book on which it is based. He essentially raises two issues. First, while globalization (or capitalist development in general) does not produce total convergence towards homogeneity, it does set certain parameters, or in Kerr et al.'s (1960) famous terms, modernization produces "convergence towards a range of alternatives." Second, Michael argues that the six theories in Table 1 fall into two camps, a state-centric and a more society-centered one, with my own approach included in the latter. Thus, Michael seems to agree with Evelyne in that my theory is fairly similar to the neoclassical view of the world. Let me deal with these two comments in turn.

I think it is important to put semantic and linguistic issues aside when discussing the issue of convergence. Convergence is a process, not a state. Thus, it is only appropriate to talk about convergence towards something. Whether they want to admit it or not, all previous theories of development in Table 1 make the case for convergence, even though they make very different assumptions. In particular, they all predict convergence in organizational form, which is the variable I am interested in understanding. I agree with Michael that different strategies of development eliminate certain possibilities, but they also open up new ones, in many cases unintendedly so. It was not in the minds of Spanish liberal policy-makers during the 1970s and 1980s, for example, that worker-owned and family-owned enterprises would thrive to the extent that they did in the wake of deregulation and integration with Europe. They surely anticipated the rise of foreign multinationals on Spanish soil. But they did not anticipate to what extent those "premodern" organizational forms would benefit from the new policies, which were not directly targeted at them.

Let me reply more directly to Michael's first point by reiterating my argument and evidence in a concise way. I document in this paper and book that no matter how different or similar Argentina, South Korea and Spain were in 1950 (I would argue there were relatively similar in terms of government policy and organizational forms), they grew vastly different over the next four decades as they developed economically. Such different paths and outcomes can be understood in terms of each country's social and political characteristics, some of which changed over the period. The punchline is that economic development is not a 'master' process, is not about differentiation and integration (modernization theory), is not about simplistic dependency or center-periphery traps (dependecy or world-system theory), is not about a best policy that the state should impose on the society (late-industrialization theory), and is not about markets getting the prices right (neoclassical economics). It is at the same time more complex and simpler than that. It is more complex because there are multiple contingencies, unanticipated consequences, happenstance, exogenous shocks, and so on, that derail and blur the neatly-built scenarios painted by previous theories of development. It is simpler because the logic of diversity and difference is straightforward, as long as one is willing to accept it.

The second issue raised by Michael is a very important one. He is right in pointing out that three of the theories that I discuss—dependency, world-system, late-industrialization—have a certain degree of faith in the state as the key actor in development. The other three, Michael argues, are suspicious about the state if not openly opposed to its playing any role of importance in the economy-modernization, neoclassical economics, and the institutional approach that I propose. I have trouble accepting that my institutional approach belongs in the same basket as modernization theory and neoclassical economics. The contrasts between my approach and modernization theory are most apparent. I do not believe in evolutionary stages, I do not buy into the convergence thesis, and I do not think that 'traditional' organizational forms are inimical to development. I agree with modernization theory's emphasis on values and ideologies, but, again, I do not accept its argument that there has to be a shift from traditionalism to modernity in order for development to occur.

I sincerely believe that the differences between my approach and neoclassical economics are stark. Let me enumerate the ones I consider crucial. First, I take preferences as - problematic, and hence study actors' ideologies and motives. Second, I assume actors to be embedded in networks of social and political relationships that shape their perception of the world, their sense-making, and their strategies of action. Third, I assume that efficiency-maximizing behavior cannot be isolated from the social and political context in which it takes place. Fourth, my method is an interpretive one, i.e., I strive to understand why actors act in the way they do. These different assumptions help to better understand some of the ways in which I think my approach departs from the theory of comparative advantage (see my response to Evelyne's comments).

While I agree with Michael that neoclassical economics can accommodate difference and diversity, I must underline here that when it comes to development and development outcomes, it does not. Economic theories of development (or of transition from plan to market) are unwilling to take preexisting patterns of economic and social organization as 'building-blocks' for development. As I explain in the first section of the paper, they almost always argue that only the imposition of the market model and of certain modern institutions associated with it can allow a country to realize its full potential, i.e., to maximize the welfare of its citizens. But most importantly for my argument here, neoclassical economics does not believe in firms or in various types of firms, unless there is market failure, that is, unless the market does not work or is not allowed to work. This is where I vehemently disagree with neoclassical economics, for they cannot see business groups or worker-owned cooperatives unless markets fail. I think this perspective is not only a poor one conceptually but also of limited use when it comes to understanding the extreme diversity in organizational form that economic development has produced across countries and regions of the world.

REFERENCES

Adams/Jobson. 1996. *Adams/Jobson's Wine Handbook 1996*. New York: Adams/Jobson Publishing.

Albrow, Martin. 1997. *The Global Age*. Stanford, CA: Stanford University Press.

Amsden, Alice H. 1989. *Asia's Next Giant: South Korea and Late Industrialization*. New York: Oxford University Press.

___. 1994. "Why Isn't the Whole World Experimenting with the East Asian Model to Develop? Review of *The East Asian Miracle*." *World Development* 22(4):627-633.

Apter, David. 1965. *The Politics of Modernization*. Chicago: The University of Chicago Press.

Arias, María Eugenia, and Mauro F. Guillén. 1998. "The Transfer of Organizational Management Techniques Across Borders." *The Diffusion and Consumption of Business Knowledge.* Ed. José Luis Alvarez. London: Macmillan. Pp. 110-137.

Balassa, Bela, Gerardo M. Bueno, and Pedro-Pablo Kuczynsky. 1986. *Toward Renewed Economic Growth in Latin America*. Washington, DC: Institute for International Economics.

Barley, Stephen R., and Pamela S. Tolbert. 1997. "Institutionalization and Structuration: Studying the Links between Action and Institution." *Organization Studies* 18(1):93-117.

Bendix, Reinhard. [1956] 1974. *Work and Authority in Industry*. Berkeley, CA: University of California Press.

Berger, Suzanne. 1996. "Introduction." *National Diversity and Global Capitalism.* Ed. Suzanne Berger and Ronald Dore. Ithaca, NY: Cornell University Press. Pp. 1-25.

Bermeo, Nancy. 1994a. "Sacrifice, Sequence, and Strength in Successful Dual Transitions: Lessons from Spain." *Journal of Politics* 56(3) (August):601-627.

____. 1994b. "Spain: Dual Transition Implemented by Two Parties." *Voting for Reform*. Ed. Stephan Haggard and Steven B. Webb. Washington, DC: The World Bank. Pp. 89-127.

Biggart, Nicole Woolsey and Marco Orrú. 1997. "Societal Strategic Advantage: Institutional Structure and Path Dependence in the Automotive and Electronics Industries of East Asia." *State, Market and Organizational Form*. Ed. Ayse Bugra and Behlul Usdiken. Berlin: Walter de Gruyter. Pp. 201-239.

Biggart, Nicole Woolsey, and Mauro F. Guillén. 1999. "An Institutional Perspective on Development: Social Organization and the Rise of the Auto Industries of South Korea, Taiwan, Spain, and Argentina." *American Sociological Review*, forthcoming.

Biggart, Nicole Woolsey. 1998. "Deep Finance: The Organizational Bases of South Korea's Financial Collapse." *Journal of Management Inquiry* 7(4) (December):311-320.

Block, Fred. 1994. "The Roles of the State in the Economy." *Handbook of Economic Sociology.* Ed. Neil J. Smelser and Richard Swedberg. Princeton, NJ: Princeton University Press. Pp. 691-710.

Boix, Carles. 1998. *Political Parties, Growth and Equality: Conservative and Social Democratic Economic Strategies in the World Economy.* New York: Cambridge University Press.

Bonet, José Luis. 1993. "La competitividad del cava: El caso Freixenet." *Papeles de Economía Española* 56:399-401.

Boyer, Robert. 1996. "The Convergence Hypothesis Revisited: Globalization but Still the Century of Nations?" *National Diversity and Global Capitalism.* Ed. Suzanne Berger and Ronald Dore. Ithaca, NY: Cornell University Press. Pp. 29-59.

Campa, José Manuel, and Mauro F. Guillén. 1996a. "Spain: A Boom from Economic Integration." *Foreign Direct Investment and Governments*. Ed. John H. Dunning and Rajneesh Narula. London: Routledge, 1996. Pp. 207-239.

___. 1996b. "Evolución y Determinantes de la Inversión Directa en el Extranjero por Empresas Españolas." *Papeles de Economia Española* 66(1996):235-247.

___. 1999. "The Internalization of Exports: Firm and Location-Specific Factors in a Middle-Income Country." *Management Science*, n.d.

Campbell, John L. 1998a. "Institutional Analysis and the Role of Ideas in Political Economy." *Theory and Society* 27:377-409.

Campbell, John, and Leon Lindberg. 1990. "Property Rights and the Organization of Economic Activity by the State." *American Sociological Review* 55:3-14.

Cardoso, Fernando Henrique, and Enzo Faletto. [1973] 1979. *Dependency and Development in Latin America.* Berkeley, CA: University of California Press.

Castells, Manuel. 1996. *The Rise of the Network Society*. Cambridge, MA: Blackwell.

Caves, Richard E. 1989. "International Differences in Industrial Organization." *Handbook of Industrial Organization*. Ed. R. Schmalensee and R. D. Willig. Amsterdam: North Holland. Vol. 2, pp. 1127-1250.

Centeno, Miguel A. N.d. "Between Rocky Democracies and Hard Markets: Dilemmas of the Double Transition." *Annual Review of Sociology* 20:125-147.

____. 1997. "Blood and Debt: War and Taxation in Nineteenth-Century Latin America." *American Journal of Sociology* 102(6) (May):1565-1605.

Church, Roy. 1993. "The Family Firm in Industrial Capitalism: International Perspectives on Hypotheses and History." *Business History* 35(4) (October):17-43.

Clegg, Stewart and Cynthia Hardy. 1996. "Organizations, Organization and Organizing." *Handbook of Organization Studies.* Ed. S. Clegg, C. Hardy and W. Nord. London: Sage Publications. Pp. 1-28.

Cole, Robert E. 1989. *Strategies for Learning: Small-Group Activities in American, Japanese, and Swedish Industry*. Berkeley, CA: University of California Press.

Collins, Randall. 1997. "An Asian Route to Capitalism: Religious Economy and the Origins of Self-Transforming Growth in Japan." *American Sociological Review* 62:843-865.

Cusumano, Michael. 1985. *The Japanese Automobile Industry: Technology and Management at Nissan and Toyota*. Cambridge, MA: Harvard University Press.

Dietz, James L. 1986. *Economic History of Puerto Rico*. Princeton, NJ: Princeton University Press.

Djelic, Marie-Laure. 1998. *Exporting the American Model.* New York: Oxford University Press.

Dore, Ronald. 1973. *British Factory-Japanese Factory*. Berkeley, CA: University of California Press.

Douglas, Mary. 1986. *How Institutions Think*. Syracuse, NY: Syracuse University Press.

Esping-Andersen, Gosta. 1985. *Politics against Markets: The Social Democratic Road to Power.* Princeton, NJ: Princeton University Press.

Ettlinger, N. 1997. "An Assessment of the Small-Firm Debate in the United States." *Environment and Planning* 29:419-442.

Evans, Peter ed. 1997. *State-Society Synergy: Government and Social Capital in Development.* Berkeley, CA: University of California at Berkeley International and Area Studies, no. 94.

____. 1995. *Embedded Autonomy: States and Industrial Transformation*. Princeton, NJ: Princeton University Press.

____. 1997. "The Eclipse of the State? Reflections on Stateness in an Era of Globalization." *World Politics* 50 (October):62-87.

Evans, Peter, and John D. Stephens. 1988. "Studying Development since the Sixties: The Emergence of a New Comparative Political Economy." *Theory and Society* 17:713-745.

Evans, Peter. 1979. *Dependent Development*. Berkeley, CA: University of California Press.

Fligstein, Neil. 1990. *The Transformation of Corporate Control*. Cambridge, MA: Harvard University Press.

Fomento. 1996. *Los campeones de la exportación española.* Barcelona: Fomento de la Producción.

____. 1997. *Las 2500 mayores empresas españolas*. Barcelona: Fomento de la Producción.

Frank, André G. 1967. *Capitalism and Underdevelopment in Latin America*. New York: Monthly Review Press.

Fujita, Masataka. 1996. "Small and Medium-Sized Enterprises in Foreign Direct Investment." *International Technology Transfer by Small and Medium-Sized Enterprises*. Ed. Peter J. Buckley, Jaime Campos, Hafiz Mirza, and Eduardo White. London: Macmillan. Pp. 9-70.

Garrett, Geoffrey. 1998. *Partisan Politics in the Global Economy*. New York: Cambridge University Press.

Gatto, Francisco. 1995. "Las exportaciones industriales de pequenas y medianas empresas." *Hacia una nueva estrategia exportadora: La experiencia argentina, el marco regional y las reglas multilaterales.* Ed. Bernardo Kosacoff. Buenos Aires: Universidad Nacional de Quilmes. Pp. 133-173.

Geertz, Clifford. 1963. *Peddlers and Princes: Social Development and Economic Change in Two Indonesian Towns*. Chicago: The University of Chicago Press.

___. 1973. *The Interpretation of Cultures: Selected Essays*. New York: Basic.

___. 1998. "The World in Pieces: Culture and Politics at the End of the Century." *Focaal: Tijdschrift voor Antropologie* 32:91-117.

Gereffi, Gary. 1994a. "The Organization of Buyer-Driven Global Commodity Chains." *Commodity Chains and Global Capitalism.* Ed. G. Gereffi and M. Korzeniewicz. Westport, CT: Greenwood. Pp. 95-122.

____. 1994b. "The International Economy and Economic Development." *Handbook of Economic Sociology*. Ed. Neil J. Smelser and Richard Swedberg. Princeton, NJ: Princeton University Press. Pp. 206-233.

Gerlach, Michael L. 1992. *Alliance Capitalism: The Social Organization of Japanese Business*. Berkeley, CA: University of California Press.

Gerschenkron, Alexander. 1962. *Economic Backwardness in Historical Perspective*. Cambridge, MA: Harvard University Press.

Giddens, Anthony. 1984. *The Constitution of Society*. Berkeley, CA: University of California Press.

____. 1990. *The Consequences of Modernity*. Stanford, CA: Stanford University Press.

____. 1991. *Modernity and Self-Identity*. Cambridge, MA: Polity Press.

Gilpin, Robert. 1987. *The Political Economy of International Relations*. Princeton, NJ: Princeton University Press.

González Cerdeira, Xulia. 1996. "La empresa industrial en la década de los noventa: Actividad tecnológica." Working Paper 9609. Madrid: Fundación Empresa Pública.

Granovetter, Mark. 1983. "Small is Bountiful: Labor Markets and Establishment Size." *American Sociological Review* 49 (June):323-334.

Granovetter, Mark. 1985. "Economic Action and Social Structure: The Problem of Embeddedness." *American Journal of Sociology* 91:481-510.

Guillén, Mauro F. 1994. *Models of Management: Work, Authority, and Organization in a Comparative Perspective*. Chicago: The University of Chicago Press.

____. 1997a. "Scientific Management's Lost Aesthetic: Architecture, Organization, and the Taylorized Beauty of the Mechanical." *Administrative Science Quarterly* 42(4) (December):682-715.

____. 1997b. "Business Groups in Economic Development." *Best Paper Proceedings*, 1997 Academy of Management Annual Meeting, Boston. Pp. 170-174.

____. 1998a. "International Management and the Circulation of Ideas." *Trends in Organizational Behavior* 4.

____. 1998b. "Review of *The Collapse of the American Management Mystique* by Richard R. Locke." *Business History Review* 72.

____. 1998c. "Imitation and Inertia in Organizational Environments: South Korean Firms and Business Groups in China, 1987-1995." Jones Center, Wharton School, Working Paper, no number.

____. 2000. "Is Globalization Civilizing, Destructive or Feeble? A Critique of Six Key Debates in the Social-Science Literature." *Annual Review of Sociology*, forthcoming.

Guillén, Mauro F., and Omar N. Toulan. 1997. "New Organizational Forms of Internationalization in Latin America: The Experience of Argentine Firms." *Organization* 4(4) (1997):552-563.

Habermas, Jürgen. 1983. "Modernity-An Incomplete Project." *The Anti-Aesthetic: Essays on Postmodern Culture.* Ed. Hal Foster. Port Townsend, WA: Bay Press. Pp. 3-15.

Haggard, Stephan and Tun-jen Cheng. 1987. "State and Foreign Capital in the East Asian NICs." *The Political Economy of the New Asian Industrialism*. Ed. Frederic Deyo. Ithaca, NY: Cornell University Press.

Haggard, Stephan, and Robert R. Kaufman. 1995. *The Political Economy of Democratic Transitions*. Princeton, NJ: Princeton University Press.

Haggard, Stephan. 1990. *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries*. Ithaca, NY: Cornell University Press.

Hamilton, Gary G., and Nicole Woolsey Biggart. 1988. "Market, Culture, and Authority: A Comparative Analysis of Management and Organization in the Far East." *American Journal of Sociology* 94(Supplement): S52-S94.

Hayek, Friedrich A. von. 1944. *The Road to Serfdom.* Chicago: The University of Chicago Press.

Hirschman, Albert O. 1958. *The Strategy of Economic Development*. New Haven, CT: Yale University Press.

____. 1968. "The Political Economy of Import-Substituting Industrialization in Latin America." *Quarterly Journal of Economics* 82:2-32.

____. 1982. "Rival Interpretations of Market Society: Civilizing, Destructive, or Feeble?" *Journal of Economic Literature* 20 (December):1463-1484.

Hirst, Paul, and Grahame Thompson. 1996. *Globalization in Question.* London: Polity.

Hollingsworth, J. Rogers, Philippe C. Schmitter, and Wolfgang Streeck. 1994. "Capitalism, Sectors, Institutions, and Performance." *Governing Capitalist Economies: Performance and Control of Economic Sectors*. Ed. J. Hollingsworth, P. Schmitter, and W. Streeck. New York and Oxford: Oxford University Press. Pp.3-16.

Huff, W. G. 1994. *The Economic Growth of Singapore.* New York: Cambridge University Press.

Johnson, Chalmers. 1982. *MITI and the Japanese Miracle*. Stanford, CA: Stanford University Press.

Jones, Geoffrey, and Mary B. Rose. 1993. "Family Capitalism." *Business History* 35(4) (October):1-16.

Juri, María E., and Raúl Mercau. 1990. "Privatización en la Argentina: El caso de Bodegas y Viñedos Giol." *Estudios de la Fundación Mediterráneo* 13(53) (January-March):3-19.

Kanter, Rosabeth Moss. 1995. *World Class: Thriving Locally in the Global Economy*. New York: Simon & Schuster.

Katzenstein, Peter J. 1985. *Small States in World Markets: Industrial Policy in Europe*. Ithaca, NY: Cornell University Press.

Kennedy, Paul. 1993. *Preparing for the Twenty-First Century*. New York: Random House.

Kerr, Clark, John T. Dunlop, Frederick Harbison, and Charles A. Myers. [1960] 1964. *Industrialism and Industrial Man*. New York: Oxford University Press.

Kobrin, Stephen J. 1998. "Development after Industrialization: Poor Countries in an Electronically Integrated Global Economy." Paper presented at the workshop on The Globalization of Multinational Enterprise Activity and Economic Development, University of Strathclyde.

Kogut, Bruce. 1985. "Designing Global Strategies: Comparative and Competitive Value-Added Chains." *Sloan Management Review* (Summer):15-28.

____. 1991. "Country Capabilities and the Permeability of Borders." *Strategic Management Journal* 12 (Special Issue):33-47.

Krugman, Paul. 1994. "The Myth of Asia's Miracle." *Foreign Affairs* (November-December):62-78.

___. 1998. "Saving Asia: It's Time to Get Radical." *Fortune* (September 7):75-80.

Lee, Yeon-ho. 1997. *The State, Society and Big Business in South Korea*. New York: Routledge.

Leff, Nathaniel. 1978. "Industrial Organization and Entrepreneurship in Developing Countries: The Economic Groups." *Economic Development and Cultural Change* 26:661-675.

____. 1979. "Entrepreneurship and Economic Development." *Journal of Economic Literature* 17:46-64.

Levitt, Theodore. 1983. "The Globalization of markets." *Harvard Business Review* 61(3) (May-June):92-102.

Lindberg, Leon N., John L. Campbell, and J. Rogers Hollingsworth. 1991. "Economic Governance and the Analysis of Structural Change in the American Economy." *Governance of the American Economy.* Ed. John L. Campbell, J. Rogers Hollingsworth, and Leon N. Lindberg. New York: Cambridge University Press. Pp. 3-34.

Lipset, Seymour Martin. 1981. *Political Man: The Social Bases of Politics*. Baltimore: Johns Hopkins University Press.

Louch, Hugh, Eszter Hargittai, and Miguel Angel Centeno. 1998. "Who Calls Whom? Networks and Globalization." Paper presented at the Annual Meetings of the American Sociological Association, San Francisco.

Maddison, Angus. 1995. *Monitoring the World Economy 1820-1992*. Paris: OECD.

Mander, Jerry, and Edward Goldsmith eds. 1996. *The Case Against the Global Economy*. San Francisco: Sierra Club Books.

Marshall, Alfred. 1919. *Industry and Trade*. London: MacMillan.

Mazlish, Bruce. 1993. "An Introduction to Global History." *Conceptualizing Global History*. Ed. Bruce Mazlish and Ralph Buultjens. Boulder, CO: Westview Press. Pp. 1-24.

McGuire, James W. 1994. "Development Policy and Its Determinants in East Asia and Latin America." *Journal of Public Policy* 14(2):205-242.

McMichael, Philip. 1996. *Development and Social Change: A Global Perspective*. Thousand Oaks, CA: Pine Forge Press.

Mead, George H. 1934. *Mind, Self and Society*. Chicago: The University of Chicago Press.

Merton, Robert K. 1968. "Patterns of Influence: Local and Cosmopolitan Influentials." *Social Theory and Social Structure*. New York: Free Press. Pp. 441-474.

MICYT. 1992. *Un panorama de la industria española*. Madrid: Ministerio de Industria, Comercio y Turismo.

Mínguez Sanz, Santiago. 1994. "El cava: Su producción y comercialización." *El Campo* 130 (January):111-121.

Mittelman, James H. 1996. "The Dynamics of Globalization." *Globalization: Critical Reflections*. Ed. James H. Mittelman. Boulder: Lynne Rienner Publishers. Pp. 1-19.

___. 1999. *At the Mercy of Globalization*. Princeton, NJ: Princeton University Press.

Moreno, Lourdes, and Diego Rodríguez. 1996. "La empresa industrial en la década de los noventa: Actividad Exterior." Working Paper 9608. Madrid: Fundación Empresa Pública.

Murmann, Johann Peter. 1998. *Knowledge and Competitive Advantage in the Synthetic Dye Industry, 1850-1914: The Coevolution of Firms, Technology, and National Institutions in Great Britain, Germany, and the United States*. Book manuscript. Evanston, IL: Kellogg Graduate School of Management, Northwestern University.

Naisbitt, John, and Patricia Aburdene. 1990. *Megatrends 2000*. New York: Morrow.

Naisbitt, John. 1994. *Global Paradox: The Bigger the World Economy, the More Powerful Its Smaller Players*. New York: Morrow.

Nelson, Richard R. 1995. "Recent Evolutionary Theorizing about Economic Change." *Journal of Economic Literature* 33:48-90.

Nelson, Richard R., and Sidney Winter. 1982. *An Evolutionary Theory of Economic Change*. Cambridge, MA: Harvard University Press.

Nord, Walter W. and Suzy Fox. 1996. "The Individual in Organization Studies: The Great Disappearing Act? *Handbook of Organization Studies*. Ed. S. Clegg, C Hardy and W. Nord. London: Sage Publications. Pp. 148-174.

North, Douglass C. 1990. *Institutions, Institutional Change, and Economic Performance*. New York: Cambridge University Press.

____. 1997. "Understanding Economic Change." *Tranforming Post-Communist Political Economies*. Ed. Joan M. Nelson, Charles Tilly, and Lee Walker. Washington, DC: National Academy Press. Pp. 13-18.

O'Donnell, Guillermo A. 1979. *Modernization and Bureaucratic-Authoritarianism: Studies in South American Politics*. Berkeley, CA: Institute of International Studies, University of California.

OECD. 1997. *Globalisation and Small and Medium Enterprises*. 2 vols. Paris: OECD.

Ohmae, Kenichi. 1990. *The Borderless World: Power and Strategy in the Interlinked Economy*. New York: Harper Business.

Orrú, Marco, Nicole Woolsey Biggart and Gary G. Hamilton. 1997. *The Economic Organization of East Asian Capitalism*. Thousand Oaks, CA: Sage Publications.

Ortega y Gasset, José. 1986. *La rebelión de las masas*. Madrid: Espasa-Calpe. English trans. *The Revolt of the Masses* (New York: W. W. Norton, 1932).

Perrow, Charles. 1992. "Small Firm Networks." *Networks and Organizations*. Ed. Nitin Nohria and Robert G. Eccles. Boston, MA: HBS Press. Pp. 445-470.

Pieterse, Jan Nederveen. 1996. "The Development of Development Theory: Towards Critical Globalism." *Review of International Political Economy* 3(4) (Winter):541-564.

Piore, Michael J., and Charles F. Sabel. 1984. *The Second Industrial Divide*. New York: Basic Books.

Piore, Michael J., and Charles F. Sabel. 1984. *The Second Industrial Divide: Possibilities for Prosperity*. New York: Basic.

Polanyi, Karl. 1944. *The Great Transformation*. Boston: Beacon Press.

Porter, Michael E. 1990. *The Competitive Advantage of Nations*. New York: Free Press.

____. 1998. "Clusters and the New Economics of Competition." *Harvard Business Review* 76(6) (November-December):77-90.

Portes, Alejandro, and A. Douglas Kincaid. 1989. "Sociology and Development in the 1990s: Critical Challenges and Empirical Trends." *Sociological Forum* 4:479-503.

Portes, Alejandro. 1997. "Neoliberalism and the Sociology of Development: Emerging Trends and Unanticipated Facts." *Population and Development Review* 23(2) (June):229-259.

Powell, Walter W. 1990. "Neither Market nor Hierarchy: Network Forms of Organization." *Research in Organizational Behavior* 12:295-336.

Powell, Walter W. and Paul DiMaggio. 1991. "Introduction." *The New Institutionalism in Organizational Analysis.* Ed. Walter W. Powell and Paul DiMaggio. Chicago: University of Chicago Press. Pp. 1-39.

Prebisch, Raúl. 1950. *The Economic Development of Latin America and Its Principal Problems*. New York: United Nations.

Prial, Frank J. 1996. "Getting a Kick from Champagne." *The New York Times* (September 15), Section 5: 15, 22.

Putnam, Robert D. 1993. *Making Democracy Work: Civic Ttraditions in Modern Italy*. Princeton, NJ: Princeton University Press.

Ragin, Charles, and Daniel Chirot. 1984. "The World System of Immanuel Wallerstein: Sociology and Politics and History." *Vision and Method in Historical Sociology*. Ed. Theda Skocpol. New York: Cambridge University Press, pp. 276-312.

Reich, Robert B. 1991. *The Work of Nations*. New York: Alfred A. Knopf.

Robertson, Roland. 1992. *Globalization: Social Theory and Global Culture*. London: Sage Publications.

Rodrik, Dani. 1997. *Has Globalization Gone too Far?* Washington, DC: Institute for International Economics.

____. 1998. "The Global Fix." *The New Republic* (November 2): n.p.

Rostow, Walt W. 1960. *The Stages of Economic Growth: A Non-Communist Manifesto*. Cambridge, England: Cambridge University Press.

Sabel, Charles F., and Jonathan Zeitlin. 1985. "Historical Alternatives to Mass Production." *Past and Present* 108 (August):133-167.

Sabel, Charles. 1982. *Work and Politics.* New York: Cambridge University Press.

Sachs, Jeffrey. 1993. *Poland's Jump to the Market Economy*. Cambridge, MA: MIT Press.

____. 1998. "The IMF and the Asian Flu." *The American Prospect* (March-April):16-21.

Sassen, Saskia. 1996. *Losing Control? Sovereignty in an Age of Globalization*. New York: Columbia University Press.

Schumacher, Ernst F. 1975. *Small Is Beautiful: Economics as if People Mattered*. New York: Harper & Row.

Schumpeter, J. A. 1934. *The Theory of Economic Development*. Cambridge, MA: Harvard University Press.

Scott, W. Richard. 1995. *Institutions and Organizations*. Thousand Oaks, CA: Sage Publications.

Shirlow, Peter ed. 1995. *Development Ireland*. London: Pluto.

Simon, Hermann. 1996. *Hidden Champions: Lessons from 500 of the World's Best Unknown Companies*. Boston, MA: HBS Press.

Sklair, Leslie. 1991. *Sociology of the Global System*. New York: Harvester Wheatsheaf.

Skocpol, Theda. 1984. "Emerging Agendas and Recurrent Strategies in Historical Sociology." *Vision and Method in Historical Sociology*. Ed. Theda Skocpol. New York: Cambridge University Press. Pp. 356-391.

____. 1985. "Bringing the State Back In: Strategies of Analysis in Current Research." *Bringing the State Back In*. Ed. Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol. Cambridge: Cambridge University Press. Pp.3-37.

Smelser, Neil J. 1976. *The Sociology of Economic Life*. Englewood Cliffs, NJ: Prentice-Hall.

Smelser, Neil J., and Richard Swedberg. 1994. "The Sociological Perspective on the Economy." *Handbook of Economic Sociology.* Ed. Neil J. Smelser and Richard Swedberg. Princeton, NJ: Princeton University Press. Pp. 5-26.

Snodgrass, Donald R., and Tyler Biggs. 1996. *Industrialization and the Small Firm*. San Francisco: International Center for Economic Growth.

Stark, David, and László Bruszt. 1998. *Postsocialist Pathways: Transforming Politics and Property in East Central Europe*. New York: Cambridge University Press.

Stinchcombe, Arthur L. 1983. *Economic Sociology*. New York: Academic Press.

Storper, Michael and Robert Salais. 1997. *Worlds of Production: The Action Frameworks of the Economy*. Cambridge, MA: Harvard University Press.

Streeck Wofgang. 1991. "On the Institutional Conditions of Diversified Quality Production." *Beyond Keynesianism: The Socio-Economics of Production and Full Employment.* Ed. E. Matzner and W. Streeck. Hants, England: Edward Elgar Publishing. Pp. 21-61.

____. 1995. "German Capitalism: Does it Exist? Can it Survive?" Discussion Paper 95/5. Cologne: Max-Planck Institut für Gesellschaftsforschung.

Suárez, Sandra L. 1998. "A Tale of Three Islands: Tax Breaks and the Political Economy of Growth in Ireland, Puerto Rico, and Singapore." Book prospectus. Philadelphia: Department of Political Science, Temple University.

Swidler, Ann. 1986. "Culture in Action." *American Sociological Review* 51:273-286.

Tilly, Charles. 1984. *Big Structures, Large Processes, Huge Comparisons*. New York: Russell Sage Foundation.

Tizio, Carlos. 1995. *The Argentina Wine Industry*. Mimeo. Mendoza, Argentina: Bodegas Norton SA.

Toulan, Omar, and Mauro F. Guillén. 1997. "Beneath the Surface: The Impact of Radical Economic Reforms on the Outward Orientation of Argentine and Mendozan Firms, 1989-1995." *Journal of Latin American Studies* 29:395-418.

UNCTD. 1994. *Small and Medium-Sized Transnational Corporations*. New York: United Nations.

Wade, Robert, and Frank Veneroso. 1998a. "The Asian Crisis: The High Debt Model Versus the Wall Street-Treasury-IMF Complex." *New Left Review* (March-April):3-22.

Wade, Robert. 1990. *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. Princeton, NJ: Princeton University Press.

____. 1996. "Globalization and Its Limits: Reports of the Death of the National Economy are Greatly Exagerated." *National Diversity and Global Capitalism.* Ed. by Suzanne Berger and Ronald Dore. Ithaca, NY: Cornell University Press. Pp. 60-88.

____. 1998b. "Two Views on Asia: The Resources Lie Within." *The Economist* (November 7):19-21.

Wallerstein, Immanuel. 1974. *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. New York: Academic Press.

Waters, Malcolm. 1995. *Globalization.* New York: Routledge.

Westney, D. Eleanor. 1987. *Imitation and Innovation: The Transfer of Western Organizational Patterns to Meiji Japan*. Cambridge, MA: Harvard University Press.

Whitley, Richard. 1992. *Business Systems in East Asia: Firms, Markets, and Societies*. London: Sage.

Williamson, Oliver E. 1985. *The Economic Institutions of Capitalism.* New York: Free Press.

Ziegler, J. Nicholas. 1995. "Institutions, Elites, and Technological Change in France and Germany." *World Politics* 47(3) (April):341-372.

for further information, write to us at: papers@ias.edu
or contact Debra Keates, Series Editor at (609) 734-8350

School of Social Science, Institute for Advanced Study
Olden Lane, Princeton, NJ 08540