“Ricardian Political Economy and the ‘Varieties of Capitalism’ Approach: Specialisation, Trade and Comparative Institutional Advantage”

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Abstract

The 'varieties of capitalism' approach offers key insights into the institutional embeddedness of economic experiences. It performs an important function in providing a conceptual framework for empirical analyses of the way in which the economy both manifests, and itself is a manifestation of, a whole series of different experiences. However, I argue that the Ricardian themes evident in Hall and Soskice's *Varieties of Capitalism* limit the potential effectiveness of the empirical analyses that the approach makes possible. Within the context of this latent Ricardianism, the economy is understood to be international, and the important differences within the economic system are those between different national 'models'. I expose such assumptions to critical scrutiny, both analytical and empirical, before offering the outline of an alternative basis on which to ground the 'varieties of capitalism' approach. In contrast to the major themes of the Ricardian tradition, I argue for an approach that is sensitive to the social relations of production, the study of which requires political economists to transcend the artificial reification of 'the national' as a discrete unit of economic analysis.

Keywords

varieties of capitalism; Hall and Soskice; Ricardian political economy; comparative advantage; social relations of production

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Introduction

There is much to commend in the 'varieties of capitalism' approach as pioneered by Peter Hall and David Soskice. Analytically, it provides us with a means of framing the most important questions of contemporary political economy beyond the popular association of globalisation with an institutional monoculture for the regulation of economic affairs. Normatively, it releases us from the political fatalism of the presumed neoliberal logic of no alternative that so frequently accompanies the prior assertion of truly global economic conditions. Indeed, it allows us to transcend altogether the tendential reification of 'the international' as a discrete spatial scale of economic activity. The 'varieties of capitalism' approach negates the temptation to try to construct truly systemic explanations of capitalist development.

For each of these reasons, the contribution that the 'varieties of capitalism' approach makes to our understanding of the economy is considerable. As such, it would be unnecessarily churlish to use the pages that follow to question the overall usefulness of that approach. I do not seek to challenge the ends of Hall and Soskice's work, whereby they present to us a world in which alternative social bases of organising capitalist economies freely co-exist. My critique is limited to the means through which they present such a world. In particular, I question the utility of the Ricardian themes that are evident in the 'varieties of capitalism' approach.[1] While accepting the empirical fact that contemporary capitalism sustains a variety of economic experiences, I argue that the appeal to Ricardian ideas of specialisation, trade and

[1] I maintain that a latent Ricardianism is evident throughout the Hall and Soskice approach due to the explanatory significance that is attached to the concept of comparative advantage, despite there being no reference to Ricardo's published work in the bibliography of *Varieties of Capitalism*.

comparative advantage is not the most effective way of explaining the existence of such variety.

Reifying 'the National' in Ricardian Theory

The 'varieties of capitalism' approach offers much in its ability to move us beyond the tendential reification of 'the international' as a discrete spatial scale of economic activity. It reminds us that there are particular geographies of production and consumption, which represent embedded networks of economic activity that are limited both socially and spatially. Spatial scales become more than arbitrary territorial distinctions only at those moments in which they have social significance conferred upon them by way of the human interactions that take place at those scales. From our own experiences of the world, we know that most of the economic relations in which we engage occur at spatial scales other than 'the international'. However, there is a danger, evident in much of the comparative political economy literature on national 'models' of capitalism, of responding to this observation simply by replacing one reified spatial scale with another. The fact that the majority of economic activity is not conducted at the international level does not, as a consequence, obviate the need to think outside the terms of discrete and autonomously constituted national economies. It remains unclear whether such a task is possible within an analytical framework that allows each country to possess its own national variant of capitalism.

This is not to accuse Hall and Soskice directly of restricting their analysis solely to that of discrete and autonomously constituted national economies. Yet, it is noticeable within much of the comparative political economy literature, which operationalises their conceptual ideal-types of liberal market and co-ordinated market capitalism, that each national economy tends to be treated as a separate variant of one of the two ideal-types. The distinctiveness of each national 'model' is assumed to reflect differences between the institutional organisation of its economy and that of the ideal-type it most closely resembles. If Hall and Soskice cannot be accused directly of restricting their analysis to that of autonomously constituted national economies, their mode of thinking has allowed those who have attempted empirically to operationalise its core claims to overplay such autonomy.

This tendency has taken three forms. Firstly, in the hands of some, all of the separate national ‘models’ of capitalism come to be treated as ideal-types in their own right – or, at the very least, as ideal-subtypes (e.g., we hear frequent references to the German Model, the Swedish Model, etc). Secondly, in the hands of others, different levels of abstraction are conflated, with claims relating to the conceptual ideal-subtypes being presented as a valid description of the institutional features of the economy in question (e.g., the debate about the continued existence of the Swedish Model tends to contrast current conditions in Sweden with an ideal-type that is assumed to approximate past conditions). Thirdly, comparisons across country cases are less common than contrasts between them (e.g., it is more usual to focus on institutional specificities that lead to distinctive experiences in one country than it is to focus on institutional similarities that lead to common experiences in a range of countries – see Strange 1997: 183).

I attribute this tendency to the economic model which is implicit in the ‘varieties of capitalism’ approach. Despite there being no explicit recognition of the fact in the work of Hall and Soskice, the ‘varieties of capitalism’ approach is unmistakably Ricardian in the language, image and intuitive appeal of its core conceptualisations. It seeks to explain “the institutional foundations of comparative advantage”[2] and, in common with Ricardo’s reflections on that theme, it does so through reference to the dynamics of specialisation and trade.

Ricardo’s classic model of international trade is built upon the assumption of a two economy/two good world, in which the economies are closed at the point of production but open at the point of exchange (see Ricardo 1891 [1911]: 77-93). Trade is assumed to take place only after each economy has specialised its production in one good at the expense of production in the other.

[2] Indeed, this is the subtitle of Hall and Soskice’s book.

The question of who produces what is reduced to that of the relative efficiency of the input of labour into the production process (Sraffa 1951), where the social basis of labour productivity remains unexplored. The social relations of production are something of a black box in Ricardian accounts of the economy, as economic causality is situated at the level of exchange rather than that of production. This is significant for an appraisal of the 'varieties of capitalism' approach as it embodies so many Ricardian themes, and it is a point to which I return in my concluding comments. For now, however, I will continue with the current line of argument. For, the limitations of Ricardian analysis quite clearly feed through into the 'varieties of capitalism' approach in a number of other ways.

The Ricardian model of international trade operates on the assumption that the geographical limits of factor mobility correspond perfectly to the territorial limits of the national economy (see, for instance, Backhouse 1994:77; Blaug 1996: 118). Land is clearly fixed geographically, and the history of international politics has served to ensure that we conventionally think of the territorial division of land into socio-legal entities called nation states. However, the same assumption is also made in terms of labour and capital. Within such a schema, the only way in which we can expect trade to take place is through specialisation and the subsequent increase in economic welfare that accrues from the mutual exchange of goods made within specialist production regimes.

Specialisation is thus the logical corollary of comparative advantage. Yet, it also implies the existence of discrete and independently formed national economies. In the absence of such economies it would be impossible to talk about specialisation. For Ricardians, specialisation requires the subsequent institutionalisation of differences in the structure of national economies just as surely as, for Ricardo himself, it required the prior existence of comparative advantage within the production regime (Ricardo 1819 [1911]: 81). In this way, Ricardian analysis, which is founded upon the assumption of specialisation and trade, reifies 'the national' in our study of economic processes.

This is significant, for it allows those that have followed in the Ricardian tradition of the 'varieties of capitalism' approach to focus primarily on the institutional specificities of differentiated growth trajectories across the capitalist world (see, for example, Goldthorpe 1984; Berger and Dore 1996; Kitschelt et al 1999). This is not to say that such studies are unwarranted.[3] The problem, however, is when this leads to the elision of two different arguments that exist at two very different levels of abstraction. The empirical analysis of the experience of institutional specificities is all too often conflated with conceptual claims about the existence of distinct national 'models' of capitalism. Indeed, the issue may be even more serious than this. Conceptual claims about the existence of distinct national capitalisms are often treated as if they *were* empirical analyses of actual economic experiences. In this way, the significance of institutional differences at the level of the national economy are frequently asserted,[4] rather than being suggested as a hypothesis awaiting empirical investigation.

This brings us to the core of the critique of all analyses that follow the tradition of Ricardian political economy. Ricardo bequeathed to us not only a series of novel characterisations of economic issues, such as international trade, with which political economists had long been wrestling. He was also responsible for delivering a new way of thinking about economic processes in general. It is surely no exaggeration to suggest that Ricardo redefined the terms of what it meant to be an economist. According to the eminent historian of economic thought, Mark Blaug, Ricardo "literally invented the technique of economics" (Blaug 1996: 132) – or, at the very least, the economics with which we are familiar today. A similar appraisal of the significance of Ricardo's contribution to economic methodology is evident in the work of Joan Robinson, who describes his "habit of thought" as his "precious heritage" for economists (cited in Hutchison 1994: 88). That heritage has been to reduce orthodox economics to the presentation of taxonomic or classificatory schema, in which a range of purely hypothetical models are established, typically with little regard for the models' applicability to the real world (Hollander 1979). The simplifying assumption is usually taken to be Ricardo's trademark (Peach 1993),

[3] It is certainly the case that I, for one, have found it useful to frame arguments within the context of 'institutional specificities' when discussing the basis of different economic experiences – see Watson 2001; Watson 2002.
[4] Furthermore, it is not unusual for them to be asserted with an assurance that is used to override contradictory empirical evidence.

along with a tendency to package the world into a series of mutually exclusive abstract categories (Schumpeter 1954).

Ricardo's world is an 'either/or' world, in which an economy displays either one set of characteristics or another. It is this mode of thinking that allowed him to distinguish quite so clearly between one set of abstract characteristics that he took to be representative of the 'English' economy and another that he took to be representative of the 'Portuguese' economy. It is also this mode of thinking that allowed him to construct his theory of comparative advantage on the basis of such distinctions. Ricardo himself did not use the language of the English or the Portuguese 'model' in an attempt to render his abstractions ostensibly more concrete by presenting them as a short-hand description of actually existing economic conditions relating to the world production of cloth and wine (Ricardo 1819 [1991]:). Yet, the same style of analysis, which seeks to emphasise national specificities within the world production regime on the basis of comparative advantage, is evident within the 'varieties of capitalism' approach. Moreover, within the terms of this latter approach, the appeal to distinct national 'models' is made as a matter of routine. I turn in the following section to investigate the extent to which the existence of such 'models' is confirmed within the empirical data.

Specialisation, Trade and Comparative Advantage in Practice

The tendency to prioritise conceptual abstractions at the expense of empirical indicators is, without doubt, the most frequently documented drawback of the Ricardian tradition of political economy. In Schumpeter's caustic phrase, the habit of applying highly simplified abstractions to the solution of practical problems is the 'Ricardian vice' that has compromised economists' thinking since the methodological conversion that followed the publication of Ricardo's *Principles* (Schumpeter 1954). Nowhere is this more apparent than in Ricardo's own work on comparative advantage.

Ricardo's purported explanation of patterns of specialisation within the English and Portuguese economies is not really that at all. At most, it is an explanation of how such patterns *would* arise *were* they to reflect nothing other than a simple economic logic. As more recent historical scholarship has shown, the seventeenth century division of labour between English cloth-making and Portuguese wine-making is more readily explained by intra-European alliance building and, in particular, Portuguese attempts to guarantee British protection from Spain (Magdoff 1978). The concessionary trade agreements that ensued allowed Britain to exploit the gold reserves of Portuguese colonies, especially those of Brazil. The subsequent influx of capital flows into Britain was used to enhance existing productivity levels in technologically dynamic industries such as cloth-making, while the political recompense for increasing dependence on Britain was to favour Portuguese wine imports over French (McIntyre 1999: 248-9).

Comparative advantage is 'that to be explained' (the *explanandum*), rather than 'that doing the explaining' (the *explanans*). It is not some pre-given property of the economic system, so much as the contingent outcome of a series of social and political forces, which are likely to be historically limited to a particular moment of time. It is necessary to specify the way in which comparative advantage is itself the creation of prior interventions designed to further some other political project, in order to view both economic specialisation and the comparative advantage on which it is ostensibly constructed as crucial components of the potential longevity of that project. It is insufficient to treat comparative advantage as an unproblematic independent variable, simply asserting its existence and then reading off from that assertion subsequent patterns of specialisation and trade. The comparative advantage of which Ricardo wrote was clearly more than the manifestation of an institutionalised economic logic, and for him to present it in such a way served merely to depoliticise the explanation of the observed division of labour. Comparative advantage is not a politically neutral abstraction, which we can use unreflexively to facilitate clear-cut empirical examinations of the dynamics of specialisation and trade. To the extent that we should be comfortable talking about comparative advantage at all, given the entirely abstract manner in which the concept is presented in Ricardian political economy, we must recognise that it is an empirical fact of politics itself.

I am sure that this is a claim to which Hall and Soskice would subscribe. This would certainly seem to be so in their argument, to be found in the opening paragraph of their introductory chapter, that “differences in economic and political institutions” are to be explained as “the distillation of … durable historical choices for a specific kind of society” (p. 1). However, it is still necessary to unpack the conception of ‘politics’ that animates their subsequent exposition. Their later claim that “national patterns of specialisation in activities and products … reflect *rational responses* to the institutional frameworks identified here” (p. 41, emphases added) suggests a latent functionalism within their explanatory model (see Blyth in this issue for a similar argument). The political choice to construct social institutions in one way, thus foregoing all possible alternatives, appears to be an epiphenomenon of a more essential economic logic. In this respect, decisions relating to the socio-institutional organisation of the economy remain overwhelmingly technical in nature. Politics is reduced to the struggle for the authority to impose efficient institutions for economic policy-making.

However, there is a potential chronological contradiction to be explained when the conception of politics as the search for efficient institutions is set within an analytical framework that emphasises the significance of comparative advantage. The assumption that existing institutional arrangements confer comparative advantage is read as evidence that such arrangements are efficient. Yet, at most, this is an explanation of a reason for the continued reproduction of existing institutional arrangements. It is certainly not an explanation of why the prevailing socio-institutional settlement was forged in the first place. To reiterate an earlier point, comparative advantage cannot be understood in the same way as other ‘natural endowments’ of the national economy, from which efficient socio-institutional settlements are simply read off.

Valid though this objection to an unreflexive use of the concept of comparative advantage surely is, there is an even more fundamental objection that the ‘varieties of capitalism’ approach currently does little to negate. In order to assess the true analytical value of the idea of comparative advantage on which so much of the ‘varieties of capitalism’ approach hinges, we must examine not only the conceptual basis but also the empirical basis of the existence of comparative advantage. This can be achieved by mapping the cross-border flow of goods that constitute the prevailing pattern of international trade. In the absence of obvious indicators of economic specialisation contained within the international trade statistics, it is unclear to what extent comparative advantage exists at all – at least in a practical sense.

Yet, there are good reasons to expect that we will find no such evidence of clear-cut patterns of economic specialisation when we analyse the international trade figures. For a start, and as Hall and Soskice themselves concede, the *intra-industry trade* that now typifies the international trade regime sits uneasily alongside the assumption of sectoral specialisation on which Ricardian theories of comparative advantage are founded (p. 36). Ricardo's classical model focused solely on inter-industry rather than intra-industry trade (Ricardo 1819 [1911], chapter 7). If this is indeed the world that we experience, this should show through in trade figures where one economy specialises production in one category of goods, and then engages in reciprocal trading relationships with other economies that specialise in producing other categories of goods. But this is not what the figures show. Trade takes place overwhelmingly *within* the same categories of goods and not *across* different categories of goods (IMF 2001). The same country tends to be both an exporter and an importer of the same types of goods. What is traded is not good X for good Y, but marginal characteristics of the same good to meet niche consumer preferences formed on the basis of product differentiation and preference-shaping marketing techniques. The assumption of comparative advantage would not appear to be appropriate in such circumstances.

Second, much of the recent growth in international trade is accounted for by the increasing significance of *intra-firm* trade. This trend must be viewed alongside the increasing proportion of foreign direct investment flows that now take the form of capital acquisitions. Such dynamics have been triggered by attempts to lessen larger firms' exposure to external tariff barriers imposed on final products. Trade between different parts of the same firm occurs in order to complete the process through which such barriers are avoided. Unfinished products are exported from one part of a firm to another, so that the final stage of the production process takes place in the country in which the product is to be sold.

To offer some indication of the scale of such activities, intra-firm trade involving US multinationals equates to around one-third of all American cross-border trade (Wade 1996: 64). On the basis of this finding alone, it is possible to argue that production has become more sensitive to an international division of labour (Barff 1995). Given the existence of appropriate economies of scale, the labour-intensive parts of the production process tend to be located where labour costs are low, while the capital-intensive parts of the production process tend to be located where suitable skills are in ready supply, irrespective of their cost. However, such dynamics cannot be understood within Ricardian models of comparative advantage, as such models are based on the assumption that capital is immobile across countries (see, for instance, Backhouse 1994:77; Blaug 1996: 118).

So, given these two major qualifications, is there any empirical basis on which to construct the 'varieties of capitalism' approach on Ricardian models of comparative advantage? The logic of Hall and Soskice's position would seem to be clear in this respect. Given their assumption that there are institutional foundations of comparative advantage, so long as we can work with reliable indicators of institutional difference, we should expect that the greater the institutional difference between two countries the more distinct their patterns of economic specialisation will be. As a consequence, we should expect a greater level of trade between such economies.

Indicators of institutional difference are available in order to construct empirical tests of this nature. For the first two diagrams below, I use a standard de-commodification index[5] as a proxy for institutional difference. The greater the difference on the de-commodification index between two countries, the more varied we can assume the socio-institutional bases of their economies to be. The differences in the de-commodification index for eighteen advanced industrialised economies are plotted on the horizontal axis of diagrams 1 and 2 below. On the vertical axis I plot a trade weighted index, which controls for the size of the importing economy. The percentage of one country's exports that are imported by another country are divided by the latter country's share of the total imports of all eighteen countries, before being

[5] Source: SSIB data file.

multiplied by one hundred to give the final trade weighted score. A score of 100 shows that the extent of trade between an exporting and an importing country is exactly equal to the importing country's percentage share of all eighteen countries' import sectors. A score above 100 shows that a more than proportional amount of trade takes place between the exporting and the importing country; a score below 100 shows that a less than proportional amount of trade takes place between the two countries.

The timeframe for the data points was chosen deliberately in order to increase the chances of finding evidence of specialisation and trade consistent with the assumptions of Ricardian comparative advantage. While the 'varieties of capitalism' literature is divided on the extent to which pressures associated with globalisation are eroding the distinctiveness of established national models of capitalism, it tends to be united on the assumption that such models existed pre-globalisation. It is for this reason that the data is drawn from 1982, prior to the onset of globalisation. If it is to show evidence of specialisation and trade consistent with the assumptions of Ricardian comparative advantage, we should see an obvious pattern in the data points. A de-commodification 'distance' of zero represents each country's mean, and the trade weighted index should be distributed around the mean with a clear inverse kurtosis. In other words, the data points should indicate high scores on the trade weighted index at either extreme of the distribution, falling progressively towards zero as the mean is approached. The ensuing 'U'-shaped curve would reflect specialisation founded on socio-institutional difference: the more profound the difference, the more distinct the specialisation.

However, as the results for the eighteen advanced industrialised economies in the sample appear to suggest, there is no obvious concentration of trade between countries whose economies are most institutionally dissimilar, and whose institutions therefore provide for the most distinct forms of economic specialisation. The conclusion to be drawn from diagram 1, then, is that there is little, if any, empirical basis to sustain claims about the institutional foundations of comparative advantage. This is even more graphically illustrated in diagram 2, in which the linear trend lines for each of the eighteen countries' individual distribution are drawn against those countries' data points. Here, the overall impression is not of the smooth 'U'-shaped curve that would be consistent with Ricardian assumptions of comparative advantage, but of the exact opposite. The aggregate distribution has a normal, rather than an inverted, kurtosis.

[Insert diagrams 1 & 2 at this point.]

Much the same conclusion emerges if we aggregate the eighteen countries in the sample into three clusters on the basis of institutional similarities. This is easily done, as the eighteen countries are the welfare states that Gøsta Esping-Andersen divides equally into liberal, conservative and social democratic regime types (Esping-Andersen 1990). The results of this test are presented in diagrams 3, 4 and 5 below, which show each country's trade with, respectively, the liberal, conservative and social democratic clusters. Once again, the size of each country's traded sector is controlled for, by using the same method for calculating the trade weighted index as before.

For both the liberal and the social democratic clusters (diagrams 3 and 5), the linear trendline runs in the opposite direction to that which we would expect were the patterns of specialisation and trade to be consistent with the assumption that there are institutional foundations of comparative advantage. Both clusters, in aggregate, trade proportionately more with countries that are institutionally similar than with countries that are institutionally dissimilar. That is, they trade proportionately more with countries whose institutional frameworks do not provide the basis for distinct patterns of economic specialisation than those that do.

Only the conservative regime cluster fails to entirely contradict the predictions of the Ricardian approach to comparative institutional advantage, and then only partially so. As diagram 4 indicates, trade is not as concentrated within the conservative cluster as it is within the liberal and the social democratic clusters. Indeed, inter-cluster trade from the conservative to the social democratic cluster is more pronounced than intra-cluster trade within the conservative cluster. However, this pattern of trading, which at least partially conforms to the assumption that there are institutional foundations of comparative advantage, is not replicated in the trading relations between the conservative and the liberal clusters.

[Insert diagrams 3, 4 & 5 at this point.]

Conclusion

Let me end in the same way as I began. Despite both the conceptual and empirical limitations of basing the 'varieties of capitalism' approach on Ricardian models of comparative advantage, Hall and Soskice's work continues to be of enduring significance, as it allows us to transcend the assumption that there is a single systemic logic of capitalist development. My objections are not to the goals of the research agenda in Hall and Soskice's volume, but to the means that they adopt to meet those goals.

By grounding the 'varieties of capitalism' approach on Ricardian models of comparative advantage, Hall and Soskice locate differences in capitalist experience solely at the level of the national economy. All other sources of differentiated experience *within* the national economic 'model', in particular those that arise from within the social relations of production, are in danger of being overlooked. Indeed, in Ricardian accounts of the economy, all causality is situated at the level of exchange rather than that of production, thus rendering discussion of the social relations of production superfluous to the analysis.

Yet, it is from the position that people occupy within the social relations of production that is the foremost influence shaping their experience of capitalism, not the country in which they live. Let us be clear that a single national 'model' of capitalism sustains a whole range of different experiences of the economy, depending upon the way in which different people are socialised into the economy, as well as being socialised into expecting to perform particular types of economic roles. Thus, the difference between being, for instance, a protected or an unprotected worker, university or non-university educated, employed in new economy or old economy sectors, in manufacturing, finance, agriculture or the service sector, matters *at least as* *much* to the experience of the economy as where in the advanced industrialised world that experience takes place.

Such differences are obscured by the way in which the ‘national’ spatial scale is reified within Ricardian theory. The ‘varieties of capitalism’ approach is limited by the extent to which its focus on national ‘models’ of capitalism allows fundamental features of the social structure of accumulation – e.g., those activated along the lines of class, race and gender differences – to remain unexplored. The task that lies ahead is to find alternative conceptual foundations for the ‘varieties of capitalism’ approach that enable such features to be integrated into the analysis.

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Table 1: **TRADE WEIGHTING OF 18 COUNTRIES WITH ONE ANOTHER, 1982**

	AUS	**US**	**NZ**	**CAN**	**IRE**	**UK**	**ITA**	**JAP**	**FRA**	**GER**	**FIN**	**SUI**	**AUT**	**BEL**	**NET**	**DEN**	**NOR**	**SWE**
AUS		79	820	80	25	69	29	193	26	30	25	21	6	12	24	14	20	33
US	75		80	684	38	59	31	108	29	31	17	46	13	33	41	29	40	33
NZ	820	72		84	13	136	21	130	16	20	8	21	6	14	19	21	7	17
CAN	35	318	40		13	33	13	43	11	12	8	8	6	12	16	7	27	17
IRE	25	49	20	48		503	39	18	69	57	58	42	25	65	76	57	27	63
UK	70	60	160	80	538		60	25	83	78	100	104	38	94	140	157	173	133
ITA	30	33	20	32	38	57		10	145	107	33	154	119	61	64	57	27	42
JAP	215	107	140	108	13	29	10		14	18	17	33	13	12	12	21	27	17
FRA	25	32	20	28	63	75	142	16		106	33	117	44	163	86	50	67	54
GER	30	34	20	28	50	84	106	18	136		75	179	244	143	176	136	127	96
FIN	25	22	20	32	63	103	31	23	38	76		63	63	33	50	214	227	508
SUI	25	36	20	28	38	67	122	27	110	165	58		244	69	59	71	33	79
AUT	10	16	20	20	25	36	122	17	43	242	58	242		37	40	64	40	83
BEL	15	28	20	24	50	95	60	11	176	139	33	113	31		276	50	40	63
NET	15	29	20	20	75	106	60	11	89	175	50	67	44	273		93	80	75
DEN	15	31	20	24	50	143	56	20	51	130	275	83	63	47	91		340	471
NOR	15	28	10	36	25	285	25	28	30	122	242	42	44	35	86	350		533
SWE	30	37	20	36	63	128	43	21	51	95	508	79	81	67	83	479	593	

Formula for calculating individual data points =

$$\frac{100(X_{y\rightarrow x} + M_{y\rightarrow x}) / (X_{y(total)} + M_{y(total)})}{100(X_{x(total)} + M_{x(total)}) / \Sigma\, (X_{x1(total)}\rightarrow X_{x18(total)} + M_{x1(total)}\rightarrow M_{x18(total)})} \times 100$$

Where: i) the numerator equals the percentage of a particular country's trade – exports plus imports – with another country;
ii) the denominator equals the size of that latter country's traded sector –incoming plus outgoing – expressed as a percentage of the sum of all 18 countries' traded sectors, thereby controlling for the effects of differences in the relative size of different countries' traded sectors;
iii) all figures are weighted by being multiplied by 100 – thus, a recorded figure of 100 represents direct proportionality between the extent of trade between one country and another (expressed as a percentage of the former's overall traded sector) and the latter's percentage share of all 18 countries' traded sectors.

For instance: i) for data point [X6, Y11], FIN/UK, Finland's trade with the UK in 1982 amounted to US$1,413m of exports and US$977m of imports, or 9.0% of Finland's total traded sector of US$26, 489m;
ii) the UK's aggregate traded sector of US$196,630m amounted to 8.7% of the 18 countries' cumulative traded sector of US$2,250,936m;

iii) dividing 9.0 by 8.7 and multiplying by 100 gives a weighted figure of 103, showing that Finland traded slightly more with the UK than would be expected purely on the basis of the size of the UK's traded sector.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
AUS	US	NZ	CAN	IRE	UK	ITA	JAP	FRA	GER	FIN	SUI	AUT	BEL	NET	DEN	NOR	SWE