

Institutionalists at the limits of institutionalism: a constructivist critique of two edited volumes from Wolfgang Streeck and Kozo Yamamura

Gary Herrigel

Department of Political Science, University of Chicago, 5828 S. University Avenue, Chicago, IL 60637, USA

Correspondence: E-mail: g-herrigel@uchicago.edu

The two books under review are terrific and amount, essentially, to benchmarks for any future scholarship on adjustment in Germany and Japan (especially in Germany). In what follows, I will briefly praise and then, in a more extended manner, criticize the volumes and the perspective on change in Germany and Japan that they embody. But the praise is genuine and should not be lost in the disproportionate space devoted to critique in this contribution.

Keywords: Germany, Japan, economic change, institutionalism

1. Praise

There are two essential dimensions of the volumes deserving of praise. First, the scope and thoroughness of treatments within subject areas is outstanding. The essays by Gregory Jackson on Corporate Governance in both volumes are excellent, as are those by Kathleen Thelen and Ikuo Kume on training systems and industrial relations. There are many good essays in the second volume in particular—one of the most interesting was by Uli Jürgens comparing the evolution of production models in the US, Japan and Germany. Each essay in each of the volumes is a useful introduction to the situation in Germany and Japan regarding their problem areas.

Second, on a theoretical level, the volumes are interesting because they openly ruminate about the adequacy of their own institutionalist commitments, and in many places take positions that are much more characteristic of constructivist traditions in social theory than institutionalist ones. At the end of the day, the

editors and authors fall short of abandoning institutionalism and embracing constructivism. But their ruminations on the limits of institutionalism are instructive.

In their two introductory essays, for example, Streeck and Yamamura push their view of change far beyond the traditional conception of institutions as constraints and enablers for social action. Instead, they point to dimensions of social action and transformation that many constructivists (e.g. Dewey, 2002; Bourdieu, 1977; Sabel, 2006; Joas, 1996) have long emphasized: i.e. that actors confront considerable uncertainty, which in turn makes the meaning of rules ambiguous, thus making interpretation and creativity an inescapable dimension of social action and institutional change. Further, the editors emphasize the loosely coupled quality of institutional systems and suggest that change occurs through piecemeal recomposition and re-articulation of institutional rules and ties. Given uncertainty, creativity and the openness of recomposition, Streeck and Yamamura emphasize that it is not possible to predict how systems will evolve. The future is open.

Consistent with this line of argument, but striking, given the strong identification of both editors with institutionalist analysis, Streeck and Yamamura go so far as to suggest, at least implicitly, that institutionalism as a mode of analysis that emphasizes the constraining and enabling dynamics of institutional rules may be secondary to more general social understandings and commitments of actors in driving the dynamics of change. Noting, for example, that it may well be possible for the institutional systems in Germany and Japan to incorporate neo-liberal elements without altering the essential institutional structure of the political economy, the editors make the point very forcefully that institutional difference alone is not enough to make the two political economies truly distinctive forms of nationally embedded modern capitalism. For that to continue to be the case, the Germans and Japanese need to 'defend normatively valued or politically willed social relations from erosion under market pressures and . . . contain the destructive effects of the . . . market on social cohesion and the collective capacity to determine the national fate with political means' (p. 39). This kind of separation of commitments and understandings from the specific contours of institutional order *resembles* the basic distinction between habits and routines (Dewey, Sabel) or dispositions and rules (Bourdieu) that has long been central to constructivist social theory. It turns institutions into provisional solutions to commonly defined problems rather than static systems of constraining rules.

Streeck and Yamamura do not accept the complete rejection of distinctions between fact and value, and the mutual implication of ends and means that is constitutive of constructivism. But by pointing to the limits of constraining rules and the importance of more general commitments in shaping social transformation, they, in a groping and incomplete way, move in the constructivist direction.

The desire to capture theoretically the openness, contingency and piecemeal recomposition through experimentation that they have been observing, it seems, is pushing them in this direction.

2. Criticism

My criticisms of the books will focus on two areas: research design and lingering institutionalism. The general point is that these two factors constrain the authors's ability to identify possibilities for change, dynamics of recomposition, forms of hybridity, resources for transformation, etc. that existed in the past, and which currently exist in both societies. In what follows, I will focus primarily on the framework as presented in the two introductory essays, but it will also be convenient to make reference to the way in which the limitations of the framework emerge in individual essays.

2.1 *Research design*

The aim of both volumes is to show that Germany and Japan constitute distinctive political economic systems and, in particular, that these systems contrast sharply with the 'liberal capitalisms' of the United States and Great Britain. The focus of the first volume is on the emergence of the distinctive systems, focusing in particular on: (a) how both systems explicitly rejected pressures for liberalization and (b) showing that the German rejection of liberalism was different from the Japanese rejection of liberalism. The overriding question of the second volume concerns the continued viability of the distinctive German and Japanese systems, given the existence of intense international pressures to 'liberalize' their systems.

In the light of this, the research design for both volumes constructs two dichotomies: Liberalism versus non-Liberalism and then within the non-liberal category, solidaristic (Germany) versus segmentalist (Japan). The dichotomies organize the empirical material around the primary concerns of the volume and they form a template for analysis in both historical and contemporary contexts. Liberalism is defined as a social economy thoroughly governed by market exchange and exit as opposed to voice or loyalty. The state in these societies seeks 'to liberate markets and contracts from social constraints and collective obligations' (Streeck and Yamamura, 2001, p. 7). Non-liberal regimes of economic governance, in contrast, place little trust in free-market *laissez-faire*. 'Instead they rely on various forms of hierarchical and organizational coordination that sometimes require heavy injections of public authority, with vertical control or horizontal collective bargaining often overriding contractual exchanges as entered into by private agents on their own volition, discretion and calculation' (Streeck and Yamamura, 2001, p. 6). Solidaristic Germany enacts its non-liberalism through horizontal negotiations, mediated by the state, among

organized social groups, in the interest of social cohesion and social equality. Segmentalist Japan rejects liberalism through strong alliances between corporations and the state in the interest of national development and social harmony.

There is much to be recommended in this kind of design. But its major flaw is that it turns the eye away from a wide array of other kinds of struggles over institutional alternatives that are neither of a liberal nor of a segmentalist or solidaristic character. Such alternatives are simply made invisible by the analysis. This is a problem because such alternatives often played decisive roles in the historical development of both political economies, and are centrally important in the contemporary period of recomposition.

What are examples of alternative struggles over governance that make no appearance in either of the volumes? Taking only examples from the German case, here are four remarkably important, yet largely, neglected factors:

- (a) Small- and medium-sized firm forms of industrialization. These alternative systems of industrial practice, widely recognized as distinctive features of German manufacturing success in the last century, utilize some of the institutions of the national system that is emphasized by the authors, but it also relies more heavily on other factors that are ignored: such as, the regional educational system and the GmbH and Stiftung (trust) property forms (as opposed to the joint stock company). That such traditions are important even in the current adjustment period is illustrated by the fact that Germany has ten of the world's largest, and leading, first-tier automobile components manufacturers, and nine of those firms are constituted as Stiftungen rather than joint stock companies. The tenth, ZF, is a joint stock company controlled by the city of Friedrichshafen in Baden Württemberg. All ten are controlled by neither bank nor shareholder.
- (b) Federalist and regional struggles over centralization and the location of sovereignty in the political economy. These struggles decisively shaped the way in which markets were 'nationalized' in the 19th century, and allowed for the preservation of many regional peculiarities and variation in the governance and structure of knowledge, skill and resource flows—not the least of which included the unique structures in the small- and medium-sized firm dominated regions. They also shaped the structure of tax authority and hence, influenced the character of state intervention throughout the political economy. This local heterogeneity provides resources for experimentation to actors and is a traditional reservoir of legitimacy for practices that deviate from the rules established by national systems.
- (c) Catholic ideas of vocation and of the significance of local community. These (distinct) ideas provided substance to emergent skill identities, and offered an alternative political understanding for the forms of industrial collaboration

and conflict in industrializing regions (of all sorts). These ideas informed (and continue to inform) the way in which many actors understand the institutions in the workplace and in the labour market that they participate in—such as co-determination and the works constitution act—even as many others understand the same institutional rules through social democratic lenses.

- (d) Syndicalist movements in the trade unions and within the social democratic party. These movements, never successful but always present, formulated alternative understandings of the role and function of trade unions and labour representatives in labour markets and in politics. These radically localist ideas about organization, representation, worker rights and labour and community power inform the ambitions and strategies of reformers in a wide variety of institutional areas—on the shop floor, in the labour market, for the provision and governance of welfare and so forth.

As one can see, sometimes the alternative conceptions of governance exist as sub-institutional worlds within the larger institutional systems emphasized by the authors of the volume. At other times the same institutional rules can be understood in quite different ways by different social actors with different governance concerns. In still other cases, alternative conceptions of governance simply linger in memory and tradition as possibilities never realized but also never truly forgotten.

In these various ways, all of the above ideas, tendencies and alternative institutional designs were, and continue to be, very significant dimensions of political economic action and reform struggle in Germany. But they do not fit neatly into either a solidaristic or segmentalist frame and they are plainly not liberal. The fact that they fall out of the portraits that the individual authors provide of the German system is a problem, not merely for reasons of historical accuracy or completeness. It is a problem because it removes from consideration resources, habits, dispositions and understandings of the possible that can be (and are being) brought to bear in contemporary efforts to cope with the pressures of adjustment confronting the German political economy today.¹ Processes of recombination, creative reinterpretation of rules and the loose coupling of institutional domains can be made even more robust when the analytical filters of liberal/non-liberal and segmentalist/solidaristic are removed.

In a similar way, the research design also filters out significant forms of influences from outside Germany and Japan that shaped development in the past, and which continue to do so today. Think, for example, of the role that

¹ For additional examples of how these alternative traditions are informing reform experiments in Germany, see Herrigel and Wittke 2005.

French small producers played for the way in which southwest German small producers thought about the political economy. That particular French ‘challenge’ cannot be coded as a ‘liberal’ challenge, at least not in the way the term is used in these volumes. Moreover, though German producers embraced many of the alternative principles of organization and governance that characterized their French competitors, they did so in a way that adapted and hybridized the outside practices with their own—but again, the results cannot be accurately coded as either solidaristic or segmentalist.

Similar kinds of influences from non-liberal, but not solidaristic or segmentalist, outside examples play a role today. Zeitlin and Trubek’s (2003) new edited collection on the changing welfare state, for example, places a great deal of emphasis on the ways in which national welfare states within Europe are, through the use of the Open Method of Coordination (among other things), systematically borrowing and adapting policies and institutional innovations from across the European landscape and across traditional institutional families of welfare states. Germans are being exposed to, and are borrowing from, a broad array of experiments that stem from political economies that do not fit within the categories of the research design that the volumes provide. At best, such forms of outside influence are ignored within the volumes; at worst, the narrowness of the analytic apparatus forces the authors to code experiments that have neither a solidaristic nor a segmentalist character as somehow being ‘liberal’.

Both Germany and Japan are changing; no one can argue with that claim. But the degree to which there is a process of ‘liberalization’ occurring in either country is exaggerated in the volumes to some extent simply as a result of the limitations in the research design. The point is that if one only looks for the limitations on liberalism or for turning points for solidarism and segmentalism, one invariably overlooks alternative processes of borrowing, recombination and hybridization that are going on. More abstractly, the turning of the eye that is effected by the research design truncates the range of resources that the analyst takes to be available to actors seeking ideas for new ways to recompose the institutional landscape to resolve environmental problems as they understand them. Possibilities for transformation are greater than the research design allows one to observe.

2.2 *Lingering institutionalism*

The second criticism follows a similar logic. It focuses on the editors’ tendency—and the strong tendency in nearly all of the essays in both volumes (taken to its most extreme and un-useful form in the final section of the second volume, in the contributions by Vogel and Kitschelt)—to view the institutional systems in Japan and Germany as highly coherent, unitary systems of interconnected and complementary institutional realms of governance. This emphasis on coherence

makes for analytical parsimony. We know that an institutional model can be made out of Germany and another out of Japan, that both can be shown to be different from an ideal type of a 'liberal' capitalism and that they are also different from one another. Ideologically, such models can be useful because they suggest that there are coherent analytical alternatives to the neo-liberal abstractions of the market.

But, such coherence is ultimately an abstraction that blends out a great deal of anomalous relationships, habits, dispositions and institutional practices in both societies—such as, among others, the alternative traditions and practices discussed above. It also creates the impression that such institutional systems exist 'on the ground' as clear bright line rules that guide behaviour. Indeed, despite all the reservations expressed elsewhere, the bedrock institutionalist commitments of the authors and editors stand here unadorned. Their coherent models of complementary institutions rely on the traditional institutionalist idea that institutions impose constraints and enforceable obligations on actors.

The actual systems in Germany and Japan, however, are much more incoherent, non-unitary and provisional than they are portrayed in either of the volumes. Rather, they are composed of a patchwork of different institutional solutions to a wide array of political economic problems. The range of solutions work alongside one another not only (or not even) in complementary ways, but also in relations of non-paralysing juxtaposition. Indeed, it is difficult, on the ground, to identify a coherent, stable system of constraining rules in Japan and Germany (or anywhere else for that matter). Actors allow themselves to be constrained by rules when they believe those rules solve problems. When they do not, creative actors coping with uncertainty and guided by dispositions that are not reducible to specific institutional arrangements either modify the rules or agree simply to ignore them in order to construct new arrangements that address more directly jointly identified problems. The latter solution is frequently the case, for example, in the new forms of 'co-management' that are emerging in German plants between works councils and management today (Klitzke *et al.*, 2000; Herrigel and Wittke, 2005). Such dynamics of change are difficult to capture with abstract and unitary models of complementary institutional domains.

3. Conclusion

It is important to point out that the critique that I have been offering of both the research design and the lingering institutionalism of these books does not amount to an anti-theoretical argument for narrative stories of 'one damn thing after another'. I am against neither theory nor workable research design. Rather, if one embraces the constructivist distinction between dispositions and rule and

insists on creativity, interpretation and recomposition as a model of change, then one has to approach the outline of the empirical terrain of complex societies with an eye towards open-ended excavations of normative and practical ambitions and institutional experiments from all corners of society and its history. Rather than blending out traditions of practice in the interest of abstract coherence, one should rather seek to identify areas of interesting experimentation and attempt to understand the genealogy of resources that actors bring to bear in their problem solving. Societies are rich assemblages of historically accumulated dispositions and rule, not coherent complexes of complementary (and constraining) institutions. Theory should point to possibilities that are emerging from actors' experiences, rather than systematically blend them out.

There are moments, particularly within the introduction to the second volume (Yamamura and Streeck, 2003), where the frustration of the editors with the rigidity of the institutionalism underlying many of the contributions to their volume leads them to consider such constructivist alternative framings. But ultimately they stop short of that and prefer, instead, to push their chosen framework to its limit. As a result, both volumes exhibit a sometimes curious but ultimately healthy mixture of confidence and self-doubt in the way in which the adjustment capacity of their models are discussed. Institutionalists and constructivists will both be rewarded by taking the theoretical dilemmas highlighted in these two volumes very seriously.

Acknowledgements

Thanks to Josh Whitford, Jonathan Zeitlin and Nick Ziegler for comments on this material.

References

- Bourdieu, P. (1997) *Outline of a Theory of Practice*, New York, Cambridge University Press.
- Dewey, J. (2002) *Human Nature and Conduct*, Mineola, NY, Dover.
- Herrigel, G. and Wittke, V. (2005) 'Varieties of Vertical Disintegration: The Global Trend Toward Heterogeneous Supply Relations and the Reproduction of Difference in US and German Manufacturing'. In Morgan, G., Moen, E. and Whitley, R. (eds) *Changing Capitalisms: Internationalisation, Institutional Change and Systems of Economic Organization*, Oxford, Oxford University Press.
- Joas, H. (1996) *The Creativity of Action*, Chicago, University of Chicago Press.
- Klitzke, U., Betz, H. and Möreke, M. (eds) (2000) *Vom Klassenkampf Zum Co-Management? Perspektiven Gewerkschaftlicher Betriebspolitik*, Hamburg, VSA.
- Sabel, C. (2006) 'Theory of a Real Time Revolution', *Organizational Studies*, in press.

- Streeck, W. and Yamamura, K. (eds) (2001) *The Origins of Non-Liberal Capitalism. Germany and Japan in Comparison*, Ithaca, Cornell University Press.
- Yamamura, K. and Streeck, W. (eds) (2003) *The End of Diversity? Prospects For German and Japanese Capitalism*, Ithaca, Cornell University Press.
- Zeitlin, J. and Trubek, D. (eds) (2003) *Governing Work and Welfare in a New Economy. European and American Experiments*, New York, Oxford University Press.