

3 Equilibria and 2 Waves of Innovation

An Actors' Model of the History of Modernity, 1750-2030

1. Problem

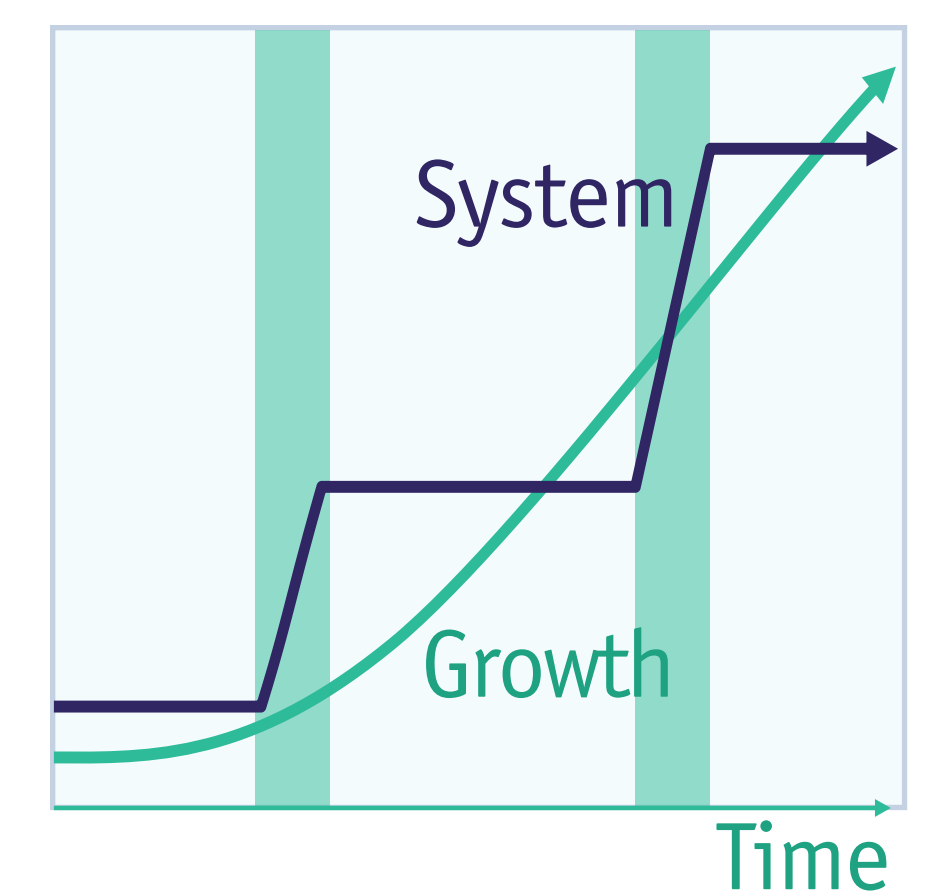
Currently the world changes, and observers may feel a *déjà vu*, the "feeling that you are having the same experience as one you have had before".

Globalizations 1913 vs 1992	Global shifts 1950s vs 2000s	Democratizations 1919 vs 1989
Economic crises 1929 vs 2008	Social inequality 1910s vs 1990s	Forms of violence 28.6.1914 vs 9/11

2. Starting point of the analysis

Working hypothesis is actor-oriented: What is observed may be a process with 3 equilibria, and recent and recurring phenomena may be the transitions between these equilibria.

But why does the underlying growth process result in 3 equilibria, not 2?



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.

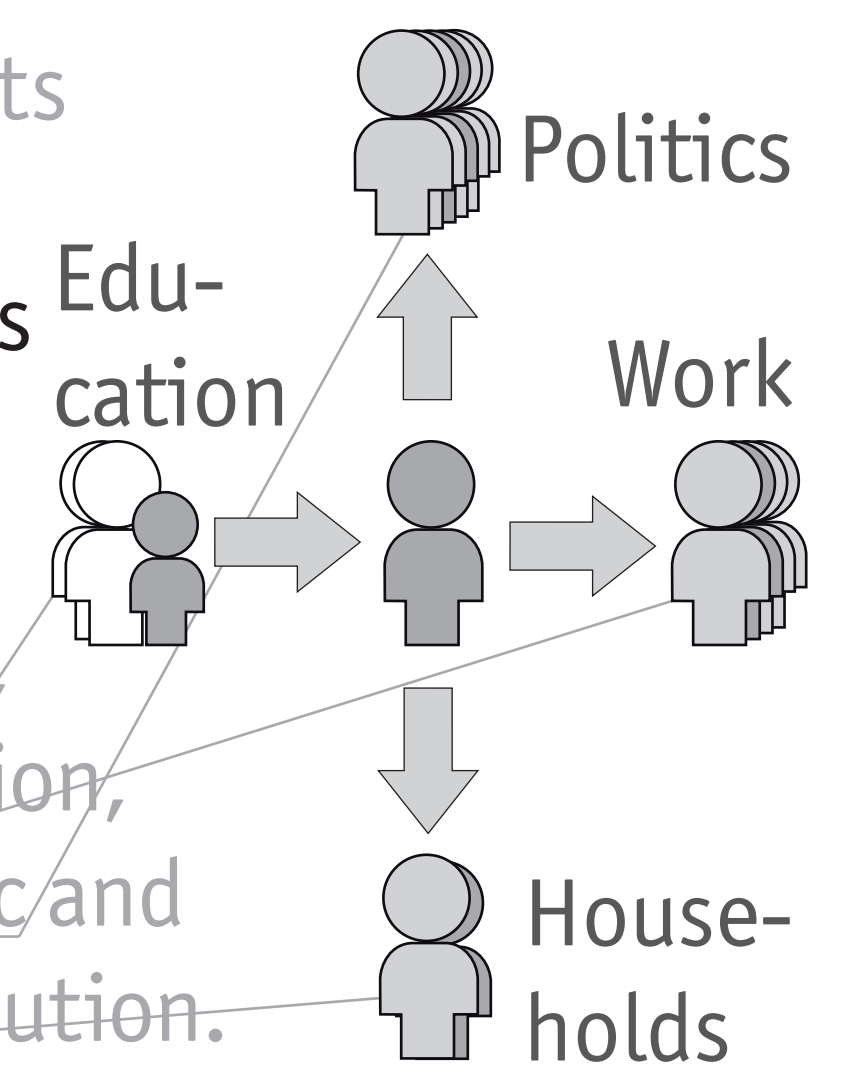
Hence, five arguments from the actor-oriented theory of institutions and of social and institutional change may be helpful:

- ① Institutions are rules of games, defined by (a) a set of players, (b) a set of strategies, and (c) expected others' behaviors as the specified pay-offs.
- ② Institutional change is driven by changes in exchange relations.
- ③ Main base of changing exchange relations since ca. 1750 is the modern growth process. **But how?**
- ④ Institutional change gets discontinuous through conventions, as in the paradigm game *Battle of the Sexes*:

(1,1)	(0,0)
(0,0)	(1,1)
- ⑤ Transaction cost gives interaction a characteristic sequence: (a) Individuals play in organizations, and (b) organizations play in institutions.

4. Combining arguments

- ①+③=
 - ① 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
 - ③ Individual experience is a practical focal point. Its relevance follows the sequence of interaction:
 - Individual situations, if stable, give easy hints ($\alpha+\delta$).
 - Situations in organizations, if stable, give some hints (δ).
 - The institution of exchange is stable, even if nothing else.
- ①+②+③=
 - ② 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 information than just tradition (β).
 - Institutions as focal point allow the use of even more information ($\gamma>\beta$).
- ①+③=
 - ④ Growth affects resources, so relevant games are games about productive resources for their creation, use, and public and private distribution.



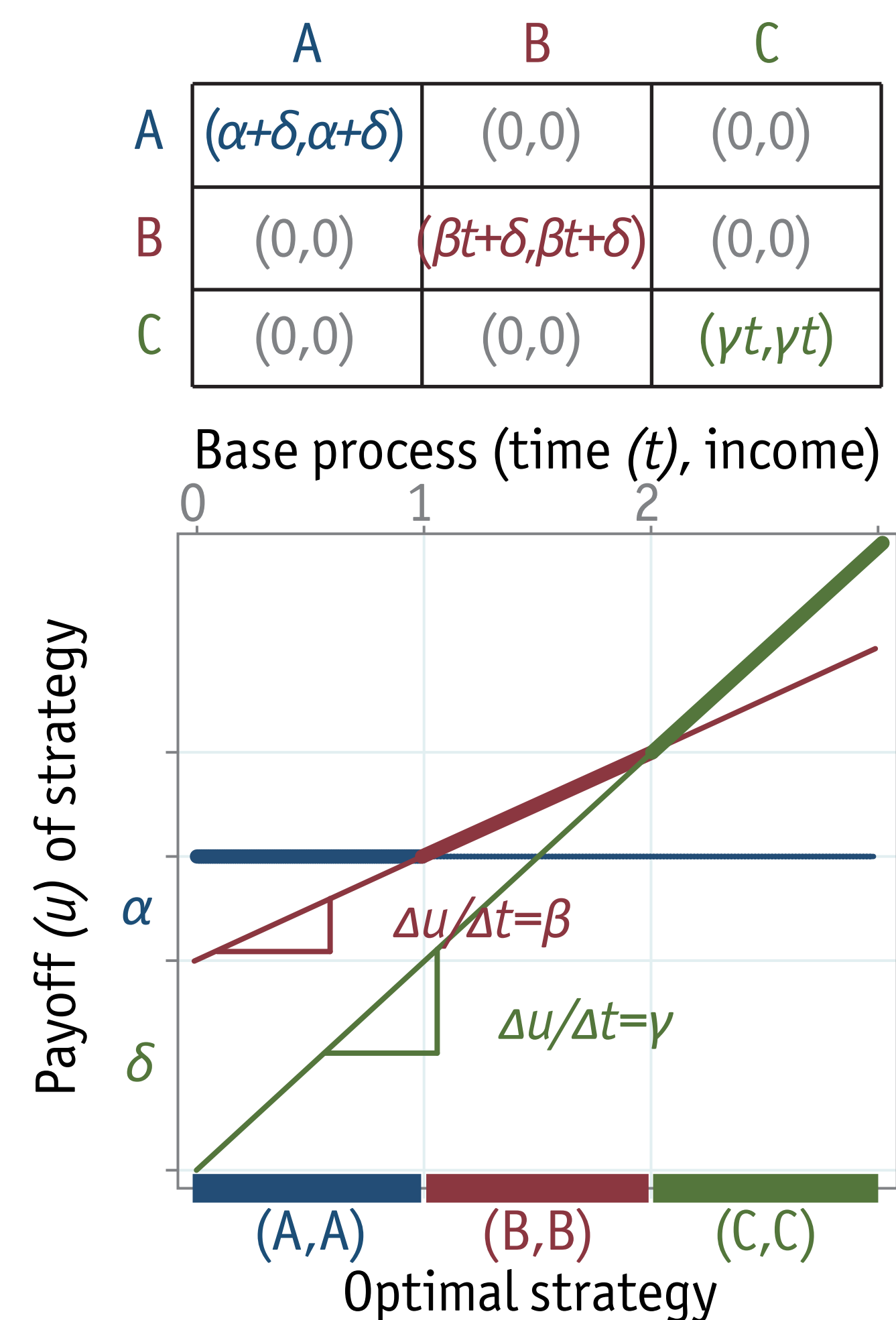
5. Results: 3 Equilibria and their institutional innovations

- Ⓐ 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.

Institutional field	Period 1	Innovation 1	Period 2	Innovation 2
<i>Fields with small organizations</i>	<i>Early and continuous</i>		<i>Early and continuous</i>	
Households	1850-1920	Romantic Love	1968-	Divorce/Diversity
Education(al demand)	1850-1920	Primary expansion	1968-	Tertiary expansion
<i>Fields with large organizations</i>	<i>Late and more abrupt</i>		<i>Late and more abrupt</i>	
Politics	1949	Democracy+UN	coming	higher information
Work (+educ. systems)	1949	Differentiation	soon?	efficiency

- Ⓓ Politics and work with larger organizations come later and "pose problems". The 6 problems above have 2 main mechanisms:

- Location economies (Krugman/Isard) for organizational orientation allows industrial production in whole nations, but post-industrial anywhere (row 1).
- Diffusion processes lead to uneven benefits of new orientations, to unstable consumption, to elite threats (row 2).
- Ⓔ Political and work institutions to come will process more information.
 - Work institutions will support decision-making for career and negotiations with responsible information.
 - Political institutions will exhibit assignment storage, decisions flexible between direct and representative, and the formal inclusion of all interested groups.



- Ⓑ 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 ④, speed of adaptation depends on organization size.

- Ⓒ 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.

Questions? Hints? Need more information?

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