

AFTERWORDS

13

Modelling National Business Systems and the Civilizing Process

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13.1. What We have Learned from the Comparative Study of National Capitalisms?

During the last couple of decades the comparative study of national business systems has gradually compiled material allowing us to see that neither the social space occupied by the capitalist enterprise in different societies nor its nature as a social entity is given by its universal function as an agency in the market or as an expression of class relations in the capitalist mode of production.

Rather than determining the evolution of other social phenomena, the capitalist enterprise and the market are entangled in a mutual evolutionary development with these other phenomena, which in part follow evolutionary patterns that emerge from endogenous political conflicts, discourses, or institutional preconditions within the spheres or fields themselves. Conversely, Whitley (1992*a,b*, 1999), Whitley and Kristensen (1996, 1997) has emphasized repeatedly that the firm needs to respond to such institutional preconditions in distinct ways in each society in order to make effective social and economic use of institutions. In this way the nature of the firm, for example, must build upon the educational and vocational training system of a country, and must accept to have the characteristics of the resulting career paths of different groups penetrating its organization, if it is to make efficient use of the general labour market. In a similar way the firm must obey the rules that guide behaviour in relation to its financial institutions if it wants access to its particular way of providing cheap financial resources, often tacitly importing distinct governance principles from the larger society. Rather than universalistic capitalist relations of production this results in complicated and national/regional distinct authority

relations between different social groups constituting the hierarchies within and among firms in various ways so that cooperation, competition, and rivalry combine in each society in particular ways making distinct processes of evolution possible. In a similar way, the firm's position in state developmental politics and the game of mutual ranking among firms and other forms of organizations influence its social space toward institutional formations of other social spheres, such as the state and the financial system, and not only its capacity to accumulate capital by being competitive in a market.

The emergent understanding of performance criteria differing among countries (Quack et al. 2000) is of particular importance. Western countries tend to measure both firms and nations according to universalistic performance criteria (i.e. profitability, growth of GDP). However, it is obvious from the comparative study of business systems that progress is measured quite differently among countries dependent on how social groups have been composed, how they have constituted their particular and mutual aspirations and on the institutional formations surrounding these groups and which help them direct their search for ways to achieve the fulfilment and wider evolution of these aspirations. Contextual rationalities surrounding firms simply differ widely among countries. Rather than believing institutions in a country to be in the last case measured according to their contribution to the evolution of firms and the economy 'an und für sich', coevolution is taking place in which the firm may continually try to adapt to the changing contextual rationalities of its surrounding formation of institutions and social groupings. Thus these will, as organizational units, interest groups, and regulatory bodies try to achieve their particularistic aspirations in competition, rivalry, or cooperation among themselves and with, among, and within capitalist firms and their internal groupings.

Recently, certain scholars have summarized this debate as 'Divergent Capitalisms' (Whitley 1999) or 'Varieties of Capitalism' (Hall and Soskice 2001) signalling that rather than following a universal path, capitalist nations tag along numerous routes of social and economic evolution with a much more complicated and less given relationship to global development than earlier concepts—such as the convergence thesis—or various world systems views made us believe. In particular Whitley (1999, 2000) and Casper (2000) are emphasizing that the institutional structuring of national labour markets makes a difference in relation to which innovations and in which phases of the innovative process different nations hold comparative advantages.

Nations will benefit in differentiated ways from emerging new technologies taking departure from different industrial structures and in effect develop differing industrial structures. Not only has the outcome of capitalist economic history given rise to divergent national business systems, it has also created a certain path dependency that will give distinctiveness to the future development of these national business systems.

13.2. What Does It Take to Make Useful Modelling and Research Practices?

Compared to former habits of universal theorizing, comparative traditions have given rise to much more complex 'modelling'. The 'logic' of firms can no longer simply be deduced from theoretical economic reasoning. It must be recognized by also understanding how distinct labour and financial markets influence the behaviour of firms and the groupings that inhabit them; how economic activity may be subsidized by relations with the state and conversely. One of the great achievements of this tradition is that if a change is reported in one institutional sphere of a National Business System (NBS), the NBS-scholar will immediately question how this change is related to, reinforced, or weakened by the interaction with other institutional spheres. One of the great advantages of having created complex 'mappings' of national business systems is that they provide organization scholars with tools for generating questions about the larger landscape of a distinct society if embarking on and making surprising observations in field studies of particular organizations within a narrow institutional sphere. Given the current post-modern orientation in organization sociology and the tendency to study fields and cases just for the sake of reporting on its particularities, national business systems and varieties of capitalism offer a way of relating such observations to larger societal issues. This style of doing research might come to play a significant role if, in the future, social sciences begin to aspire more to understand how societies construct themselves as complex, systemic worlds, to integrate micro observations with macro-synthesis, and to a more cumulative view of knowledge formation based on induction, rather than simply wanting to deconstruct and tear apart universalistic prejudices or deductively reinforce them with poor reference to what is going on in the world.

For scholars with an interest in institutions, these comparative frameworks have already helped, if not to shape an explicated drive

for accumulating knowledge and gradually building a more comprehensive understanding of what happens in societies, then a break with the former habits of institutional sociology and economics. Previously, old or new institutions of a society would be looked upon in isolation and then assessed against how they would modify markets, politics, classes, etc. 'all other things being equal' according to the normative assumptions of general theories. Now we can take a studied novel phenomenon within an institutional sphere and relate it to an accumulated complex knowledge of a given society to assess how it may affect and be affected by the larger particular society. The framework for reasoning is not a theory but gradual systematically generated knowledge of a particular society, characterized by its sameness and differences compared to other societies. Amable's recent work (2003) is a very good example of how complementarity and clusterings can be done and is useful in understanding societies in a more comprehensive way.

To organize this growing body of knowledge, we badly need some guide for modelling that makes it possible to be informed by growing flows of information about a distinct society so that both sharper synthesis and greater detail are able to mutually improve simultaneously. Admittedly it sounds self-contradictory, and from the outset I do not know how such a job could be done. But I find many useful, though partly contradictory, suggestions emerging in Part 1 of this volume and more were discussed during the workshop from which the papers originate. In particular Lars Mjøset (2003) gave a highly informed paper on this issue (see also Mjøset 2002). I think that one of the most important challenges to this form of knowledge formation is to create ways of modelling, typologizing, or plainly synthesizing so that this form of knowledge simultaneously asks to become informed by more details, to discover novel, partly contradictory phenomena and therefore constantly aim at making the initial model obsolete through the search it generates.

For this reason, I also think that a strong warning is required. A potentially strong problem seems to emerge when attempts of synthesis, modelling, or typologizing take on a sort of new dogmatism. Some authors seem to indicate that there are only a few (ideal typical) models of capitalism that are viable in practice, and that this viability is dependent on the internal coherence of these capitalisms as 'real-type' systems. Furthermore, behind this coherence often hides some form of functionality in which institutions, behaviour of groupings, state action, etc. are assessed in terms of how well the distinctive form of capital accumulation is helped to succeed.

Recent contributions in this direction include Hall and Soskice (2001) and Amable (2003), who see the complementarity of institutions as a hallmark for the coming into existence of 'models'. In Hall and Soskice's terms nations are clustering around either 'coordinated market economies' or 'liberal market economies' (*ibid.*: 18 cont.), whereas Amable identifies five 'clusters': 'the market-based model; the social-democratic model; the Continental European model; the Mediterranean model; and the Asian model' (*ibid.*: 14). The contributors neatly explain how the complementarity of institutions makes sense and equips the societies grouped this way with a certain evolutionary logic. Both books, so to speak, synthesise and summarize how far comparative studies have moved our understanding.

It seems, however, important to emphasize repeatedly that the current varieties of capitalisms and of National Business Systems are themselves the outcomes of endless, far-reaching, and unpredictable experiments within different nations, regions, etc. to develop their respective societies. Just as these various 'systems' could not have been deduced from the workings of the capitalist logic as theorized by Marx and various economic theories, there were and will probably not be only a few teleological end positions for such systems. And why should some distinct features among which we see complementarity and coherence today be given the position to count as crucial for the future viability of such systems? I doubt that we know what could be theorized to count as criteria for future choice, while it is much easier to make 'post festum' rationalizations.

On the contrary, it is worth emphasizing that distinct modelling of particular national systems circumscribes both their internal complexity, their complementarity and coherence, and also their internal incoherence and conflicts; and, taking into account in consequence how they give rise to rivalry, competition, and cooperation is, in the current situation, one of the best ways to create a highly calibrated research tool to discover new details or even novel phenomena in such systems.

To be able to do so, it is, however, important to distinguish sharply between 'the things of logic and the logic of things' (Bourdieu 1994) when going about such models. Coherence and complementarity belong to 'things of logic', and it takes—at least—independent and powerful mechanisms of discourses and distinct self-reflection of a society to transform such coherence of logic into the coherence of things. Such mechanisms may be active (e.g. in the way Italian industrial districts have made social use of the social scientific notions of

industrial districts and flexible specialization to reconstruct themselves), but are probably more the exception than the rule within societies. What researchers can do is to try to equip *the modelling* of particular capitalisms or business systems with a logic (e.g. of coordination, governance, authority, collaboration, rivalry, competition, etc. among characterized groupings, institutions, organizations, firms, and other active or potential agencies each with their behavioural pattern. We can then use this logic to deduce a system of hypotheses as to how that particular society will meet given challenges (new technologies, global competition, and new forms of corporations, etc.). This system of hypotheses is not developed to say something conclusive about how this or that society will be affected and will adapt. Rather it serves as a way to generate a comprehensive set of hypotheses sufficiently sharp as to generate and reveal new information (differences that make a difference) about these societies, when we embark on careful empirical studies of them. In most cases empirical studies will simply prove our models wrong in accordance with sound Popperian principles (Popper 1957). In this way we secure the continuous discovery of new important details, which might either reveal ignored aspects of these societies or reveal that unpredicted changes and adaptations are going on. This gives us the kind of impetus that we need as researchers to resynthesize past models into new modelling attempts. Such a research style is a way of ensuring that the ongoing experimentalism of the societies we study also enters into the practice of how we work as social scientists. Instead, a modelling administered with scientific openness and experimentalism towards the underlying societal experimentalism has the chance to reveal new aspects or novelties of these societies that will pressurize us to embark on empirical investigations guided by the logics of coherence of our models. In this way we may discover that revealed phenomena are connected to larger complexes of the society. We may need to reform the model, not just from the point of view of one particular part of the system, but in terms of a larger set of social relations, culminating in the need to change the operating logic of the model as a whole.

13.3. What Directs the Experimental Process that Socially Constructs Societies?

At a more metatheoretical level the interesting question that could guide the experimental search of scholars towards the experimental

processes of societies is of course: What directs the experimental process that shapes and changes the complex institutional construction of national (or other societal) systems?

Despite the fact that neither Whitley in his *Divergent Capitalisms* nor Hall and Soskice in *Varieties of Capitalism* explicitly ask this question, they actually take departure from a similar implicit answer to this problem. In both approaches every institution or institutional change is measured according to its ability to improve the distinct performance of the distinct form of capitalism under study. In this way, the focus of analysis is almost entirely on how forms of capitalism perform in competition with each other, considering them as purely economic phenomena. Amable (2003) is more explicit on this matter as he takes macroeconomic performance in the long run to be determining for whether societies will have to change their 'model': the problem for him is whether a dominant social bloc can be formed as a coalition of social groups that is able to reform the system. This in turn necessitates deconstructing past complementarities of the institutional formation and shaping a new one that can meet the competitive challenges arising in new economic conditions, as different national business systems adapt and change at different rates.

The problem I see is that by using terms such as 'divergent capitalisms' and 'varieties of capitalism' we seem to summarize or synthesize our new discoveries and improved understandings of Western and other societies in a less productive way than the accumulated material allows for. In my view such synthesis implies that there is an overwhelming number of social and institutional sources for variability in how societies become socially constructed. But what these various forms of societies help channel, substantiate, and form are the processes that unfold within merely the economic sphere. In this way there seems to be an unquestioned Marxist thread in our analysis in which the universal mode of production is capitalism, while the social formations in which this mode of production unfolds differ. Or in other terms, we have a capitalist world system that puts distinct societies under a uniform pressure and poses universal challenges which they must adapt from divergent positions and through distinct capabilities that are inscribed into their respective 'identities'. In effect we can observe national business systems evolving through some mixture of reproduction and non-identical transformations, but always guided by the measures of their relative capitalist economic performances.

The risk is that we subsume most other social processes under the capitalist process, neglecting their own endogenous dynamic and the social interactions through which they are brought about.

One of the great discoveries of our research programmes is that the firm occupies highly different social places in different countries. In some the state has elevated them to a position so that the entire evolution of society follows in the wake of their development. In others, firms have elevated themselves to a position, where a role has been ascribed to the state under their dictatorship, while finally in a third group of countries, firms have developed as underground oppositions to an existing state. In comparing the Middle East with Western democracies, Bernard Lewis (2002) has said that the difference between their respective perspectives on the economy can be measured by the dynamics of corruption in the two types of societies. In the West, money is accumulated in the market sphere and used to buy power and influence in the political sphere. In the Middle East you come to power and use it to earn money. The effects of agency on the economy and the dynamics of society therefore differ substantially. Does this not indicate that, rather than seeing capitalist competition as the very sphere where struggles for social space unfold and determine, on the one hand, the position of nations within a global dynamic and, on the other, the mutual positioning of different social groups within a nation, we should investigate with critical distance how important capitalist competition is in comparison with all the other social spheres in which social groups and nations contest their mutual positioning? The promise of such an approach might also be that the very sphere of capitalist competition breaks up and becomes a whole complex of differentiated spheres with distinct forms of rivalry and competition governed by each their set of distinct rules of the game. Today such differentiated spheres of various games are often hiding behind the dormant concepts of capitalism, market, and competition rather than being investigated with the open eyes of field researchers.

If we do not break with the habit of automatically evaluating any institution or institutional experiment by its contribution to keeping capitalism viable, we seem to be stuck with a very strange paradox. We focus on institutions because we think markets, competition, and capitalism are simply not 'out there', but are socially constructed and socially embedded. But 'that' which embeds and constructs markets gets its meaning or is 'directed' not by any reference to itself but only from the function which it performs for the reproduction of capitalism. In this way, I think, we will never be able to understand more than one

source—or maybe criterion—for institutional experimentalism and modes of constructing and reconstructing societies. The generative processes underlying the experimentalism of societies are concealed from our eyes as long as we focus on the process by which ‘capitalism’, in exploiting such generative processes, unfolds and becomes distinctively shaped in distinct societies.

I think this generative process of experimentalism is very heterogeneous consisting in the ability to let numerous voices be aired and heard through a language that experimentally changes to allow for new conceptualizations and variations in interpretation. It consists in the experimental construction of polities that helps new publics to form and to be articulated. This in turn enables institutions to emerge and provide with ways to groups in which create and reconstruct lives and careers so that new identities may be formed, developed to their limits, and transformed when these limits are reflexively surpassed.

Societies are not born into a state that allows this to happen. They must be in turn constructed by an experimental process that allows them to continue to sustain this dynamic of change. Many philosophers and social scientists have tried to understand how such an outcome is possible. Hegel saw it as an outcome of the phenomenology and dialectical development of the spirit; Machiavelli through a transition from principedom to republic; whereas Hobbes wanted to free us from a barbarian civilian society by establishing an autarkic kingdom that could rule citizens and protect them from themselves. In retrospect it is possible to see that these social philosophers were a few voices among many in the ongoing ‘civilizing process’ that might bring societies to a stage where such experimentalist processes become possible, without resulting in everybody being at war with everybody else.

13.4. Capitalisms and the Civilizing Process

Despite possible criticisms, in my view Norbert Elias (1994, first published 1939) in his *The Civilizing Process* gives us the best account from which to imagine what directs ongoing experimental institutional processes. Especially if we read his first book together with his last one on *The Germans* (1996, published in German 1989) it becomes clear that the civilizing process need not be unidirectional or teleological, but rather may lead to decivilization in some societies in some epochs, dependent on the social situation and balances among social classes.

The civilizing process can be seen as the process by which a society gradually civilizes the fight for and over social space, constantly going on among individuals and social groupings in any society (see for instance Hobbes 1968). This civilizing goes on by building formal institutions at the state level (such as the royal court to tame the fight through wars over social space among feudal lords and towards the king; by institutionalizing property laws and protections, by creating institutions for collective bargaining among unions and employers to reduce strikes and lock-outs); by changing manners and by creating individuals with individual responsibilities out of 'mobs', and by finding more civilized arenas for fighting over social space. With this view on the longer historical process Elias was able to criticize Marx and other social scientists for giving too much attention to the economic process.

From this perspective, societies are formations internally circumscribing an endless ongoing fight among social groupings each of which in trying to extend their own social space, comes into conflict with other social groups. Especially in a feudal estate society, taking land over from other feudal lords through brute force may be the only way of accumulating land. Social space in such societies equals geographical space. Externally states are in constant rivalry over social space, and in feudal times and during imperialism this mutual fight over social space takes place by capturing foreign territories, which helps sustain the power of the king as a feudal lord *vis-à-vis* other feudal lords within his realm.

From this perspective, capitalism may be seen as a truly formidable social innovation. Wealth, social space and position could be accumulated without extending geographical space. Wars could be transformed to competition. In certain societies, central rulers advocated capitalism because it would give the King an income independent of his feudal lords. But even more so because it would offer a whole new arena in which social groupings could fight over social space without winding up in situations in which winning estates would challenge the King. Simply in and by capitalism, social space may be extended through capital accumulation without necessarily leading to territorial wars over geographic space, though this might also happen as during the nineteenth century period of European expansion.

In Britain, where the social position as capitalist entrepreneur could be achieved without being dependent on the central state authorities (Wood 1991), capitalism could also be seen as a way to civilize the fight over social space. If we read Adam Smith's two books together,

it becomes clear why. In *Theory of Moral Sentiments* (1969) he argues that people of ordinary station by watching the reaction of external spectators to their own behaviour will develop an internal spectator that predicts others' reactions. In this way the individual learns that 'decent' behaviour can be combined with looking after one's self interests. However, this development may be distorted if people know that they may be especially favoured, for instance at the royal court, if they break with the ordinary people's code of honourable conduct and instead search for power and wealth through such connections and privileges. I read Adam Smith's *The Wealth of Nations* (1970) as an argument for getting rid of the access to royal privileges. In his view, the market is a means by which that people mutually regulate not only their economic but also their moral conduct through egalitarian social interaction.

British capitalism may in this respect be considered particular, because property was achieved outside the state rather than through the state (Wood 1991). In France, Germany, and other continental European countries, many capitalists for a long period won their position as capitalists by being granted royal privileges, so that the regulation of property became negotiated or inherited through the state and through positioning within the royal court rather than being an issue among private individuals. Thus, capitalism was institutionalized in highly different ways in different countries, each with its particular composition of former status groups and relations and balances between princes, feudal lords, peasants, labourers, the military and civil society, and cities and the land. In terms of which groups benefited and suffered in their struggle for social space through capitalism and markets, each country is an individual story. This is also why different societies seem to invent highly diverse types of institutions during the early phases of capitalism as a way to foster, support, or civilize capitalism itself.

Born under the banner of 'égalité, fraternité, et liberté', capitalisms soon showed signs of decay viewed from the perspective of Adam Smith's moral sentiments and principles of egalitarian mutual regulation in the market. Capitalism separated the working population into workers and capitalists and led to growing inequalities. In place of former feudal status groups that had held monopoly over positions and privileges came monopolies created through the market (Weber 1978: 635–40), dividing the capitalist class itself into those who benefited and those who suffered from a competition that seemed increasingly unequalitarian. In the last decades of the nineteenth and

the first half of the twentieth century 'liberalism' proved its failure for many social groups that might have initially shared Adam Smith's hopes. Through political action, each dependent on their particular power and ideological mobilization, different political groups in different countries succeeded in creating institutions that could help them fight for their own social space by modifying the impact and consequences of capitalism on their own groupings.

One way to do this was to build up institutional spheres that gave some groupings a sheltered life and institutions in which they could develop their social space without being destroyed by capitalism.¹ Another alternative was to try civilizing the way in which capitalism functioned. The entrepreneurial middle class in the United States succeeded in creating a regulatory regime against cartels through the Sherman Act, which in consequence, pushed the American economy towards a regime of the large integrated corporations through a process of mergers and acquisitions. But different groups together with social reformers also created cross-Atlantic dialogues on housing, unemployment insurance, pension systems, saving banks, cooperatives, etc. to find ways of making it possible for the poor workers to make a living under capitalism (Rodgers 1998). All these attempts came together when taming and civilizing capitalism became a major business after the Soviet revolution and in the light of the world economic crisis of the 1930s with the rise of the modern welfare states. Ways to regulate general demand, competition, and even business as such through standards for auditing became established at macro-level, while ways of creating participative influence for employees were created at the micro-level together with rules of the game about how bureaucracies must balance duties and rights so that employees are given some protection within the overall dominance of the logic of capitalist corporations. Scholarly accounts of how modern capitalisms had taken different routes have since emerged. These have focused on different core elements, for example, macroeconomic planning (Shonfield 1965), welfare state systems (Esping-Andersen 1990), industrial relations and forms of corporatism (Crouch 1993; Regini 1991), the organization of labour markets and vocational training, and how work regimes help structure the capitalist enterprise itself in different ways (Maurice et al. 1986).

¹ As when under Bismarck, the German *Mittelstand* secured its own institutions and reserved certain types of production for its own members rather than industry (Streeck 1992).

Each of these scholars measured the effectiveness of various capitalisms in different ways. Andrew Shonfield found that French indicative planning had helped achieve the lowest capital/output-ratio. Regini and Crouch showed that the Nordic central bargaining institutions helped create a less conflictual work relation at the shop floor. This led to improved production results through institutions taming some of the market processes that could otherwise sustain worker unrest and hold up production at the workplace. Maurice, Sellier, and Silvestre showed how the function of the German labour market, vocational training, and works councils led to savings on numbers of managers and hierarchical positions, compared to France.

It is very important to stress that these outcomes in terms of performance and economic effectiveness were unintended consequences for those who had initially tried to reform their respective capitalisms by proposing the creation of new institutions. Such reforms have generally been met by resistance and criticism from the leading capitalists of the day, because they rightly saw them as being opposed to their immediate interests. Such criticisms would often try to delegitimize reform proposals by arguing that the reforms would be counter-productive to the general economic interest. Only when they later included them in their own planning, and strategized accordingly, would the reforms have any effects in terms of improving performance measures, even though this was intended in the first place.

Charles Sabel (1982) stresses correctly how much we reduce our understanding of complicated historical processes when we anticipate reforms to be the outcome of deliberate attempts to create functional efficiency. Thus, he criticizes Dore (1973) for seeing the Japanese *nenko* system of employment as simply a reform to enable a late industrializing nation to create a system for developing industrial skills by systematizing on-the-job-training.

In stressing efficiency considerations—on-the-job training as the rational response to the problem of forced-draft industrialization—it underlies the perpetual struggle that Japanese employers have had to wage against craftsmen's efforts to establish associations independent of single employers. The *nenko* was not the result of the straightforward application of old habits to new circumstances. It was deliberately created by skilful reinterpretation of traditional ideas of deference and solidarity, for example, the *oyabata-kotata* relation of master and apprentice. (Sabel 1982: 26)

In retrospect the good news is that societies have been able to try civilize capitalism in many experimental ways without necessarily jeopardizing the abilities of capitalism to continuously expand the social space within which individuals and groupings, organizations, and institutions can fight for wealth, status and power. Rather, conversely—as technological innovations, especially when they come in swarms—institutional innovations may furnish the capitalist process with not only a new impetus but also offer it an expansionary option to shift form creating eventually a new long wave of expansion. Whereas capitalism is supreme in its ability to exploit existing frontiers, it takes the much broader cognitive, political, and imaginative faculties of heterogeneous social groupings to make explorations that may discover and define new frontiers—in terms of forging new relations across geographical space, around new technological possibilities, new institutions and new forms of artistic and cultural production.

For that reason it is not only reductionist and functionalist to assess ongoing institutional experimentalism from the standpoint of a given variety of capitalism, but it may also restrict the very mechanisms by which societies gradually discover new frontiers and give their particular capitalisms a new lift, both in terms of economic performance and in degree of ‘civilization’, or standard of life more generally conceived.

Elias only gives us rough outlines as to how civilizing and decivilizing goes on in history, and what is involved in its progression or diminution. Of course, individuals and social groupings may civilize themselves in order to improve their reputation and position towards others in a given society, but what seems much more important is that social groupings try to mobilize politics to influence and regulate the behaviour of other groups so that they behave less in opposition to their own interests and codes of conduct. This eventual dialectical process is probably without limits and will work continuously with various groups shifting between the role of civilizer and being civilized. As one of the tools to civilize feudal lords, princes mobilized capitalists whose main interest was in peace and the peaceful expansion of markets. According to Hirschman (1977) capitalists tried to reduce the passion for wars among princes by moving capital away from those who indulged their passion for war. In a similar way corporate America in the nineteenth century tried to civilize competition by forming cartels and trusts. However, this had the effect of cutting small businesses off from markets. They, in turn, mobilized their political power to ensure that state action would curb the cartels. This in turn

had the paradoxical effect of reinforcing huge monopolistic corporations which overcame the uncertainties of the market not by cartels and price rigging but through the achievement of massive economies of scale (Fligstein 1990: Introduction).

The experimentalist process by which various societies have tried to come to terms with and civilize capitalism has in each of these societies, led to the formation of new institutions that in turn have reshaped and repositioned the social groups to which they connect. In this way different social groupings have created a dialectics of endogenous development among institutions and social groupings constantly reshaping both the aspirations and the identities of the social groupings. Institutions and social groupings cannot engage in such experimental transformation without coming into conflict with other social groupings as they will more or less accidentally come to fight over similar social spaces as new territories open up. How these conflicts among groups are fought out constitute a separate outcome of the 'Civilizing Process'. Crouch (1993) identifies three different ways to 'organize' interest intermediation: contestation, pluralist bargaining, and neocorporatism. Amable (2003: 17) groups Australia, Canada, the United States, the United Kingdom, the Netherlands, and Switzerland as pluralist bargaining; France, Belgium, Spain, and Italy as examples of contestation models; Germany, Austria, and Ireland as models of simple neocorporatism (where unions are relatively weak but endowed with a strategic capacity); while Finland, Sweden, and Denmark are examples of extensive neocorporatism (with strong and centralized unions).

However, in most Western societies after reconstruction had taken place, post World War II, the general adoption of Keynesianism created the opportunity for all types of society, whatever their form of interest mediation, to reduce conflicts by allowing state budgets to be continually expanded. Schools, vocational training centres, universities, scientific bodies, financial institutions, theatre, design, labour market policies, and industrial planning bodies all tried to expand their territories in collaboration or rivalry with the groupings which they helped foster or which helped foster them. The effect which some observers foresaw was the emergence of a fiscal crisis of the state in most countries by the beginning of the 1970s. In retrospect it is difficult to conclude that differences in the type of interest mediation in a society gave any particular society a comparative advantage in resolving such problems. Rather combined with the oil crisis, fast increasing wages and stagflation a growing number of commentators held the

view that welfare states, strong unions, etc. had managed to overregulate (or civilize) the economy to the extent that it undermined the 'market' from doing a proper job.

This situation could have been interpreted as a new need for civilizing experimentation. In this context the need to search for new devices could have led to innovative suggestions from groupings as well as institutions. A new discourse around a reformed development project for capitalism could have been constructed and institutionalized even within these highly developed forms of welfare capitalism.² Had this discourse been institutionalized, complementarity, and coherence among institutions could have left the 'things of logic' and entered the realm of the 'logic of things'. Ironically it was the combination of Keynesianism and Fordism as general models of non to organize capitalism that had paused the cross-Atlantic discourse on how substantive and diverse social politics could reform and civilize capitalism that had evolved in the first half of the twentieth century (Rodgers 1998). All the old movements and associations that had contributed to the dynamism and diversity of this discourse declined in the post-war period.

Neither social scientists nor political practitioners, thus, succeeded in discovering devices for 'civilizing' and reforming Keynesian states and created a constitutional framework for their operation before other actors and institutions reacted. Instead a number of international institutions, significant politicians in both the United States and the United Kingdom, and the globalizing financial community used the first oil crisis to initiate a neoliberal turn to reintroduce the market as a regulator of public institutions. Capitalism was now instead civilizing the institutions and organizations that had previously been created to civilize capitalism. It is astonishing to read Rodgers (1998) and compare how the reforms that were carefully implanted (1870–1950), were gradually and systematically rolled back after the first oil-crisis. Countries that did not comply soon learned that global financial capital had strong sticks at hand to punish states unwilling to do so. During this process, capitalism in general subsumed the explorative capabilities and civilizing devices of Western societies under the exploitative mechanisms of capitalism. Ronald Dore (2000: 12) simply called it a 'capitalist-managerial-counter-revolution', but many have discovered that globalization as a discourse of economic necessity and compulsion has become the prime reference in discourses over state budgets.

² Such devices and a framework for their operation have, in my view, been put forward much later by Dorf and Sabel (1998).

Within the last quarter of the twentieth century financial institutions played themselves into taking on or were given the role of ‘civilizing’ both welfare states and capitalist corporations. The World Bank and the International Monetary Fund play this role when intervening directly with the policies of a nation. The private financial institutions do it more indirectly by grading the creditworthiness of different nations and corporations, or helping stocks of individual corporations climb up or down the price ladder. In this way financial institutions—in particular in Wall Street and the City of London—have managed to put themselves into a similar position of transforming capitalism as the royal court had in transforming feudal society.

If we want to assess the impact of the current institutional equity nexus (Golding 2001), it might be useful to think back on how authors such as Galbraith (1967) and Baran and Sweezy (1966) narrated the logic of the then ‘New Industrial State’. For these authors, the 1960s produced a situation in which a managerial techno-structure had come to power within large organizations in both the private and the public sectors. The actors in this managerial techno-structure secured their own growth by expanding the organizations and number of employees they controlled. They were much more concerned about the expansion of their organizations than about profitability or usefulness for stockowners or the public. By the 1960’s managerial bureaucracies, as first discovered by Berle and Means (1932), seemed to have created a novel system of economic organization and power which had no limits. However, much of the legitimacy, which the institutional equity nexus holds today stems from the interpretation that it managed to curb the self-interested growth of managerial techno-structures and bureaucracies—in the interests of both the general public and shareholders. The institutional equity nexus in other words managed to civilize the then ‘new industrial state’.

13.5. What Can We Learn from Court Society about the Destiny of the Institutional Equity Nexus?

However, the institutional equity nexus has done much more than curb the ‘new industrial state’. The changed situation for business managers today looks, on the surface, very similar to the situation of the nobility in the sixteenth and seventeenth centuries when they discovered that they could improve their standing in society much easier and faster through their relations to the King at the royal court than by either

cultivating their estates in novel ways by or going to war with other warrior-noblemen to win land and thereby the resources with which to equip their armies. As Norbert Elias (2000) shows, with which court society means a huge transition in how positional games in societies take place, as life at court has very different 'rules of the game' from that of warrior-society.

Life in this circle is in no way placid. Very many people are continuously dependent on each other. Competition for prestige and royal favour is intense. 'Affairs', disputes over rank and favour, do not cease. If the sword no longer plays so great a role as the means of decision, it is replaced by intrigue, conflicts in which careers and social success are contested with words. They demand and produce other qualities than did the armed struggles that had to be fought out with weapons in one's hand. Continuous reflection, foresight, and calculation, self-control, precise and articulate regulation of one's own affects, knowledge of the whole terrain, human and non-human, in which one acts, become more and more indispensable preconditions for social success. Every individual belongs to a 'clique', a social circle, which supports him when necessary; but the groupings change. He enters alliances, if possible with people ranking high at court. But rank at court can change very quickly; he has rivals; he has open and concealed enemies. And the tactics of his struggles, as of his alliances, demand careful consideration. The degree of aloofness or familiarity with everyone else must be carefully measured; each greeting, each conversation has significance over and above what is actually said or done. They indicate the standing of a person; and they contribute to the formation of court opinion on his standing. (Elias 2000: 398)

This description of court life explains how the nobility had to become absentee owners to their landholdings, as they had to focus on court life to secure access to the much more important resources that came through the king both in the form of treasures, offices, land, and power. In my view the City and Wall Street have moved CEOs into a similar position as formerly the court did to noblemen. This similarity illustrates why MNC HQs must now pay immense attention to the institutional equity nexus rather than to their businesses and markets.

Ironically, to make his case clear for the court, Norbert Elias compares the royal court with the stock exchange, but indicates some differences, which I think have later faded away.

The court is a kind of stock exchange; as in every 'good society', an estimate of the 'value' of each individual is continuously being formed. But here his value has its real foundation not in the wealth or even achievements or ability of the individual, but in the favour he enjoys with the king, the influence he has with other mighty ones, his importance in the play of courtly cliques. (ibid.)

In court society other subjects would seek the protection of those in good standing with the king in exactly the same way as independent firms now seek the protection of MNCs in with good standing institutional investors, fund managers, and financial analysts in the financial districts of London and New York (Kristensen and Zeitlin 2001, 2004). Such potential 'clients' became another source of power if they were of value in the eyes of other courtiers, whereas bad clients were a disadvantage. In much the same way the City and Wall Street favour CEOs who are approached for mergers by companies that the City and Wall Street approves of, whereas their standing in the positional games suffers, when deemed bad company.

This courtly art of human observation—unlike what we usually call 'psychology' today—is never concerned with the individual in isolation, as if the essential features of his behaviour were independent of his relations to others, and as if he related to others, so to speak, only retrospectively. The approach there was far closer to reality, in that the individual was always seen in his social context, *as a human being in his relations to others, as an individual in a social situation.* (Elias 2000: 401, author's emphasis)

The institutional equity nexus, however, is not bound to a central authority, as is the court with its relation to the King. Golding (2001) describes it as a complex set of institutions and actors that by interacting in self-interested ways create a web of interactions that nobody masters and yet nobody seems to be able to escape. Until recently, role-takers within the institutional equity nexus possessed a set of complementary roles that propelled the system in a certain direction. For instance, pension funds try to escape criticism or the loss of members by contract out investments to portfolio managers on short-term contracts. These in turn, to increase the probability that they will have their contracts extended, try to reach the general benchmarks on returns by imitating investments of other portfolio managers. This means that demand for and trading in so-called 'liquid', favoured stocks becomes the name of the game. Only corporations with stocks in large quantities qualify, which means that such corporations must always search for growth, for instance through mergers and acquisitions, so that they can keep their position among, for example, FTSE 100. Staying among these top players means access to cheaper capital that makes growth much easier than among smaller corporations, whereas fall from the top of this mountain means a much more difficult life, with the risk of falling victim to hostile takeovers.

CEOs are also rated and a particular individual CEO who shifts from one corporation to another may cause dramatic increases or decreases

in stock prices among the corporations that he or she moves into or out of. The game to stay top is not a passive one. The nexus continuously invents new fashions in strategic planning, managerial techniques, incentives, and benchmarks thought to favour stockholders. It gives top managers autonomy to exert a pressure downward inside their corporations, using benchmarks to pit out subsidiaries against each other, for example, over the siting of new investment, thus institutionalizing regime shopping, and governance by 'divide and conquer' (Müller 1996; Müller and Purcell 1992).

That the court society was able to develop a figuration capable of rating nobles and their client-networks explains why it developed such a central role in the formation of European societies. And for similar reasons it may be possible for both the City of London and Wall Street to develop assessments that reduce the conflicts within MNCs. But there are good reasons to doubt this process will happen easily. Despite intense intermarriage among the royal houses and courts in Europe, they remained in rivalry for dominance of the entire European landscape for many centuries. Conquering new land was often the most promising way for a king to acquire the treasures with which he could make rich his loyal dependants at court. Thus even at its very peak, in the period of Louis XIV, court society was surrounded by crises of wars, civil wars, and in the period of the associated destruction of wealth and property. This highly volatile situation within European societies was mixed up in religious conflicts between Protestants and Catholics giving every location a specific composition of political forces. It was further aggravated because aristocratic power was waning in the face of emerging new local elites, based on the wealth of trade and cities. These new elites and their local subjects sometimes succeeded in forming large-scale alliances to oppose the huge tax burdens that arose from royal wars and courtly life (Te Brake 1998: 118).

At the very same time as Elias reports the civilizing victory of court society, Wayne Te Brake reports on an European setting in which distinctive local coalitions are being built and being replaced. This process educates the general population to take part in politics—and in effect in the long term to form (with merchants and urban elites) constitutional orderings that would limit the power of both kings and courtiers. The Catalan revolution in 1640–52 is illustrative.

At bottom, the Catalan revolt is familiar because it involves so clearly the triangulated set of political actors that was the characteristic legacy of dynastic

or composite state formation. . . . national or princely claimants to power (plus their agents), indigenous or local ruling elites, and ordinary political subjects. Although political alignments between aggressive princes—with often urgent fiscal and military needs—and local rulers—the jealous guardians of historic privileges that were the basis of their position locally—were nearly always uneasy and contentious, they nevertheless consolidated the power of local elites vis-à-vis their local populations. . . . This pattern of elite consolidation was clearly ruptured in Catalonia as a result of popular political action that forced the local elites to choose between royal political favours and local solidarities. When an important faction of the Catalan elite openly chose the side of popular resistance, it opened up a revolutionary situation that entailed the possibility of a local consolidation of power under an independent Catalan republic. . . . But the urgent need for military protection against the king's armies quickly resulted instead in what might well be called a coup d'état in the sense that one very powerful prince replaced another and quickly consolidated his power in conjunction with a faction of the local elites with whom he had struck an alternative dynastic bargain. (Te Brake 1998: 127)

Such political turmoil could shake the positions of both individual courtiers and kings. The neat ordering from the king through the courtiers to the local communities never worked to create a uniform and universal European political landscape. Rather, situations and the compositions of interests, conflicts, and opportunities for forming coalitions gave each nation, if not each locality, its own foundations for constituting itself in a distinct way, furnishing Europe at its roots with the political variety from which it has suffered or prospered since then—depending on the perspectives of beholders. Instead of transforming from late-medieval composite states into autocratic monarchies and court societies (along the lines of France under Louis XIV), Europe became a landscape of very differently constituted states depending on how local elites and ordinary peoples succeeded in influencing politics (Te Brake 1998: 183 ff.). In autocratic states such as France and Spain, the court gained a distinct role as it was the space in which 'elite competitors for power were co-opted by guarantees of elite privilege' (ibid. 185). In other places 'the composite state maker was eliminated altogether' giving rise either to city states like Venice or Geneva or confederated provinces such as the Swiss Confederation of Cantons or the Dutch Republic (ibid.: 184). In yet other places 'dynastic princes were neither eliminated nor triumphant', as in Catalonia, the southern Netherlands and the constituent parts of Germany. Here 'locally segmented jurisdictions remained the primary arena for political interaction between subjects and rulers'. For obvious reasons, in the

two latter cases any attempt to institutionalize the social figuration of the court only had limited effects. In instances where central powers are neither eliminated nor triumphant, the figuration remains extremely unsettled, and it is perhaps here—due to the intensity of volatility and conflicts—that some of the most promising lessons could be learnt (Te Brake 1998: 186).

If this is the case in Europe during the period of state formation, the situation may be similar in our epoch of globalization. It is quite obvious that local (or national) elites have too much to suffer if they plainly ignore the game played in the institutional equity nexus. If they ignore it altogether they may simply cut themselves off from cheap capital or waves of modernization of plants, as with the spread of Japanese production systems. But of course, it is possible to think that they can play this game to be able to play local games better: For instance a local bank may engage in modern financial transactions to create access for its local customers to novel forms of financing without thereby pushing these customers directly into the game of the institutional equity nexus. It is well known that banks often do the opposite as they channel local liquid capital into their centralized portfolio funds, from where they furnish the institutional equity nexus with the means that enable the game. In banks, it may be difficult to institutionalize a new ongoing system of negotiation between the local elite and 'subjects' that can determine the balance between local and global orientation, though exactly this seems to be what Wallenberg has done for Sweden (Lindgren 1994). But such bargaining might be possible to institutionalize where strong unions have created pension funds and other mutual funds, where local elites have created collective investment funds by which they participate in the global game to keep themselves collectively stronger in local or national games, etc. When searching, it is in fact possible to find numerous examples of new forms of financial institutions that exactly try to play the global game to the benefit of the local (Kristensen and Zeitlin, 2004, Chapter 12).

Perhaps the most remarkable step in this direction has been the development of Labour Sponsored Investment Funds (LSIFs) in Canada. Beginning with the creation of the Quebec Solidarity Fund in 1983, these funds have expanded rapidly with the support of tax credits from federal and provincial governments to account by 2000 for 50 per cent of the Canadian venture capital market . . . Some LSIFs, based mainly in Ontario, Canada's largest province and financial center, were formed by existing investment firms purely to take advantage of tax concessions, with only a nominal

connection to the sponsoring union. But others, notably the members of the LSIF alliance whose boards are directly controlled by union bodies, are committed to meeting broader economic and social objectives, including regional development, employee participation, and labor-management cooperation in investee firms These labor-sponsored funds also work with investee firms to enhance management capabilities, adopt new forms of work organization, improve communication with the workforce, build trust with the local union, and foster employee stock ownership. Taken together, the participatory investment and decision-making processes promoted by these funds may lead to an effective control of assets, thereby redefining the practical meaning of industrial property rights, while at the same time providing a powerful tool for local communities to tap into broader financial markets. (ibid.)

In a similar way, it is obviously possible for subsidiaries of MNCs to play the institutionalized game in such a way that they enable enlargement of local mandates (Birkinshaw and Hood 1998; Birkinshaw 2001), create tighter relations to localities (Sölvell and Zander 1998) and even make it attractive for headquarters to learn from them (as they become bench-markers). Thereby they might use the opportunity to institutionalize within the MNC novel systems of negotiation or innovate and create new practices through the use of such bodies as European Work Councils (Kristensen 2003; Kristensen and Zeitlin, 2004, Chapter 11).

Ironically by trying to deal with and through the institutional equity nexus, such new players enter into its game of mutual positioning with slightly changed codes of behaviour by which they may discover new ways of behaving. These new role-takers could easily have great impact on its functioning, being determined to civilize parts of it. By doing so they could reinforce the volatile potentiality of a system we have first described as being a set of complementary and self-reinforcing roles. As we see it, the institutional equity nexus is a game about mutual positioning on a global scale, and as long as the participants play the game by the given rules they will tend to reproduce a given mutual positioning. Thus, people positioned low in its hierarchy can not alter their position by playing by its rules. To move upwards demands that they find innovative ways to perform better than existing benchmarks, making the figuration of the institutional equity nexus possibly as unstable as was any court society, where a *coup d'état* always risked shaking the cultivated hierarchy among courtiers.

Up to now this new financial court society combined with MNCs has exercised its power in a peculiar way. As we all know, Enron and

other companies have benefited from such relations to a degree beyond imagination. Other corporations have, rather to the contrary, been punished and forced to reduce their work force every year. The main way for multinational corporations to grow is by merger and acquisitions, but rather than leading to more cost-effective ways for the expansion of employment this leads to the destruction of firms and reduction in employment. It could be said that in the financial court society, capitalism has become a mechanism for shrinking rather than enlarging social space. This can also be observed in the way this regime restricts states from public spending, either by increasing interests rates or by moving capital out of the country, a process very similar to how capitalism was used to 'civilize' princes who had an uneconomic passion for wars (Hirschmann 1977).

Most observers see, for good reasons, financial court society combined with globalization as leading to growing isomorphism among states and national economies. They must adapt to and adopt Anglo-Saxon inspired governance models in firms and society in exchange for 'privileges' that are allocated from the financial court society. Even former advocates of the diversity and vitality of national business systems see former highly variant forms becoming attuned to the new order. Witness in this book, two examples of this form of reasoning. Lane's account of Germany is one in which Germany must give up its former identity, but finds it difficult though necessary because so many German institutional complementarities have to be dismantled. Lilja and Moen give an account of Finland using its coordinated market economy to make a concerted change towards a financially coordinated economy. Whereas Lane sees the outcome of change in terms of rising inequalities and social conflict, Lilja and Moen identify the change in Finnish capitalism with an upgrading process that has led to increasing prosperity. In view of this there are of course good reasons to ask whether some other forms of capitalism still hold comparative advantages that may enable them to take up the challenge of the Anglo-Saxon 'model' and contest it by using these advantages in new ways on global markets.

This approach, however, tends to compare models statically rather than dynamically, and tends to reduce—as we have argued—our understanding of their capabilities to a focus on their ability to sustain capital accumulation. This neglects their ability to sustain a civilized society that cultivates its ability to mutually coordinate action among its complexes of institutions, social groupings, organizations in general and firms in particular.

If we take departure from Adam Smith's demonstration of how actors of humble station internalize the views of external spectators when planning their own actions and rewrite this through the language of symbolic interactionism and Mead's social psychology, we find that civilization improves to the degree that human actors or agencies learn to cultivate the ability in various social situations to take on the role of others. This does not mean an end to social strife and the conflict over social space, but it civilizes agent, and it encourages actors, mutually, to strategize in such a way that they make social use of, pay respect to, and give place to the role and strategic struggle of others. How societies enable and allow for mutual recognition could be the 'decisive' mechanism that gives it its character, variability, and difference from others. In this context, Crouch's comparative study of different forms of 'interest intermediation' becomes of central interest. It will become of great importance to study where and how different societies have institutionalized ongoing systems of negotiation and whether they are able to innovate, so that individual groups can satisfy these aspirations without destroying prospects for others.

Anglo-Saxon societies have, on the whole, handed the context for and power over, processes of mutual recognition to the financial court, with the effect that large institutional complexes of society have been deemed uneconomic. If that device for mutual recognition could be said to be hyper-rational with supreme forms of information-gathering and calculative methods, it would be necessary to take its effects on behaviour very seriously. However, even internal observers of the institutional equity nexus have shown how the behaviour of its web of actors is shaped by limited information processing capacity (Golding 2001; Plender 2003). At the very least, the system works in a boundedly rational way, leading to a systematic non-allocation of capital to the most promising sectors (SMEs) of economies and the most promising countries (developing countries or NICs). On the contrary, the financial system seems to fall into a trap of speculative bubbles that destroy huge amounts of capital.

The great promise, therefore, is that if other societies can develop more advanced forms or mechanisms for mutual assessment and recognition than those developed in contexts dominated by the financial court, then they will have a great chance to be able to outperform the allocative efficiency of the financial court society. If the financial system becomes recognized more from its failures than from its benefits, it may force investors to investigate more directly the potential of risky investments rather than relying on the game of misinformation

that seems increasingly to rule the game of the financial equity nexus. That might start a whole new way of building an alternative 'financial system' as when royal courts were being overtaken by parliamentary bodies that could better align the local and central levels, and mediate different interests among social groupings.

13.6. The Creative Role of NBS Research in the Future

The possibility of genuine mutual recognition among social groupings becoming lost with the transformation from agrarian communities to footloose industrial cities, or with the invasion of mass media into the process by which communitarian new publics became established (Dewey 1927) has been frequently discussed in social science. Politics has turned into something very far from the business of creating and sustaining mutual recognition, and understanding the roles and contributions of others. Concepts such as 'good and evil' and division between 'us and them' if not 'me against all' seem to spread increasingly and undermine the possibilities for mutual recognition.

And yet it is often the case, when field researchers listen carefully to how narration takes place within a field, that even behind tough and seemingly cynical façades, people mutually recognize each other and try to move the division line between 'them and us' so that it is narrower. The dynamics of mutual recognition across agents and agencies may play a crucial role in mobilizing and changing mutual commitment, create social space to allow agencies to experiment and to create rationalizations for them to be carried out (Weick 2001). At the core of this lies the process of creating a narrative of identity, cohesion and cooperation. These may tend to inclusion or to exclusion: good against evil, us against them. Depending on these narrative constructions, agents both create a predictable social environment and also a defining frame, in which experiments, novel behaviour and role-formations, new identities, and new projects may be detected and recognized.

Despite an overwhelming tendency for spreading the narration of exclusion by the mass media, supported by the financial nexus and Anglo-Saxon ways of constructing world politics, inclusive narrations on the micro-level can also be observed in a lot of instances. Such narrations take place when former conflict-ridden regions report on the creation of mutual trust, or where formally independent enterprises engage in and construct stories and measurement techniques in

support of collaborative manufacturing; or where, for instance, workers and employers engage in partnership in which they sincerely try to mutually respect the interests of their former opponent to learn how these interest develops and acquires new aspirations. change as the partnership.

If these mechanisms are at work in some societies, it is my prediction that we will be able to discover novel ways of attempting to civilize MNCs and the institutional equity nexus in a multitude of different regions throughout Europe and other places. Alternatively it may be possible to create economic dynamism independently of the influence of MNCs and the institutional equity nexus. For me what seems to be one of the most urgent tasks for social scientists is to be able to capture such tendencies in their emergence, as neither the mass media nor politics are any longer able to do. As field researchers we should try to see how independent actions and experiments do, or could, cohere so that a multitude of actors and voices are helped to discover both the contributions of others and the agglomerated outcome that may become possible.

Dorf and Sabel (1998) give in *A Constitution for Democratic Experimentalism* the most elaborated example for studying such processes. Here standard-techniques such as 'benchmarking' are used to extend situational narration in the service of building mutual understanding—if not trust—even when the actors, agencies, groupings, and institutions involved are engaged in a race of transformations fighting among each other over social space. Benchmarks simply become heuristic devices for searching for aims and means, and for communicating to others what this search is all about. This makes possible the mutual recognition of aspirations and transformation in roles and identities. Sabel has later applied this framework to search for the way in which for instance a school reform has led to the mutual recognition of the interest of politicians, school leaders, teachers, and pupils allowing for much more open-ended search and experimentalism in school reform.

Now the good side of the kind of 'partnership formations' that it enables is that it prepares the engaged actors directly for providing each other with the resources that would otherwise need to be bought and sold and therefore provided with the involvement and disciplining technology of the 'financial court' either directly or through public spending.

It seems, however, as if the press, the general political discourse and also the social sciences as a whole are often highly critical of such

experimentalist forms of new partnerships. Collaborative manufacturing could be either hiding dominance and power from the stronger party or simply becoming a cartel-like conspiracy against the general interest. Unions can see employer and employee partnerships as anti-union attempts to create and increase employee loyalty to the employer. They may cast doubt on the political orientation of the members that do engage in such experiments. Partnerships across institutional divides could be seen as being partisan coalitions either turned against other priorities within the state budget or ways to hold up the normal market processes and competition.

It is obvious that neither normal economic theory nor political science and sociology in their usual forms provide appropriate measures for evaluating whether such experimental partnerships are of any good. In my view the national business system framework could provide the tools for assessing in a more systematic way, whether experimental partnerships in societies are promising for reconstructing the larger 'system' or not.

However, for the study of comparative capitalism to become of such relevance, these streams of research orientations should be more attentive to institutional developments that have not already made their mark on the capitalist process, but are fighting to capture an emergent social space. This may only make its mark on the larger social and economic process gradually. However, this effect in turn may be an outcome of the active involvement of National Business Systems scholars in narrating field studies in such a way that macro-actors pay attention. Such actors may be forced to engage in inclusive politics rather than processes of exclusion, very much in the same way as scholars and social reformers participated with social movements and political parties in the construction of the international discourse and practice of social reform that Rodgers identifies as the 'Atlantic Crossing' (1870–1950) (Rodgers 1998).

Our advantage as comparative analysts is that we may narrate such cases of experimentation with a much clearer view of the systemic potentialities than is usually the case. But this again is dependent on our ability to gradually move our modelling towards a more complex and synthetic understanding of each society being studied, rather than theorizing and aggregating them into ideal types or more negatively already dead stereotypes.

The big scientific question is, of course, which forms of modelling of various capitalisms or National Business Systems allow for the detection of such experimental processes when they are emergent

and ongoing, rather than when they have become already generally institutionalized. If we cannot provide such modelling, we will not be able to study the processes of formation from a system perspective, but only be able to summarize past history into models and types.

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