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Variations and Change in CSR from a 'Varieties of Capitalism' Perspective*

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Variations and Change in CSR: France and South Korea in Comparative Perspective

Abstract

This paper explores a way in which national variations and change in CSR practices can be analysed and understood. To this end, first, we conceptualise national diversity in CSR by bringing together three sets of separate, but interrelated, literatures – i.e., the varieties of capitalism (VoC), comparative corporate governance, and comparative CSR literatures – by introducing the notion of CSR as a complementary institution to the national systems of corporate governance that is embedded in the broader national capitalisms. Second, we illustrate the explanatory power of the conceptual framework by exploring the possibility of understanding change in CSR as reflecting broader structural-institutional changes in the national systems of corporate governance. To this end, we examine the state-led model, using France and Korea as case studies; in turn, unveiling new insights on a type of capitalism that has thus far been understudied with reference to CSR.

Keywords: Varieties of capitalism, corporate governance, corporate social responsibility, institutional complementarity, and state-led model.

Introduction

National practices of corporate social responsibility (CSR) reflect public policy choices (Elsner 2004). Countries pass laws and regulations that shape incentives, behaviour, which in turn shape national systems of governance and accountability (Gourevitch and Shinn 2005:3). There is evidence that governments have an interest in CSR (Moon and Vogel 2008; Albareda et al. 2007), including to draw CSR into wider systems of new governance (Moon 2002). Moreover, there is evidence of CSR broadening from the ethical and narrow stakeholder concerns to embrace wider issues of societal and environmental governance (Levy and Kaplan 2008; Garriga and Melé 2004). There is ample empirical evidence of varying CSR practices across countries (Chapple and Moon 2005; Maignan and Ferrell 2003; Maignan and Ralston 2002; Williams and Aguilera 2008). Informed by these works, there is also a growing interest – albeit in its early stages – in conceptualising comparative CSR (Aguilera et al. 2007; Matten and Moon 2008).

Our paper investigates the relationship between: government; comparative capitalism, and specifically regarding comparative corporate governance; and CSR. It does so in the context of capitalisms which are characterised by strong states, and compares these with their liberal and coordinated counterparts. We contribute to the discussions on international and comparative CSR and governance by, first, designing a conceptual framework for national-level analysis (as opposed to individual, firm, sectoral, and transnational levels). To this end, we rely on the so-called 'varieties of capitalism' literature, and in so doing, introduce (1) CSR as a complementary institution to the national systems of corporate governance that is embedded in the broader national capitalisms; and (2) the possibility of understanding change in CSR as reflecting broader structural-institutional changes in the national systems of corporate governance.

Second, in the process of illustrating the explanatory power of the above, we contribute substantively by illuminating why/how CSR practices vary, and why/how they are changing in one particular type of capitalist model, namely the state-led model. The state-led model is less studied than the more familiar models of capitalism, i.e., the liberal market model (LME) and the coordinated market model

(CME) (for an exception, see Schmidt 2002). However, it has a significant empirical value given that many of the ‘catch-up’ economies around the world more closely approximate the state-led model than the other two models. To this end, we ask (1) whether there are distinct CSR practices in the state-led model; (2) whether there has been a shift towards explicit CSR in recent years; and if so, (3) what are possible explanations for this change. We propose that (1a) there are indeed distinct CSR practices in the state-led model; (2a) there is a shift towards explicit CSR; and (3a) the structural reason for this change can be found in the overall shift in the state-led model towards the LME.

The significance of the study is that it furthers our understanding of variations and change in CSR, and thereby encourages research in international and comparative CSR. At a more practical level, it demonstrates that CSR is historically embedded, and a product of coordination and complementarity between various institutions achieved over a long period of time. Therefore, it is inappropriate for scholars to adumbrate ahistorical accounts of CSR or for practitioners to offer de-contextualised recipes for CSR derived from other (foreign) single systems of practices as the ‘best practice’.

The paper begins with a literature review of existing conceptualisations of CSR, and building on these works, proceeds to examine CSR in a VoC perspective, highlighting CSR as a complementary institution to national corporate governance. It then brings the state-led model into the discussion, using France and Korea as case studies, and discusses how CSR complements the state-led system of corporate governance. The paper subsequently examines change in CSR in the direction that which is more suited to complementing a liberal market system of corporate governance, and explores the possibility of understanding this change as a result of the broader path-shifting change of the state-led model towards the LME. Finally, it concludes with a summary and directions for further research.

Conceptualising Comparative CSR: VoC *á la* Historical Institutionalism

CSR is not a well defined concept, as the meanings and practices that constitute CSR differ across national contexts. However, it is important to come to an operational term, but one that is sufficiently broad to capture cross-national differences in the meanings and practices of CSR. Hence, following the definition used by Davis (1973), we define CSR broadly as *the firm's consideration of, and response to, issues beyond the narrow economic requirements to accomplish not only economic but also social and environmental benefits.*[1]

CSR has been regarded as a mainly American concept but there is a growing literature about CSR elsewhere – mainly Western Europe and Japan. In addition, there has been research into CSR as a normative or conceptual construct which is de-contextualised or, by implication, contextualised by U.S. experience. Of the recent attempts to conceptualise comparative CSR, two works are particularly relevant to our investigation.

First, taking an actor-centred approach, Aguilera et al. (2007), theorise on *variations* in CSR by looking at the actors' (i.e., the corporations') 'motives' behind CSR at the individual, organisational, national, and transnational levels. We identify three types of motive at the national-level; namely, instrumental, relational, and moral. According to Aguilera et al. (2007), instrumental reasons are associated with competitiveness, relational with social cohesion, and moral, with a sense of collective responsibility.[2] In this paper, we use the term 'collectivist' as opposed to 'moral', given that the former captures the meaning more accurately. The three are not mutually exclusive, but usually co-exist to varying degrees of importance. Aguilera et al.'s (2007) work is noteworthy in that it accords greater sophistication to the more conventional actor-centred approaches to CSR, which interpret variations and change in CSR as largely related to powerful and influential individuals; i.e., the personal beliefs (Friedman 1970) and preferences (or corporate strategies) of the top management (McWilliams et al. 2006).

Whilst actor-centred approaches such as that of Aguilera et al. (2007) have merit – particularly in exploring change – for the simple reason that actors are the 'carriers of institutions' (Morgan et al. 2005), to be exclusively reliant on the actor-centred perspective has limits. This is because actors' preferences (and power) are shaped –

constrained and enabled – by institutions. Aguilera et al. (2007) describe variations in motives, but they do not address how these motives are shaped, which requires turning our attention to structural conditions or historically embedded institutions.

Without going into the age-old debate on agency vs. structure, Matten and Moon (2008) take an institutionalist approach to conceptualising variations and change in CSR. Variation in CSR is explored through Whitley's (1999) business systems approach which entails examining how large firms are embedded in institutional arrangements that govern national business systems (namely, political systems, financial systems, education and labour systems, and cultural systems), and how the combination of such arrangements affect the nature of the firm, the organisation of market processes, and coordination and control systems. The authors identify two types of CSR 'practice' (as opposed to 'motive'), namely, explicit and implicit CSR. Explicit CSR refers to corporate policies which assume and articulate responsibility for some societal interests, whereas implicit CSR refers to corporations role within the wider formal and informal institutions for society's interests and concerns. Meanwhile, change in CSR is explored in terms of national governance changes and organisational institutionalism (i.e., in the forms of coercive isomorphism, mimetic processes, and normative pressures).

In designing our conceptual framework, we bring together Aguilera et al.'s (2007) notion of variations in the 'motives' for CSR and Matten and Moon's (2008) notion of explicit and implicit 'practices' of CSR. At the same time, we go a step further to take a more macro institutional-structural perspective, and rely on the so-called 'varieties of capitalism' (VoC) approach, and in particular the historical institutionalist variant. Moreover, we refine the way in which comparative CSR is conceptualised, particularly in relation to political economies that do not fit the well-known dichotomised distinction between LME and CME, and in relation to less advanced and non-Western political economies. Thus, our paper seeks to conceptualise the variations *within* the non-liberal capitalism, giving focus to the motives for, and the practices of CSR in the state-led model.

We draw on the VoC literature, which shares assumptions about the institutional underpinnings of national economies (or new institutionalism, i.e., rational-choice, historical, and organisational or sociological institutionalism). [3] The most representative and oft-cited work is the edited volume by Hall and Soskice (2001).[4] The authors take on a firm-centred approach to the study of comparative capitalism, given the importance of the mode of 'firm coordination' as the defining logic of a national political economy (or model of capitalism), and the concept of 'institutional complementarities' as that which gives coherence to the model. In simplest terms, the institutional sub-systems that govern capital and labour (i.e., financial systems, labour relations, training systems, and inter-firm relations) are the ones that mould the capitalist models, and when present in the "right" form, mutually reinforce each other. The VoC approach posits that the presence of "correctly calibrated" sub-systems increases the performance, or the so-called 'comparative institutional advantage' of large firms. The basic idea of comparative institutional advantage is that the institutional structure of a particular political economy provides firms with advantages for engaging in specific types of activities (e.g., radical innovation industries in the case of LME and incremental innovation industries in the case of CME) (Hall and Soskice 2001:37).

Why is VoC useful in conceptualising variations and change in CSR? As a firm-centred approach that focuses on what national level institutional arrangements mean for firm behaviour, the VoC approach provides a way of understanding the firm in a structural and institutionalist manner; i.e., giving micro-foundations to macro-societal phenomenon. As such, concepts such as 'coordination' and 'complementarity' are integral to the analysis; both of which we use in linking variations in national capitalist systems to CSR practices (discussed below).

The VoC approach is not immune to criticisms (Deeg and Jackson 2006; Hancké et al. 2007; Kang 2006). One key shortcoming is that it over emphasises the production dimension of a capitalist system, and underestimates the role of politics, especially regarding distributive concerns (Kang 2006). In this sense, the welfare capitalism literature (e.g., Esping-Andersen 1992; Schmidt and Scharpf 2000b; 2000a) provides an *alternative* perspective to the VoC approach by focusing on social policies and the welfare state across countries. Having said that, the VoC approach is not always unified in its view of institutions and institutional change (see Table 1), and the historical institutionalist variant comes nearest to *reconciling* the two sets of literatures, i.e., a capitalist system encompassing dimensions of production and redistribution (e.g., Streeck and Yamamura 2001, Yamamura and Streeck 2003). Hence, historical institutionalism has relevance to this paper given that CSR encompasses both dimensions.[5]

We give production and distribution an equal importance by developing a specific link between national variations in capitalist systems and CSR practices by introducing the notion of CSR as a complementary institution to national systems of corporate governance (i.e., where the presence of an institution allows the other institution to be more viable; e.g. not only efficient, but also legitimate, and ultimately reinforces one another). By bringing in corporate governance as the missing link, we take on a sociological view of corporate governance (Aguilera and Jackson 2003; Jackson 2005), which differs from the conventional 'principal-agent' view (Berle and Means 1932) involving owners of capital and the top management. The omission of a broader set of stakeholders (e.g., labour, suppliers, wider community) from corporate governance in the financial economics and legal studies literatures is due to the weak participation of other stakeholders in the U.S., from where initially the large bulk of the literature has emerged (Blair and Roe 1999; Jackson 2003; Parkinson and Kelly 2001; Roe 1994).

[Insert Table 1]

The existing works on CSR and corporate governance underscore that firms will express diverging perspectives and strategies on CSR inherent in different corporate governance systems; however, the conceptual link that details how the variations in national systems of corporate governance moulds disparate CSR practices require a clearer elaboration than thus far given (e.g., Buchholtz et al. 2008). Table 2 is our attempt to explore the interactive link between three sets of literatures, i.e., the VoC, comparative corporate governance and comparative CSR, using the concept of institutional complementarity.

[Insert Table 2]

For Crouch (2002; 2005), the concept ‘complementarity’ embodies two different logics, i.e., the logic of contrast and of similarity. The logic of contrast refers to the opposite kind of institutional link, through which institutions with contrasting properties find a balance, as one makes up for the deficiencies of the other (supplies the ‘missing ingredient’). For instance, whilst the notion of explicit CSR, strictly speaking, may not go with the view of the firm as a property or nexus of contracts and shareholder value type of corporate governance (although in reality shareholder rights are imperfectly protected), it reinforces, and thereby complements, such a view by diffusing tensions arsing from distributive conflicts (CSR as a compensating measure). That is, despite the notions of popular capitalism and shareholder value in corporate governance, in LMEs, precisely because equitable access to the market is not, in reality, fully guaranteed, explicit CSR is required as a complementary institution (based on the logic of contrast).

On the other hand, the logic of similarity refers to an institutional link through which institutions of similar properties are found together as actors adopt similar approaches or institutional solutions in their different spheres of action. Therefore, complementarity based on the logic of similarity occurs when institutions develop similar capacities in neighbouring spheres. For instance, implicit CSR supports the view of the firm as a social institution and thereby complements stakeholder value type of corporate governance based on the logic of similarity. To put it simply, if the social compromise underpinning the LME is the shared belief in equitable access to the market, in the CME, it is the redistributive institutions and practices (i.e., extensive social policies and the welfare state). In short, we view CSR as complementary to existing corporate governance; i.e., CSR as an institution that gives coherence to national corporate governance systems, and therefore, the respective national models of capitalism (see Table 3).

[Insert Table 3]

To elaborate, the VoC approach (i.e., mode of firm coordination) reflects the role of the firm upheld by the society at large. For instance, the VoC approach contends that large firms in the LME rely predominantly on the liberal market to coordinate their activities with other stakeholders. The financial system is stock-market based, labour relations (bargaining and negotiations) is de-centralised and individualised, and thus, market-reliant. Such arrangements reflect and nurture the liberal market ideology which views large firms largely in terms of ownership (property rights) and profit maximisation, and thus, where corporate governance is concerned, the emphasis is one the on the principal-agent problem and alignment of managers' incentives to that of the shareholders so as to enhance shareholder primacy. Then, CSR becomes largely either 'instrumental' motive aimed at enhancing competitiveness of the firm, and thus, shareholders' interests (logic of similarity) or addressing those left out of the process, i.e., stakeholders (logic of contrast). CSR practices manifest in an 'explicit' form in the sense that corporate activities assume responsibility for the interests of society as voluntary strategies (Matten and Moon 2008:410). Matten and Moon (2008: 412) cite Starbucks Coffee, as an example, pointing out that in 2004, it has explicitly announced that they would pay the healthcare benefits of all their employees for more than twenty days per month, whereas such similar initiatives would be unnecessary in the CME context.

On the other hand, large firms in the CMEs rely predominantly on neo-corporatist institutions (i.e., organised interests) to coordinate their activities with the stakeholders. The financial system is bank-based (relational), and labour relations is collective; whether it be in a solidaristic (neo-corporatist) manner (e.g., Germany) or segmentalist (micro-corporatist) manner (e.g., Japan) (Jackson 2001). Such arrangements reflect and nurture non-liberal (collectivist) ideology, which promotes the notion of large firms as social institutions whose role goes beyond short-term profit maximisation to include long-term growth and social cohesion. Thus, corporate governance emphasises institutional arrangements which support mechanisms that ensure stakeholders interests; e.g., co-determination in Germany where there is a strong union tradition, and benign managerialism in Japan where there is a union-less integration and managers are perceived to be the representatives of the employees (and not merely those of the owners). Therefore, CSR is driven largely by the 'relational' motive aimed at enhancing social cohesion, and therefore manifest in an 'implicit' practice; that is, CSR is a requirement for corporations as their role is considered within the wider formal and informal institutions for society's interests and concerns (Matten and Moon 2008: 410). The kind of explicit announcement made by Starbucks Coffee mentioned above would be inconceivable for coffee chains operating in CMEs because in economies like Germany, for instance, membership in a health insurance plan is mandatory for every employee, and the legal framework defines the value of the monthly insurance premium paid by the employers and the employee (normally a 50/50 split) (Matten and Moon 2008:412).

The notion of CSR as a complementary institution to corporate governance becomes important not only when examining variations in CSR, but also change in CSR. The spread of instrumental motives and explicit practice of American CSR worldwide (Matten and Moon 2008) can be understood not only in terms of pressures at the organisational-level, but also by a more broader structural-institutional change; i.e., the changes in national systems of corporate governance as the mode of firm coordination undergoes change, and CSR as an complementary institution reflecting this change.

CSR and Change in the State-Led Model

Why State-Led Model?

In this section, we illustrate the explanatory power of the devised framework, by applying it to the state-led model, which begs the question, why the state-led model? The core insight of the VoC approach *à la* Hall and Soskice (2001) is portrayed in terms of two major types of capitalist models, which are distinguishable by their differing modes of large firm coordination, i.e., LME and CME. However, there is prototype of the capitalist model, the nature of which may apply to a larger array of economies, namely, the state-led model (Schmidt 2002). This is broadly relevant to the so-called 'catch-up' economies, both advanced and newly industrialising due the characteristics of a state-led economy due to the relative underdevelopment of their market institutions and/or the strong corporatist actors at work in their initial stage of economic growth. Many of the economies of southern Europe (e.g., France, Spain, Portugal, Greece, and even Turkey), of Latin America (e.g., Mexico, Chile, and Argentina), and of Asia (e.g., South Korea, Taiwan, and Singapore) – at one point or other in their development– can be cited as examples. Insights derived from the state-led model can also be applied to transitional economies. Note that we differ from Hall and Soskice's VoC that does not give enough consideration to the state, and also with Hancké et al.'s (2007) work that considers the state to be uniformly prevalent at the background, and chose to explore the notion of mixed market economies (MME) as a way of capturing those that cannot be captured by the LME-CME distinction. We align more closely to Schmidt (2002) – and more generally, state-centred studies (Vogel 1996; Woo-Cumings 1999; Weiss 1998; 2002) – in that we view the state to be a key actor, and that the role of the state differs in national models of capitalism; i.e., regulatory, enabling, and interventionist (developmental). Moreover, if national variations are to be explored as a matter of *kind* than *degree* (with LME and CME at each end, and MME in the middle), as is the spirit of the VoC school of thought, a third variant is required.

We use France and Korea as case studies. A common small-N research strategy in comparative case studies is to undertake individual country case studies or paired case studies (Ragin 1992). We have opted for the latter, i.e., to use France and Korea as examples of the state-led model (positive comparison) in contrast to other models, namely LME and CME (negative comparison). A paired comparison permits a certain theoretical leverage pertinent to this study; that is, it allows one to make 'mid-range' theoretical claims that lie somewhere between "uncovering universal laws of human behaviour that hold across all times and places on one hand and settling for atheoretical descriptive narratives on the other" (Campbell 2004: 63).

The comparative case study method is particularly well-adapted to research such as this one, as it combines detailed case studies with systematic comparison – a dual approach which captures both the general patterns of causalities or regularities across countries *and* takes into account the historical contextualised singularities (Djelic 1998). A systematic comparison of well-chosen cases is essential for a successful comparative case study, and therefore, some justification for our case selection is in order.

Moreover, France and Korea are regarded as successful archetypes of the state-led model (Orrù 1997), and as models worth emulating in their respective regions of Southern Europe (Shonfield 1965; Zysman 1983; Hall 1989; Cohen 1977; Hayward 1986; Kuisel 1981) and East Asia (Amsden 1989; Evans 1995; Kim 1997). At the same time, both France and Korea have undergone path-shifting change in the last two decades (Kang 2008; Tiberghien 2002), which makes them fitting candidates for this paper.

Second, we have chosen political economies from two different regions, despite the difficulties associated with such a task. Needless to say, there are obvious wide divergences – in history and culture – which makes the attempt to use the 'method of agreement' (or positive comparison) challenging. For instance, the VoC literature views France as a Mediterranean model, and Korea (along with Japan) as a CME based on business groups (Hall and Soskice 2001a), adhering to the common method of region-bound comparison. Likewise, Amable (2003), labels France as a Southern European and Korea as Asian capitalism.[6] We, however, group France and Korea together, as cross-regional analysis helps us to be true to the historical institutional analysis by gearing our attention to institutions (than culture),[7] in explaining national variations and trajectories of change. The merits of comparison beyond similar regions, in terms of insights gained, cannot be ignored, as is proven by paired case studies of the other 'non-liberal' variant, i.e., CME, as exemplified by Germany and Japan, that have been extremely useful (e.g., Albert 1991; Streeck and Yamamura 2001; Yamamura and Streeck 2003; Dore 2000).

With regard to the state-led model, the potential scope that exists for a positive comparison between France and Korea has been demonstrated by Orrù et al. (1997), who illuminate the unexpected parallels across cases that the conventional comparative political economy literature views as very different. Here, not only are France and Korea paired under the heading of '*dirigiste*' capitalism, but also Italy and Taiwan are paired under the heading of small business 'network' capitalism (a fourth variant). However, the existing work falls short of unveiling useful insights, as it simply outlines key structural commonalities and differences without analysing their meaning and/or implications (Orrù et al. 1997).

Third, the choice of Korea as a case study is especially useful in that the literature on conventional comparative capitalism in general, and the VoC approach in particular, has traditionally placed Korea in the context of either Japan or the developing regions of Latin America or southeast Asia (Amable 2002, Hall and Soskice 2001). However, Korea's growing maturity suggests that she shares structural-institutional affinities with both advanced and developing political economies (Kong 2006). As such, Korea represents an intermediate case which has relevance to both the advanced western and the industrialising (emerging) economies, and even to transitional economies, given that Korea has made the transition from authoritarianism to democracy.

One could easily argue that it is still very difficult to draw concrete conclusions based on two cases. But these cases are intended to be indicative, rather than representative. Moreover, it is nonetheless true that a paired case study has more validity than a single case study, as it allows sufficient scope for negative comparisons to be made *vis-à-vis* other models, but with more marginal benefit in terms of space and time limitations than examining – for example – three cases.

CSR in the State-Led Model

The state-led model shares similarities with the CME as another variant of the non-liberal capitalism,[8] but there are critical differences between the two in that there is an absence of strong corporatist institutions (or the voluntary association between organised interests) in the state-led model. Although some change has been occurring on this front since the early 1980s in France and late 1980s in Korea, during the height of the state-led era, the mode of firm coordination was dominantly state-reliant (see Table 3). To demonstrate the state-reliant mode of coordination, we discuss how the state in France and Korea came to intervene extensively in the two key capitalist subsystems that have direct relevance to national systems of corporate governance, namely, the financial system and labour relations.

The strong developmental state, and state-reliant mode of firm coordination, in the post-war period in France, is founded on the need to assert national independence and to achieve catch-up development. Although industrialisation was well underway by 1810 (Loriaux 2002), France did not experience the kind of industrial boom known to Britain and Germany (and also the distant U.S.) in the late 19th and early 20th centuries (Shonfield 1969). In addition, what little industrial base France did have was discredited in the immediate post-war years, as a significant proportion of the business elite stood accused of the economic backwardness that had ensured swift military defeat in 1940, and of collaborating with the Vichy regime and profiting from the German occupation (Ehrmann 1957: 102; Lorwin 1954). De Gaulle's disdain for the business elite is well known (Djelic 1998). By the war's end, there was a widespread assumption that private economic actors would put short-term interests (individual profit) before long-term national interests. The primary goal of the de Gaulle government (1958-69) was to renew the economy "so that it served the collectivity before furnishing profits to private interests" (Maclean 2002:54).

In Korea, the rise of Park Chung-Hee (1961-1979), who came to power through a military coup in 1961, brought *dirigisme*. Needless to say, Korea was in far more urgent need of 'catch-up' development than France, given the backwardness of the economy at the time, and the looming threat of the Communist North. Korea had just emerged from the Korean War (1950-53), which followed thirty-five years of Japanese colonial rule (1910-1945). Like de Gaulle, Park showed disdain for businessmen who had benefited from the rampant rent-seeking activities, cronyism, and corruption of the previous government of Rhee Syngman (1948-60). Prominent businessmen of this period typically accumulated capital by relying on political connections to gain favourable concessions from the government, i.e., access to the disbursement of foreign aid, state-controlled foreign exchange and low-interest loans, the divestment of state-owned properties expropriated from the Japanese, the awarding of government construction contracts and import monopolies, and the tolerance of large-scale tax evasion (Amsden 1989; Frieden 1981). As Amsden (1989:40) notes, "more energy was spent plundering the existing surplus than producing more, the surplus itself arriving in the alluring form of U.S. foreign aid for war reconstruction." It has been estimated that 52 percent of the national budget in this period was supplied by the U.S. in the form of aid, loans, and agricultural products (Kim 1997:99)

The state's distrust of entrepreneurs meant that voluntary and independent industrial self-organisation was difficult and was certainly not encouraged. Instead, the state took on the responsibility. In both France and Korea, the modernisation programme was construed around large firms, in recognition of the fact that the route to national development was in the fostering of large domestic businesses capable of competing in the world markets and spearheading national economic growth.

Amongst the first initiatives taken was in the financial system. France moved its corporate financing system from one dependent on financial holding companies to a credit-based system of bank finance, but unlike Germany, where the system was based on a free market for credit, in France – prior to the early 1980s – the state the controlled system of allocating and determining the prices of credit (Hall 1989; Loriaux 1991; Zysman 1983). In particular, the specialised banks performed the role of parapublic lending institutions supplying long-term credit to large firms and to industrial sectors targeted by the state for restructuring and expansion (Zysman 1983:113). Upon nationalising the key commercial banks, the government subordinated banks' lending decisions, and installed a state-controlled system of allocating and determining the prices of credit. The provision of the subsidised bank credit to firms occurred largely in the form of the so-called 'policy loans', which were earmarked for a specific industrial sectors and large firms – selected in accordance with the state's industrial policy – at much lower rates than general loans (which were already highly subsidised) and with much longer maturity (Chang 1996; Wade 1992; Woo 1991).

The state's presence was also pervasive in labour relations. In France, despite the collective bargaining provisions that existed, the state intervened extensively in industrial relations until 1968-69, bypassing collective bargaining (and even bringing it to a halt) in order to curb rising wage demands (Howell 1992); for example, the minimum wage – the conventionally accepted floor for wages in bargaining – was used to manipulate wage agreements to keep them within the state set targets. Wage demands obtained above the set level were always the result of outbursts of union militancy, and even then, the state used a combination of deflationary measures to moderate wage demands (Howell 1992:64-65). In Korea, the state also intervened, but in a far more heavy-handed manner given the authoritarian nature of the state and the political situation at the time (i.e., the looming threat of the Communist North). For example, until the late 1980s, independent unions were replaced by state-sponsored and company-approved unions, whose main responsibility was to administer wage levels and production targets set by the state (Choi 1989; Deyo 1989; Kong 2000; Song 1991).

What distinguishes France and Korea (as state-led model) from Germany and Japan (the exemplifiers of CME) is that whilst the latter two had a strong state – an inevitable prerequisite for late industrialisers – they never had an interventionist state to the extent that France and Korea had. Moreover, in Germany and Japan, with the introduction of political liberalism in the post-war period, the state eventually became more 'enabling' than dirigiste (to borrow Schmidt's (2002) term), encouraging voluntary economic action to take place amongst the key economic actors, e.g., capital as well as labour (Lehmbruch 2001, Jackson 2001, Schmidt 2002). In France and Korea, as a result of the lack of trust in entrepreneurs, at a time when there was an urgent need to assert national independence and to achieve catch-up development, political liberalism – or the development of voluntary associationalism – was repressed, albeit to varying degrees, i.e., within the democratic framework in France and the authoritarian framework in Korea, during the state-led era. In both France and Korea, the state was thoroughly interventionist, to the extent that it subordinated financial capital (banks) and labour (unions) according to its development agenda.

Strong state involvement in large firms coordination with financial capital and labour cultivated the view of large firms as a pseudo-public institution. Whilst the view of the firm is difficult to capture, it is more distinctively observable in the national systems of corporate governance. The financial system and labour relations system were designed to curb short-term demands exerted by financial capital (return on investment) and labour (wage demands). Therefore, corporate governance in France and Korea is not designed to ensure shareholder representation and participation (as in the case of the LME) nor stakeholder representation and participation (as in the case of CME); whether it be through strong involvement of stakeholders (e.g., co-determination in Germany) or by benign managers at their discretion (e.g., as in Japan). Rather, it is designed to ensure 'public value' by *insulating the top management from various short-term interests to allow sufficient degree of managerial autonomy to carry out the state's long-term development agenda*. The degree of freedom enjoyed by the top management (i.e., strong managerialism) existed within the broad confines of the state directives regarding large-scale investment decisions and production targets for national development.

What does this mean for CSR? Prior to discussing this point, some elaboration on the CSR in the state-led model is required. In France and Korea, prior to late 1990s/early 2000s, the dominant motive for CSR was more collectivist (rather than instrumental or relational), and the practices, implicit (rather than explicit). That is to say, there was a sense of collective responsibility for national development on the part of large corporations, and this responsibility was supported implicitly in these corporations. In France, top managers (*les cadres diregeants*) were regarded as the 'captains of industry', assisted by the fact that most were graduates of the *grandes écoles* (higher learning institutions designed to foster public-minded elites including those in the business sphere) (Barsoux and Lawrence 1990:43). In Korea, whilst top managers (owner-managers) of the time did not undergo comparable education and training as their counterparts in France, given that much of the scarce national resources – in terms of capital (foreign aid, loan, and domestic savings) and labour - was geared towards fostering large firms as the engines of national growth, the owner-managers often made public proclamations of their duty to uphold national interest (Chang and Park 2004:50-51).

The collectivist motive for CSR was manifest in an implicit manner as the state imposed social responsibility of large corporations through fiat and regulation. It is worth pointing out that although the implicit form of CSR is practised in CME, the regulation and legislation that is in place is a negotiated outcome between organised interests. In the case of the state-led model, the state was wary of the strong role of organised (particularistic) interests as it could undermine the power of the state. For instance, whilst the state took on a hostile approach to *organised* labour, where the *individual* workers were concerned, it introduced extensive measures aimed at shielding them from the harsh realities potentially associated with strong managerialism.

In France the legislation for the social report (*bilan social*) was introduced as early as 1977, which covered 134 items and indicators relating to labour relations (e.g., employment salaries, health and safety, training, working conditions, etc.) (Antal and

Sobczak 2007). In Korea, the most notable protective measures included the creation of a national system of industrial accident insurance, compulsory training for large firms (the so-called 'train or pay scheme'), active promotion of company welfare schemes (e.g., academic grants to children of employees, provision of secondary education on company premises, provision of dormitories, medical facilities, etc.), and even the legal sanctioning of priority of wage claims over creditors in case of bankruptcy (You and Chang 1993:36-37). These implicit practices of CSR that were integrated into large corporations perhaps explain the late emergence of emergence of the welfare state in France and Korea.[9]

Understanding *Change* in CSR in the State-Led Model

The Rise of Instrumental Motive and Explicit Practices of CSR

In recent years, there has been a gradual but growing displacement of the traditional motives for, and practices of CSR by that which is more instrumental and explicit along the lines of those found in LME (see below). In an attempt to understand this change, earlier we raised the possibility that CSR - as a complementary institution to corporate governance – is reflecting the changes in the national systems of corporate governance due to the wider macro-societal, structural and institutional shift in the models of capitalism. Certainly, the state-led model has undergone a path-shifting change (France from the early 1980s and Korea from the late 1980s) (see Figure 1);[10] whilst some remnants of the state-led model will persist for the foreseeable future (e.g., strong state involvement in the economy) this is not to say that the dominant mode of firm coordination continues to be state-reliant.

[Insert Figure 1]

Prior to discussing the changes in the mode of firm coordination, depicting France as embracing neo-liberal institutions goes contrary to the commonly held view of France as hostile to the free market ideology of the LME (or the Anglo-Saxon model, as the French would say), and therefore, requires a brief discussion here. Certainly, the dominant public discourse and sentiment was overwhelmingly negative in France, as is attested by the popularity of books that denounced globalisation à la neo-liberalism (e.g., Viviane Forrester's I'Horreur Economique (1996)), as well as by the success of the anti-globalisation civic organisation ATTAC (l'Association pour la Taxation des Transactions pour l'Aide aux Citoyens), which boasted 30,000 members into the new millennium (Ancelovici 2002). However, this is not to say that reforms introduced by the state do not have a strong neo-liberal tenor since the policy U-turn on the part of the Socialists in the early 1980s. In a traditionally state-led model, change is more likely to occur in a top-down than a bottom-up fashion, and the anti-globalisation movement can, in fact, be read as a reaction to the profound shift in the state policy.[11] After all, ATTAC appeared in France in early 1998 and gained enormous support after significant reforms had been introduced by the state.

Globalisation and the ascendance of neo-liberal ideology have had impact on the traditional state-reliant mode of coordination as the state began to withdraw from the financial system and labour relations, leaving top managers less insulated from short-term demands by financial capital and labour. The financial system was gradually liberalised, and the stock market received a boost in France and Korea. In France, the stock market became a means for massive privatisations (Goyer 2002; Morin 1998b; O'Sullivan 2003; Schmidt 2003). Privatisations began under the socialists in early 1980s, but gained momentum under Jacques Chirac. The Chirac government did not auction off the shares of national champions through the market mechanisms, but according to pre-designed quota system whereby the bulk of the shares were sold to a group of stable shareholders (*groupes d'actionnaires stables*) with the intent of shielding the firms from short-term pressures exerted by foreign investors through mutual cross-shareholding arrangements – i.e., the hardcore investors (*noyaux durs*). However, from the mid-1990s onwards, even the *noyaux durs* became dismantled, as it tied up too much capital (Levy 1999; Morin 1998a). The stock market continues to thrive and although large firms in France do not, by and large, rely as heavily on equity financing as those in the U.S. or the U.K., they were nevertheless far more stock market-reliant than say, those in Germany by 2005 (O'Sullivan 2007). Moreover, the M&A market (or the market for corporate control) has become more active, which has provided a powerful motivation (a disciplinary device) for management to maintain share prices (and return on equity), especially taking into consideration, the growing presence of Anglo-American institutional investors in the market (Goyer 2006; Morin 1998a).

Similarly in Korea, financial liberalisation has been gradually taking place as early as the early 1980s (Woo-Cumings 1997); major reforms involved the re-privatisation of commercial banks, aimed at granting banks more independence from the state (although in reality, the state continued to intervene in ad hoc manner). The stock markets were also liberalised, and in the post-1997 era, with the specific intent of soliciting foreign investment as a way of financing corporate sector restructuring (Hahm 2003). As a result, there is now a notable presence of foreign institutional investors, particularly in the blue-chip companies (Shin and Chang 2003).

The state has also disengaged from labour relations. In France, the Auroux reforms (1982-83) signified an overhaul of the French labour relations, requiring that nearly one-third of the 1950 labour code be rewritten. At the heart of the Auroux reforms were measures to support de-centralised collective bargaining (Howell 1992; Levy 1999). Top managers were no longer as well insulated from short-term demands of labour, but the timing of the Auroux reforms was such that contrary to the intended outcome, it led to greater marketisation of labour relations; by forcing decentralisation of industrial relations, the weight of union activity shifted from relatively stronger national level confederations to the much weaker local unions and plant-level sections, the labour movement was severely weakened (Goyer and Hancké 2005; Howell 1992). When the pressure for labour market flexibility arrived in the mid-1980s, what ensued was the lifting of state restrictions, such as those requiring administrative authorisation of layoffs, constraints upon part-time or temporary hires, and various forms of wage indexation. Although there have been some reversals as a means of 'moralising' the market (e.g., the Aubry Law, which includes the controversial limit of 35 working hours per week) (Schmidt 2002), this is in reflection of the dramatically diminished bargaining power of labour with one of the lowest unionisation rates in Europe (Hancké 2002).

In Korea, with democratisation, independent unions were made legal in 1987, and the post-1987 period saw significant union activity and corresponding wage hikes; mostly concentrated on the core chaebol sectors. However, in order to implement corporate sector restructuring necessitated by the Korean financial crisis in 1997, labour market flexibility was introduced, and with it, a significant move towards marketisation of labour relations; e.g., the adoption of performance-based wage system in replacement of that which is seniority-based (Kwon and O'Donnell 2001).

The developments in the financial system and labour relations since the 1980s demonstrate that as the state withdrew from the traditional coordinating role, the mode of firm coordination became increasingly market-reliant – i.e., both stock market- and labour market-reliant. Without the state insulating the top management from various short-term demands so as to allow sufficient managerial autonomy to carry out state's long-term development agenda, the view of the firm likewise has changed to embrace the notion of ownership (and respect for property rights). Again, whilst the changing view of the firm is empirically difficult to capture, it has more tangibly manifested in corporate governance reforms introduced since the late 1990s and early 2000s. In France and Korea there have been notable legal and regulatory changes constraining the degree of managerial freedom (or curbing the private benefits of control by management that had become increasingly rampant in the initial stage of state disengagement) by embracing the idea of shareholder value.

In France, the corporate governance reforms aimed at maximising shareholders' interests took shape in the series of government reports published in the late 1990s, which became the basis of the New Economic Regulations (*Nouvelles Régulations Economique*: NRE) bill of 2001, and led to the law of financial securities of 2003. These measures included protection for minority shareholders (e.g., lowering of shareholding threshold required to put written questions to the CEO – or to sue management – from 10 to 5 percent, facilitation of participation of shareholders in the AGM through video conferencing and electronic voting, etc.) (Maclean et al. 2006:77). According to the minority shareholder protection index complied by Gourevitch and Shinn (2005:48) for the years 1992 -2004, France on average scored 64 points out of 100, which was lower than either the U.S. (97 points) and U.K. (81 points), but higher than Germany (44 points).

Similar developments aimed at enhancing the rights of minority shareholders can be witnessed in Korea (e.g., the minimum proportion of shares required to bring a lawsuit against the management for misconduct was reduced from 1 percent to 0.01 percent, the minimum requirement for inspecting the accounting books of a firm was also lowered, from 3 percent to 1 percent, or to 0.5 percent in case of listed companies with more than U.S.$100 million worth of equity capital) (Cho 2003). According to the minority shareholder protection index complied by Gourevitch and Shinn (2005:48) mentioned above, Korea on average scored 65 points – which is comparable with France (64 points), as well as Japan (66 percent).

In both France and Korea, the pressures to embrace shareholder value were endogenous and exogenous. Endogenous pressures came in the form of popular support (e.g., minority shareholder movements led by l'Association de Defence des Actionnaires Minoritaires (ADAM) in France and by the People's Solidarity for Participatory Democracy (PSPD) in Korea), which stemmed from the increase in spectacular corporate failures akin to those of Enron and Worldcom. Exogenous pressures included the increasing presence of the Anglo-American institutional investors in France (due to dismantling of *noyaux durs* and continued privatisations) and Korea (due to financial liberalisation measures introduced in the post-1997 period under the IMF auspice) as well as the general international business climate supportive of shareholder value indicators such as return on equity and transparency as the international norm for assessing corporate performance.

Where CSR is concerned, in France and Korea, legislation is still considered a major tool for stimulating CSR in companies. In France, the 1977 law on social reporting has been supplemented by expanding the scope of reporting. For instance, one of the articles of the NRE (no 116) stipulates that all the companies listed on the French *bourse* be required to publish social and environmental information (including relations with subcontractors, the impact of the firm's activities on local development, human rights in subsidiaries abroad) in their annual reports (Beaujolin and Capron 2005). This is not unexpected given the long tradition of strong state in France. However, state involvement does not signify continuation of the old 'implicit' CSR practices for the following reasons: First, the inclusion of social and environmental criteria into annual company report reflects growing shareholder activism in France; i.e., the growing need to meet the demands of the socially responsible investors, which is a more closely aligned to the notion of shareholder value and instrumental motive for, and explicit practices of CSR. This is supported by the fact that in contrast to the 1977 law which stipulates that the social report be imposed in consultation with the works council (as weak as they were at the time), it makes no provision of any kind of stakeholder dialogue (Antal and Sobczak 2007).

Second, the French state is exploring *alternative* ways of promoting CSR other than through legislation (e.g., the creation of 'labels' for companies with progressive employment policies and the active promotion of the voluntary UN initiative, Global Compact, etc.) (Antal and Sobczak 2007; Beaujolin and Capron 2005). These are consistent with the broader trend towards de-regulation and therefore, the need to support voluntary nature of explicit CSR. Similarly, whilst showing a penchant for legislation (especially where issues related to sustainable development are concerned), the Korean state has also been seeking to promote CSR largely through alternative means such as endorsement (e.g., the co-hosting of an international conference on CSR and sustainable development in partnership with industry and civil society in 2007). An interesting point concerning CSR in Korea, which was noted by Antal and Sobczak (2007) with regard to France, is the growing prominence of civil society (NGOs) into what has traditionally been a tight state-business nexus. This promotes diversity in the CSR agenda that goes beyond labour issues to encompass wider environmental and social issues.

In short, the French and Korea experiences demonstrate that the macro changes – structural and institutional – in the state-led capitalist system towards the LME since the 1980s, and with greater intensity since the 1990s, has led to change in the view of the firm from pseudo-public institution to ownership (property rights). This shift in the view of the firm is reflected in national systems of corporate governance that is undergoing change to uphold shareholder value. CSR, as a complementary institution to corporate governance, has also undergone change; there is now a growing instrumental motive for, and explicit practices of CSR. Should the state-led model continue to approximate the LME, and corporate governance stress, shareholder value, with time we can expect to see an increasingly 'instrumental' motive behind, and explicit practices of, CSR. Thus, CSR would reinforce, and thereby complement, the broader structural and institutional change as in such LME systems as the U.K. (Moon 2002).

Conclusion

In this paper, we sought to design a conceptual framework for examining national variations and change in CSR by bringing together the varieties of capitalism (VoC), comparative corporate governance, and comparative CSR literatures. To this end, we introduced the notion of CSR as a complementary institution to the national systems of corporate governance that is embedded in the broader national capitalisms. We went further to illustrate the explanatory power of the designed conceptual framework by applying it to the state-led model.

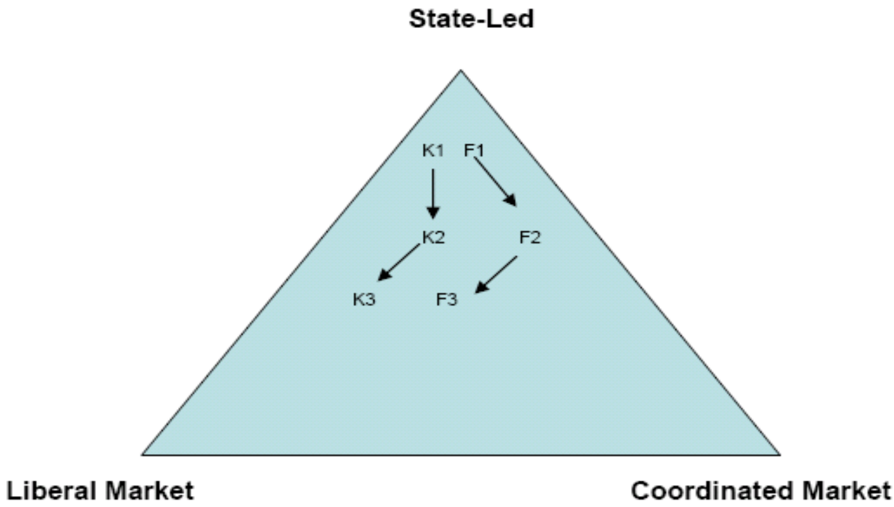
Taking France and Korea as case studies, we showed that state intervention in the key capitalist subsystems created a state-reliant mode of firm coordination, and therefore, the view of the firm as a pseudo-public institution regardless of actual ownership. This view is captured in national systems of corporate governance that seek to enhance "public value" (i.e., national development) by insulating top managers from short-term pressures that would otherwise be exerted by the providers of capital and labour so as to enable them to carry out the state's long-term development agenda. CSR, as a complementary institution to corporate governance, embodied a strong sense of collective responsibility, supported by implicit CSR practices (i.e., corporate welfare measures and stringent employee protection). Moreover, we argued that the reasons behind the recent shift in CSR to that which encompasses stronger instrumental motive and explicit practices can be traced to the national system of corporate governance that has become more shareholder-friendly due to the mode of firm-coordination that is fast becoming market-reliant. Whether the current global economic crisis that has undermined the LME as a model to emulate will lead to a gradual slow down and even a reversal in the direction of change remains to be seen.

The conceptual framework devised by this study demonstrates a way of understanding CSR that is firmly embedded in the broader historical-institutional and structural contexts at national-level (and not simply, individual, firm, sectoral and transnational-levels). At the same time, the findings derived by applying the framework to examine the state-led model indicate changes in CSR that are likely to take place with the pressures of globalisation in many of the 'catch-up' economies that approximate the state-led model. This is an area that requires more empirical evidence for discussions to advance. A direction for future research would be to – by way of an analytic induction – introduce a third case study as an exemplifier of the state-led model. One possibility is to give a regional representation, one drawn from Latin America (e.g., Argentina) to complement Western Europe and East Asia. Another possibility would be to explore transitional economies or emerging markets of Eastern Europe and/or China. Such endeavours would not only enhance our understanding of CSR in the state-led model (commonalities and variations within), but also accord more rigour to the proposed conceptual framework.

Finally, what wider lessons may be learned for public policy-making? First, we have demonstrated that CSR is not simply a function of firm level behaviour. In addition it reflects a strong national public policy orientation and as such CSR can be regarded as a valuable adjunct to the institutional and regulatory armoury of governments. Secondly, and more specifically, whereas CSR has been more closely associated with LMEs and, more latterly, with CMEs, policy-makers in state-led economies can also consider the ways in which their French and Korean counterparts have explored the governance opportunities offered by CSR.

Figure

Figure 1: The Trajectories of Institutional Change in the State-Led Model



Source: Kang (2008).
Notes: F1 denotes France (1950s – early 1980s); F2, France (early 1980s – mid-1990s); F3, France (late 1990s – 2005); K1, Korea (1960s – mid-1980s); K2 Korea (late 1980s – 1997); and K3 Korea (1998 – 2005).

Tables

Table 1: Three Different Institutionalist Perspectives within Perspectives within the VoC Literature

	Rational-choice institutionalism	Historical institutionalism	Organisational (Sociological) institutionalism
View of institutions	Rules of the game that guarantee complementary (socially optimal) behaviour by others	Formal (legal and regulatory) and informal (established practices)	Broader than historical institutionalism to include cognitive scripts and moral templates
Institutional change			
1. Conditions of change	1. Shifts in costs and benefits	1. Crisis and exogenous shock, contradictory institutional logics	1. Increased environmental uncertainty, political-cultural shifts
2. Mechanisms of change	2. Interest-based struggle, conflict, bargaining, strategic gaming –	2. Interest, idea, and ideologically-based struggle, conflict, bargaining; learning, feedback, and experimentation	2. Imitation, diffusion, translation
3. Determinants or outcomes of change	3. The role of strategic action and competitive section	3. Path dependency	3.Culturally-specific norms, values, and practices
Leading VoC works*	Hall and Soskice (2001)	Streeck and Yamamura (2001), Yamamura and Streeck (2003)	Morgan et al. (2005)

Source: Based on the author's interpretation of Hall and Soskice (2001), Amable (2004), Streeck and Yamamura (2001), Yamamura and Streeck (2003), Streeck and Thelen (2005), Hancke et al. (2005).
Note: *In reality, some works in VoC do not strictly adhere to one variant of new institutionalism; for instance, Amable (2003) uses organisational as well as soft-rational choice institutionalisms, and Hancké et al. (2007) both historical and soft-rational choice institutionalisms.

Table 2: The Conceptual Interactions between VoC, Corporate Governance, and CSR

VoC	Mode of firm coordination in the four subsystems
View of the firm	The shared perception of large firms by the society depending on the nature and function of the firm (Donaldson, 2008)
Corporate governance	The structure of rights & responsibilities of the stakeholders of the firm
CSR	Firm's consideration of, and response to, issues beyond the narrow economic requirements to accomplish not only economic but also social and environmental benefits *Motives: Instrumental, relational, and collectivist (Aguilera et al. 2007)* *Practices: Explicit and implicit (Matten and Moon 2008)*
CSR as a complementary institution	Reinforcement the existing corporate governance arrangements *Logics: Logic of contrast & similarity (Crouch 2002)*

Source: Authors' Own.

Table 3: Varieties of Capitalism, Corporate Governance, and CSR: LME, CME and State-Led Models

	Liberal	Non-liberal***	
Type of capitalism (exemplifiers)	LME (e.g., the US and to lesser extent, the UK)	CME (e.g., Germany and Japan prior to 2000s)	*State-led (e.g., France and Korea prior to 1980s)**
(A) The role of the state	Regulatory (devoted to promoting free markets and addressing market failures)	Enabling (devoted to encouraging voluntary association between key actors)	*Interventionist state (governs the market and restricts voluntary association)*
(B) DOMINANT MODE OF COORDINATION 1. Financial system 2. Labour relations	MARKET-RELIANT 1. Stock market 2. Individuals in the labour market	RELIANT ON CORPORATIST INSTITUITONS 1. Bank-based 2. Collective bargaining	*STATE-RELIANT* *1. State-controlled, bank-based* *2. State-controlled, collective*
(C) View of the firm	Ownership (corporations as property rights)/nexus of contracts (corporations as contracting site for various groups)	Social institution (corporations as citizens)	*Pseudo-public institution (corporations as tools for development)*
(D) Type of corporate governance system	Shareholder value/ managerial action is constrained or shaped by shareholders.	Stakeholder value/benign managerialism /managerial action is constrained or shaped by various stakeholders	*Strong managerialism, but accountable to the state/managerial action is constrained or shaped, at macro-level, by the state.*
*(E) CSR** (CSR as a complementary institution to corporate governance)*	*Emphasis on instrumental motive and explicit practices (Logic of similarity and contrast)*	*Emphasis on relational motive and implicit practices (Logic of similarity)*	*Emphasis on collectivist motive and implicit practices (Logic of similarity)*

Source: Adapted from Kang (2008).
Note: The focus of the paper has been emphasised by italics. * France prior to early 1980s and Korea prior to late 1980s. **The features described, in reality, co-exist and are not wholly dichotomous; rather, the dominant form (matter of emphasis). ***Non-liberal capitalism comes under pressure to change with the ascendance of neo-liberal ideology, with CME showing more resilience than the state-led model; however, there is evidence of change in CME since 2000s.

Notes

[1] Davis' (1973:312) definition of CSR is as follows: "The firm's consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm to accomplish social benefits along with the traditional economic gains which the firm seeks."
[2] Relational and collectivist motives may or may not enhance competitiveness.
[3] VoC is essentially a national-level analysis which gives attention to the firm. However, some in recent years, have emphasised sectoral/industry-level analysis and discussions on "model within a model."
[4] Defined as such, the VoC school includes works such as Dore (2000), Hall and Soskice (2001b), Streeck and Yamamura (2001), Schmidt (2002), Yamamura and Streeck (2003), Amable (2003), Streeck and Thelen (2005), Morgan et al. (2005), and Hancké et al. (2007), to name a few.
[5] CSR is concerned with responsibility in the productive process themselves (e.g., labour rights and conditions in the supply chain) and with responsibility for products (e.g., warnings on consumer goods such as alcoholic beverages). It is also concerned with distributional effects of business (e.g., fair trade systems, and bottom of the pyramid initiatives).
[6] The distinction between *dirigiste* and Asian capitalisms are not clear-cut in Amable (2003).
[7] This is not to suggest that we ignore culture; after all, institutions are embedded in culture. The intent here is to give stronger emphasis to institutions.
[8] The divergence between liberal and non-liberal capitalisms is attributed to historical sequence between political liberalism and economic liberalism by historical institutionalists (see Lehmbruch 2001). Likewise, the divergence between CME and the state-led model can be attributed to the prolonged delay in (containment of) political liberalism – whether it be in the confines of democracy (e.g., France) or authoritarianism (e.g., Korea); and as a result, the relative weakness of organized interests compare to CME (Kang 2008).
[9] The welfare state emerged relatively late in France in comparison its neighbours, e.g., Germany (see Levy 2000) on the belated emergence of the French welfare state). In Korea, even as late as 1997, despite having achieved the status as the 11th largest economy in terms of volume of trade, social welfare in Korea fell below the level of many less developed economies such as the Philippines (Im 1999:86).
[10] In a comparative perspective, Korea has undergone a more marked change towards the LME. Some obvious explanations for the difference include the dominance of U.S.-educated policy-makers in Korea, contrasting with the existence of home-grown policy actors in France (from *grandes écoles*); and the strong presence and influence of the U.S. in Korea, but that of the EU, and in particular, Germany, in the case of France.
[11] For instance, in the case of Korea, where prevailing public opinion was pro-globalisation, after 1997, and following significant liberalisation measures, there is now more scepticism, as is shown by the rise of an anti-globalisation movement (which often manifests in sentiments against foreign investors).

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