3 Equilibria and 2 Waves of Innovation
An Actors’ Model of the History of Modernity, 1750-2030

1. Problem
Currently the world changes, and observers may feel a déjà vu, the “feeling that you are having the same experience as one you have had before”.

3. Actors, institutions, institutional change
The intermediate equilibrium was industrial society, a rather successful set of institutions. The promise is to learn from these successes for new institutions.

3.1 Institutions are rules of games, defined by (a) a set of players, (b) a set of strategies, and (c) expected others’ behaviors as specified pay-offs.

3.2 Institutional change is driven by changes in exchange relations.

3.3 Main base of changing exchange relations since ca. 1750 is the modern growth process. But how?

4. Combining arguments

1 + 3 =

The growth process results in changes in the game situation:
- more strategies available,
- more information about strategies available,
- acceleration & individualization → less chances for reuse of successful strategies.

4.1 + 4 + 5 =

Individual experience is a practical focal point. Its relevance follows the sequence of interaction:
- Individual situations, if stable, give easy hints (α+δ).
- Situations in organizations, if stable, give some hints (β).
- The institution of exchange is stable, even if nothing else.

5. Results: 3 Equilibria and their institutional innovations

5.1 Three orientation stages result:
- First focal point is the individual stability of traditions.
- Second focus: organizations.
- At the end, institutions are the only stable orientation with best use of information.

5.2 The transition processes are times of institutional innovation in the diverse fields:
- Introducing new institutions which for their conventional nature have to find general acknowledgement within the organizations and between them on institutional level.
- Of the four institutional fields in the diagram, speed of adaptation depends on organization size.

5.3 Households and education with many small organizations, faster detect and smoother diffuse new behaviors.
- Households created individual responsibility for (1) partner choice and for (2) all aspects of relations (duration, content).
- Regarding education, individual demands led to (1) compulsory schooling and (2) tertiary expansion.

5.4 Households and education with many small organizations, faster detect and smoother diffuse new behaviors.
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5.5 Transaction cost gives interaction a characteristic sequence:
- (a) Individuals play in organizations, and (b) organizations play in institutions.

5.6 But easy focal points are ambivalent, as they lead to the non-use of swelling information.
- The organization as focal point allows for using more informative just tradition (β).
- Institutions as focal point allow the use of even more informative (α+δ).

Dr. Hanno Scholtz (Chair of Microsociology)

Questions? Hints? Need more information?
Contact +41 79 755 3227 or hanno.scholtz@uni-konstanz.de