

THE HIDDEN DIFFERENCE

RMU*

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The problem stated

Some countries seem to succeed at both market-oriented and "dirigiste" arrangements. They exhibit an ability to move among such arrangements as circumstance requires or suggests, as if the institutional models they adapt, discard and combine were so many masks to be worn according to the occasion. The success of the United States in running its war economy (during World War II) on principles so strikingly different from those that prevailed in peacetime is only the limiting case of a broad range of similar experiences in contemporary history.

Other countries by contrast have made a mess of both "dirigiste" and market-oriented solutions. They have not managed to remedy their failures in one of these directions by moving in the other one.

The familiar institutional and ideological disputes of the last two hundred years, with their single-minded focus on state and market as opposing mainstays of economic organization and economic growth, fail to capture something important about what allows contemporary societies to be practically successful.

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The intuitive core idea

There is a set of cooperative capabilities that is crucial to economic growth. More generally, these capabilities may be decisive to the success of all societies that, without living from hand to mouth, nevertheless continue to contend with resource scarcity.

Some regimes of cooperation are more hospitable to innovation --- technologically, organizational, social and cultural -- than are others. They moderate the tension that inevitably exists between the imperatives of cooperation and innovation that are central and pervasive to all practical social activities, including the production and exchange of goods and services. This subset of cooperative practices has become increasingly crucial for economic growth as well as for major social concerns that transcend the economy: education, public administration, warfare

This relevant subset of cooperative practices takes a number of different forms in contemporary societies. Nevertheless, in all these variations it is distinguished by special attributes.

Special conditions favor the special attributes. Certain ways of organizing society and education foster the development of the crucial subset while ways discourage it. Mastery of the capabilities that enable societies to shift according to circumstance among institutional and ideological orientations, and to be successful at all of them, is itself promoted by certain institutions and beliefs. No society is condemned to remain at its present level of comparative disadvantage in the possession and the diffusion of these capabilities. Every society can go about reorganizing itself to master them more fully and to reap their benefits.

What this core idea is not

The development of this core idea is not part of an argument against market-oriented solutions in favor of "strategic coordination" between government and private business (as in the Northeast Asian model of industrial and trade policy). The point is to identify enabling practices and capacities lying beneath the level of the conventional oppositions between state and market.

The working out of the core idea is also not a redeployment of the concept of "social capital" as presented in contemporary American political science although it enters the terrain in which that concept has been most used.

For one thing, we propose to take the institutional content and conditions of the pertinent cooperative capabilities as crucial and controversial. A readiness to connect with others and to trust them is not enough. What counts is a certain way of organizing, on the basis of specific institutional and ideological presuppositions, the way people work together to accomplish practical goals.

For another thing, the core idea is not just about the (psychological, moral or spiritual) revitalization of existing practices and institutions -- that is to say, about their transfiguration through enthusiasm or solidarity. It is about a way of rethinking and reforming these practices and institutions to move them in particular direction.

Only by unpacking the content and the conditions of the relevant capabilities can we resolve a familiar conundrum: cooperation (good) and collusion (bad) sometimes seem to be different things, and sometimes just different names for the same thing. (The problem for Mancur Olson is the solution for Robert Putnam, or isn't it?)

Six conjectures

1. The conjecture of specialness.

The relevant subset of innovation-friendly cooperative practices has certain distinguishing and recurrent attributes. Among these attributes are the following.

a) Attenuation of the contrast between supervisory and implementing roles. Tasks are redefined in the process of being executed, in the light of newly discovered opportunities and constraints.

b) Consequent relative fluidity in the definition of the implementing roles themselves. (No rigid technical division of labor.)

c) A tendency to move the focus of new effort, as far as practical constraints may allow, to the frontier of operations that are not yet readily repeatable because we have not yet learned how to bring them under a formula. Whatever conceptual or practical moves can be formulaically repeated can in principle also be embodied in a machine. The goal is to accelerate movement between the repeatable and the not yet repeatable, using the mechanical embodiment of the former to save time and energy for the latter.

d) A willingness to combine and to superimpose, in the same domains, cooperation and competition. Under a regime of cooperative competition, for example, people compete in some respects while pooling resources, ideas, or efforts in others.

e) A predisposition for groups engaged in the cooperative practice to reinterpret their group interests and identities as they go along -- and to expect to reinterpret them -- rather than to take them as given.

It is apparent that a form of collaboration with such characteristics is not represented by a Smithian pin factory or by Fordist mass production. From the vantage of this approach to the problems and opportunities of coordination, Smith's pin factory and Ford's assembly line represent limited and limiting variations, justified only under certain circumstances and increasingly unsuited to the conditions of contemporary economies and of the societies and cultures in which they exist.

It is also clear that many forms of cooperation or "social capital," although valuable for other reasons, bear only a limited and oblique relation to economic performance. For example, episodic crime may be low in any country that is highly organized at the grassroots or street level. Such organization may favor forms of solidarity and of transparency that render ordinary, disorganized crime easier both to prevent and to catch. Yet this characteristic of social life -- whether in a low-income country like India, a middle-income country like Russia, or a high-income country like Denmark -- may have little to do with economic performance and institutional versatility. Conversely, countries with weak or very uneven grassroots organization (like the United States among richer countries or Brazil among poorer ones) may suffer very high rates of episodic crime but nevertheless be, on the whole, not much for the worse for it (aside from the direct costs of crime and its repression) in their record of economic adaptability and success. Different sets of cooperative practices are good for different things. They depend on different circumstances, and they produce different consequences. This fact motivates the conjecture of specialness.

2. The conjecture of segmentation.

Even in the societies that have given the greatest play to them, these experimentalist cooperative practices characteristically flourish only in certain relatively isolated islands of advanced production and learning ("Silicon Valleys", elite schools). Their vitality in those islands depends on a host of special conditions. We may desire to generalize some of these conditions in society (for example, high trust and deep endowments) but not know how. We may regard other such conditions (for example, the past weakness of hard-budget constraints on the high-technology industry) as unworthy of being generalized.

The more basic point is that there is no way to propagate more broadly in society this subset of cooperative practices by simple horizontal extension. In much of social life, we would have to create functional equivalents to the missing preconditions of innovation-friendly cooperation. And -- as the next conjecture suggests -- we do not

yet know how.

3. The conjecture of institutional inadequacy.

Neither the American model of arms'-length regulation of business by government nor the Northeast Asian of centralized formulation of unitary trade and industrial policy seem adequate to the task of extending the hold of the subset of innovation-friendly cooperative practices on broader areas of social life. We need a better way to experiment with the institutional setting of production and exchange from below rather than having the setting determined from on top (the state) or left to its own devices (the market as a perpetual-motion machine).

Better ways -- if they are to be found -- may require enlarging our available legal-institutional repertory of arrangements for: (a) decentralized access to productive resources and opportunities (credit, technology, and technical assistance) on terms more varied and flexible, and occasionally more temporary, conditional or limited, than those afforded by the traditional nineteenth-century system of unified property rights; (b) combination of scale and scope with decentralized initiative and of competition with cooperation in more ways than are countenanced by the traditional regime of contract and corporate law; (c) coexistence of public initiatives in support of more access for more people to more types of markets with greater room for entrepreneurs, firms, and teams of workers and technicians to opt out of the present legal regime of economic activity (in others words, more market and more governmental activism at the same time by changing the institutional expression of each); (d) within the scope of (c) rules and arrangements in public as well as private law making it easier for local and national governments to help businesses identify and develop the most successful local practices (generalizing to other sectors of the economy the spirit of the most successful examples of traditional "agricultural extension"); and (e) more facility for particular areas within a country to try out alternative ways of regulating business, capital and labor that are excluded or discouraged by existing forms of federalism or

of center-periphery relations.

In all these ways what may be required is to motivated, informed, and cumulative tinkering with the established institutional repertory to the end of nourishing more first-order experiments in economic and social life. The radicalization of experimentalism is our best hope of achieving more capability outside as well as within the production system.

4. The conjecture of special conditions and general consequences.

The subset of innovation-friendly practices of cooperation listed in conjecture 1 (the conjecture of specialness) is most likely to flourish in a society and a culture with certain characteristics. The theoretical and practical interest of these social and cultural conditions is greater than that of the enumerated subset. For the subset as defined by the first conjecture is too narrow or too extreme to capture the range of cooperative capabilities that enable countries to succeed in the implementation of different institutional models; it may describe what is only a limiting case. The same conditions that favor the subset also encourage a range of cooperative skills and predispositions broader than the subset yet much narrower than the full range of possible forms of cooperation.

The United States, for example, did not do well at shifting from market-oriented to more "dirigiste" arrangements during the Second World War because it boasted the equivalents and precursors to today's Silicon Valleys and elite schools. It did well because large numbers of Americans in lower as well as higher positions were able to coordinate their actions and efforts flexibly, with a minimum of heavy-handed direction and a maximum of decentralized adaptation of directives. They learned to treat these directives as tentative and revisable. At least in the special conditions of wartime and of the collective commitments it elicited, they did not find it necessary to choose between the narrowest self-regarding behavior and the heaviest centralized imposition.

We cannot define this broader range of capacities for flexible coordination on the basis of reciprocal trust as precisely as we can define

the enumerated subset. We can nevertheless recognize the former as a more diluted or more generic version of the former.

Both the specific subset and this broader penumbra of cooperative practices depend on certain conditions. They are the following.

a) Avoidance both of extreme inequalities of opportunity, respect, and recognition and of relentless insistence on equality of resources or results. It is less important that the individual be able to improve his circumstance (or to see his children improve theirs) than it is that the structure of social division and hierarchy not tightly predetermine the ways in which people can work together. What matters is that the social and cultural script guiding people's approach to the tasks of coordination be open-ended. Social mobility -- an obsession of progressive ideologies -- is less significant than room for maneuver in the business of collaboration. And the pretense of respect for others and for their potential turns out to be more important, for the same reason, than actual equality of circumstance.

b) An experimentalist impulse in national culture and education, sustained by particular practices outside the production system, especially in education. The best education for the purposes of innovation-friendly cooperation is analytical and problematic rather than informational, selective rather than encyclopedic, cooperative rather than individualist or authoritarian and dialectical (that is proceeding by contrast of views) rather than canonical.

c) Political and social arrangements that make it possible to try different possibilities out both sequentially and simultaneously. As a society proceeds down a certain route, it should be able to hedge its bets and to foster counter-models, on a local or a sector basis, to the main solutions it has adopted. Both conventional federalism and the traditional (classical liberal) system of contract and property rights may be blunt instruments by which to secure this goal. We can devise other, more flexible tools.

d) A way of securing to the broadest range of people capacity-enhancing endowments (education, social benefits, even a minimum stock of basic resources or a "social inheritance") that do not depend on

the job they hold or have held. The arrangements that define and secure such endowments must leave the greatest possible scope of social and economic life open to experimental tinkering while enabling people to feel -- and to be -- secure in a haven of protected vital interests.

These four conditions cannot easily be produced by deliberate collective or governmental initiative. Neither, however, are they wholly beyond the range of such action. Although they do not yield a blueprint, they set a direction.

5. The conjecture of the lack of an exemplary national model.

No country fully embodies these conditions or fully enjoys their consequences of cooperative capability. None is the paradise of experimentalist cooperation. Nonetheless, contemporary societies differ strikingly in the degree to which they secure its requirements and enjoy its advantages.

Some societies with high levels of group organization or "social capital" (for example, India among poorer countries; Sweden and the Netherlands among richer ones) may not be notable for an experimentalist impulse in their national culture and national education. The development of experimentalist cooperation in such countries may require the partial deconstruction of existing forms of "social capital" to open up space for alternative forms. This is a never an exercise in continuous social engineering; it is inevitably an undertaking fraught with conflict.

Other societies -- for example, the United States -- may have their most pronounced examples of experimentalist cooperation either in relatively isolated knowledge-intensive sectors of production or in voluntary associations outside the production system. In Brazil, for example, the most accomplished examples may be provided by church groups or by the samba schools that prepare and practice for elaborate public displays rather than by firms engaged in production. In such societies, the attempt to introduce practices of experimentalist cooperation into the heart of the production system outside the special circumstances of wartime or the special conditions of the advanced

sectors of production may hit against limits imposed by extreme inequalities of educational and economic endowment.

From the standpoint of such comparisons, no country displays "the wave of the future." However, all contemporary societies are fast becoming the semi-voluntary laboratories of experimentalist cooperation.

6. The conjecture of the discontinuity between the moral preconditions of a market economy and the moral preconditions of innovation-friendly cooperation.

In principle, a market economy, gradually reorganized to allow for increasing equality of opportunity, as well as for more leeway to tinker with the forms and settings of production and exchange, is the preferred medium for experimentalist cooperation. A discontinuity nevertheless exists between the moral presuppositions of a market economy and those of such a cooperative regime.

A market economy depends on the breakdown of rigid contrasts between insiders (who accord one another high trust) and strangers (in whom insiders place no trust). The market requires the generalization of trust -- albeit low trust -- among strangers. It is unnecessary when there is high trust and impossible when there is no trust.

Experimentalist cooperation, however, seems to require high trust among its participants: at least higher trust than the trust called for by the generality of market relations and transactions (just as the organization of advanced tank or commando warfare requires a higher level of trust and discretion among its participants than do conventional infantry operations). It therefore places on our ways of dealing with one another in practical life more exacting demands than those to which the culture and the arrangements of market economies have accustomed us. The practical implication is that the institutional and cultural initiatives needed to sustain a market economy may not suffice to establish the requirements of experimentalist cooperation. The ethic of the market is not enough, just as the institutions of the market are not enough.

Possible approaches to the empirical exploration of these conjectures

1. Comparative analysis of the experience of the war economies on both the Allied and the Axis sides in World War II: their institutional innovations and their performance relative to one another and to the pre and post war situations.
2. Comparative analysis of more or less successful knowledge-intensive high-tech sectors and of the practices and conditions that most seem to contribute to their success. Comparison of these sectors with the practices and conditions prevailing in the middle-tech but highly successful sectors of mid-size "post-Fordist" industries in sub-national economies such as those of Emilia-Romagna and Catalonia.
3. Comparison of practices and conditions prevailing in these industrial sectors with the pedagogic methods of the most successful elite schools -- particularly those formed in the United States under the aegis of Deweyan pragmatism and experimentalism.
4. Comparison of the findings about economic performance (at the level of firms, sectors, or national and sub-national economies) with studies of the conditions under which versions of experimentalist cooperation have succeeded or failed in the conduct of contemporary warfare.
5. Macro-comparisons of different countries, disaggregating into distinct elements the practices of experimentalist cooperation as defined in both the narrower and the broader senses invoked in the preceding conjectures. Relation of these variations to national economic performance.
6. Experiments in social psychology casting light on the content, consequences, and conditions of innovation-friendly cooperation in

comparative national context. For example, what happens in different countries when a breakdown in a supermarket cash register or in a movie screening requires a line to be re-formed or when a minor neighborhood or work emergency requires neighbors or co-workers spontaneously to coordinate their efforts, settling instantaneously on the best means of guidance? How, in such situations, do versatility and ingenuity interact with restraints on opportunistic self-interest in such situations?