

The Dynamics of German Industry: Germany's Path toward the New Economy and the American Challenge. By Werner Abelshauser, translated by David R. Antal. New York: Berghahn Books, 2005. vii + 168 pp. Tables, bibliography, notes, index. Cloth, \$45.00. ISBN: 1-845-45072-8.

Reviewed by Gary Herrigel

Germans are worried that globalization and the international power of neoliberal ideas will undermine their highly cooperative domestic institutions of economic governance. Realms of economic life that have long been sheltered from the market and subject to negotiated governance among stakeholders, they fear, will give way to American-style hire-and-fire, shareholder-value, survival-of-the-fittest market rules. Werner Abelshauser, in *The Dynamics of German Industry*, attempts to bring a historical perspective to this problem in order to allay some of his compatriots' worst fears. In his view, Germany has the resources to resist liberal market transformation. He bases this claim on the fact that the corporatist institutional infrastructure that currently governs the economy originally emerged in response to precisely the kinds of globalized, knowledge-based industrial problems that characterize present-day competitive conditions in the "New Economy.

An older literature on Germany often labeled the corporate forms of organization in the economy as "premodern" hangers-on that stunted the character of German industrial development (and also prevented the success of liberalism in politics). Abelshauser disputes this characterization. He points out that, far from having preindustrial provenance, efforts to establish group-based corporatist governance of economic process began at the end of the nineteenth century in response to the global trade and knowledge challenges confronting the emerging industries of chemicals, electromechanical production, and advanced machine building. In his account, firms, private associational actors embedded in the various industries, trade unions, and state bureaucrats all collaborated in the construction of a system of institutions governing industrial practice that stabilized volatile, unfettered markets and optimized the flow of new knowledge and skills throughout the system. The highly regarded German system of vocational training, which involves collaboration among private firms, trade unions, and

state-run schools, is an example of the kind of institution that emerged in that system. Other institutions that formed during the same period are the extensive network of industry-focused research universities and independent technical research agencies, the system of codetermination in enterprises, the relational banking system, and an outcome more arduously achieved, the national system of coordinated collective bargaining between peak associations representing employers and workers. Much of Abelshauser's account demonstrates the considerable resilience of these institutions and shows how they continuously adapted to challenges posed by the transformation of the world economy during the twentieth century. In particular, the author is keen to demonstrate path dependency in the institutional system, even as the economy faced significant changes in the middle of the twentieth century, including the American challenges of mass production, Fordism, and expansion of the automobile industry.

In Abelshauser's rendering, the salient fact about the institutions of the German production regime is that they arose in response to very modern challenges: how can firms and their workers cope with the growing challenges of an increasingly globalized world economy in industrial sectors dominated by knowledge and science as the mechanisms of competition? The German solution, and the source of their remarkable resiliency over the last century, was to limit the market and engage in continuous negotiation among key social stakeholders. In this sense, the contemporary rhetoric about a "new economy" based on knowledge and global liberalism is transformed from a new challenge into a revised version of a nearly century-old condition in the world economy. And the message is that the German system is in a better position to cope with the new economic environment than has been commonly thought.

The problem with this argument, of course, is that the contemporary challenges are not simply about the knowledge content of end products and global markets. They are also about the speed at which knowledge of all kinds flows, the rapidity of transformation from ideas to products to production, and the shrinking of product life cycles, among other things. These pressures continually force enterprises to redefine their technical competences and to rethink roles and positions within the division of labor. Corporations today must devise practices to facilitate continuous reorganization. The structure of the twentieth-century German system that Abelshauser describes,

however, was based on stable organizational identities with a clear internal division of labor. In the last century, that system succeeded because stakeholders were able both to defend their organizational roles and to enhance the stability and competitiveness of the corporate firm. It is unclear that such a system will be as effective in helping actors to continuously redefine their boundaries and technical competences and to use knowledge in ways that transform roles and positions over time in the division of labor across firm boundaries, rather than simply within them. The character of such change ineluctably calls not only the boundaries of the firm into question, but also the identity of stakeholders. Will entrenched stakeholder representation systems be able to accommodate continuous redefinition of the terrain and an inevitable recasting of stakeholders' identities and functions?

By posing the question in this way, I in no way intend to imply that the only solution for Germany is the market. But, in order to defend negotiation in the current context, it is necessary to show how reflexivity and recomposition are possible within an institutional system of firms, stakeholder associations, and governance structures. The best that Abelshauser's informative, path-dependent analysis can provide is the vague suggestion that the German system should be reformed rather than jettisoned, and that this reform can be achieved by making the existing institutions more "efficient" (pp. 137–46). One wonders if the author's optimism about the robustness of the long-lived contours of the German production regime would survive greater theoretical specification of the dynamics of contemporary transformation.

Gary Herrigel is associate professor of political science at the University of Chicago. He is the author of Industrial Constructions. The Sources of German Industrial Power (1996), and coeditor, with Jonathan Zeitlin, of Americanization and its Limits: Reworking US Technology and Management in Post-War Europe and Japan (2000). He has also published widely on contemporary manufacturing restructuring processes in Germany and the United States, and he recently contributed the chapter "Corporate Governance" to the Oxford Handbook on Business History, edited by Geoffrey Jones and Jonathan Zeitlin (forthcoming).