

Foreword

This is an important, timely and ambitious book. It is important because it confronts and analyses a range of critical economic issues now taxing the minds of academic scholars, the business community, national governments and supra-national entities. Taking the competitiveness of nations as its core theme, Dr Hämäläinen carefully and systematically explores the ways in which the main institutions of contemporary capitalism have sought, and are seeking, to upgrade the productivity of the resources and capabilities within their jurisdiction, and promote the dynamic comparative advantages of the nation states of which they are part.

The book is also very timely. The unceasing outpouring of views and actions by such international advocates as the World Economic Forum, the World Bank, the IMF and the World Trade Organisation, together with the economic policies pursued by most national governments, and the global strategies implemented by large corporations, are all geared towards creating new wealth in the most efficient and innovative way. It is also timely for another reason. In the last half decade or more, the goals, workings and consequences of global capitalism have been increasingly called into question. A significant element of this debate surrounds its social and moral components, and how these may impact on the institutional infrastructure underpinning market transactions. The author's focus on these and related issues is both welcome and opportune.

But perhaps, most of all, this is a highly ambitious book; and it is so in three main ways. First, it draws upon an extensive range of scholarly thought, as is well shown by the author's bibliography of 30 pages at the end of the book. *Inter alia* it embraces both micro-management and macro-economic issues; and how these interact with, and affect, the competitiveness enhancing qualities of each of the main institutions of capitalism viz the market, civil society, national governments and supranational entities.

Second, in his search for a new paradigm, Dr Hämäläinen embraces a variety of disciplinary strands. Indeed his analysis and integration of these strands is one of the unique contributions of the volume. In particular, he systemises into one model two generic approaches to explaining national competitiveness and its governance, which were previously considered separately. The first is the techno-economic approach contained in the writings of Joseph Schumpeter and the neo-Schumpeterians of the last two decades. The second

is the socio-institutional approach, originally favoured by sociologists such as Emile Durkheim, in the late 19th century, but now, thanks to the work of institutional economists such as Douglass North and organizational theorists such as Oliver Williamson, is accepted by the mainstream of scholarly thinking.

Third, the volume is ambitious in that the author attempts to empirically test some of the propositions which flow out of his arguments. His assembly and analysis of data for the last decade in respect of a large number of countries is impressive and technically commendable. However, as I believe Dr Hämäläinen would be the first to admit, he only partially meets his own expectations. This is primarily because of data limitations – particularly in respect of some of the critically operational variables making up the socio-institutional component of the author's systemic model.

What then are the unique scholarly contributions of this volume? It is difficult to prioritise these out of a rich panoply of observations, opinions and speculations, but I will briefly pinpoint five which especially appealed to me.

1. The first is the author's discussions of the institutional infrastructure underlying contemporary capitalism. Here the holistic approach taken by Dr Hämäläinen is particularly commendable. Not only does he critically examine the changes demanded of each of the institutions of capitalism by the advent of the knowledge-based and globalising world economy. More importantly he looks at the ways in which they intersect and interact with each other; and argues that, only if they are treated as part of an integrated governance system can they ever perform their functions to meet the expectations and needs of their constituents.
2. As the author himself observes, the subject of the competitiveness of nations is highly contentious. But to his credit, Dr Hämäläinen neatly steers the reader through the labyrinth of academic debate; and explains why, when properly understood, and appraised from the viewpoint of the imperatives of institutional reconfiguration, it is a vital component of the wealth creating process and the structural upgrading of economies.
3. The author's analysis of the different kinds of market and government failure is worthy of especially close attention. Here, he not only draws upon the received scholarly thinking on the subject, but submits his own insights on why these institutions of capitalism are performing at a sub-optimal level. He also offers a novel treatment of the various ways in which both civil society and supranational entities might help upgrade national competitiveness; and how their activities need to be fully incorporated into his systemic paradigm.
4. In part 3, Dr Hämäläinen gives some attention to the ways in which the growth of international business activities are influencing national competitiveness and the growth of contemporary market economies. I

found his treatment of this issue fully persuasive, though I wished he had incorporated the implications of globalisation more fully into the later chapters of his monograph. To my mind, the widening spatial dimension of the wealth creating activities of firms is having a decisive and wide ranging effect on the current shift of both the techno-economic and socio-institutional paradigms he identifies.

5. Part V of the volume sets out the results of some empirical testing of some of the author's ideas and propositions. As I have already suggested the author's ability to make firm conclusions are constrained by the availability and quality of data. Nevertheless Dr Hämäläinen's main contention that there is a paradigm shift to embrace the consequences of the 'third' industrial revolution earlier described in the book is well supported. Indeed the author has blazed a new trail of empirical research on this all important subject.

It will be clear to the reader that I regard Dr Hämäläinen's contribution to our understanding of national competitiveness most highly. It is a volume which is ideally suited to Geoffrey Hodgson's edited series. It follows in the worthy tradition of the writings of Durkheim, Schumpeter, Knight, Coase and North. It offers a template – a mental paradigm – for further scholarly research on institutional change in globalising economy. Teachers and students of international business, political science, organizational theory, economics and sociology will all gain useful new knowledge and understanding from reading this book. So, equally importantly, will business managers, policy makers and international statesmen. For it is their actions which will determine the future of the competitiveness of nation states and that of the global economy as a whole. They, more than most, would be wise to study and heed Dr Hämäläinen's ideas, analysis and prescriptions.

John H. Dunning
Reading and Rutgers Universities

