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Evolutionary Narratives

A GLOBAL STANDARD?

March 1, 2002. I had just arrived in Tokyo. Jet lagged, but thinking I should get oriented as soon as possible, I decided to attend a lecture entitled "Globalization and Corporate Governance" presented by an American professor, Christina Ahmadjian, then teaching at a major private university in Japan (Ahmadjian 2002). In her lecture – which was attended by a large number of top corporate executives and academics – Professor Ahmadjian exhorted the Japanese to adjust to the new realities of globalized capitalism and adopt what she called the "Global Standard." The Global Standard, she proceeded to explain, was used by the most successful companies in the world and differed from the standard governance practices in effect in most Japanese firms. Whereas Japanese firms were typically run in a manner similar to large hierarchical families, the Global Standard demanded greater separation and competition between the constituent parts of the firm, larger independence between financial interests and manufacturing interests, more flexibility in the labor market, and most importantly, greater transparency in corporate governance decisions. Professor Ahmadjian's major point was that the traditional "Japanese Model" firms needed to become more like American firms if they were to survive in the modern globalized economy.

I had heard versions of this argument before. Many had criticized Japanese firms for their lack of transparency, rigid employment ladders, and cozy relationships between financial institutions and borrowers. What I had not heard before – or at least not heard emphasized – was the notion of a so-called "Global Standard." The clear and unmistakable implication of Professor Ahmadjian's lecture was that the new world economy demanded

a particular structural response. In what appeared to be a strange reverse echo, I was now hearing the argument that Japan must copy America.

It is important to understand that Professor Ahmadjian was not a flag-waving American anxious to show up the once-arrogant Japanese. Nor did she represent herself as a free market zealot from the American Enterprise Institute with the aim of spreading their version of truth, justice and the "Road to Freedom." Quite the contrary, Professor Ahmadjian was an extraordinarily well-informed expert on the Japanese economy and business structure. This was not merely Japan bashing. Her argument was more compelling: Even if the Japanese Model had once been successful and highly productive, the key point was that it no longer fit the realities of modern capitalism and the new world economy. The globalization of capital and manufacturing *required* a specific response. The Global Standard was not better because it was American, she assured her audience, rather it was better because it fit the world in which we live today.

The more I thought about her point of view, the more I realized it was the same argument I had been hearing around the world over the past several years – with regard to tax policy, government regulation, public enterprise, social welfare policy, and a range of other institutions built up over the past century in most democracies. These policies and institutions *may* have worked at one time and may have contributed to the enormous social and economic successes from which capitalist democracies have benefited over the past decades. But, perhaps sadly, the world had changed and they no longer work today. "There is No Alternative,"[1] armies of economists, pundits and politicians assured us. If you don't roll back the state you will suffer dire consequences! Vito Tanzi, former director of fiscal affairs at the International Monetary Fund (IMF), stated the argument quite simply as follows:

> [the] process of deep economic integration among countries will require a change in the role of the state in pursuing social protection. The end process would be a world where industrial countries will have to do less public spending, will reduce the use of tax expenditures for achieving particular social objectives, and will also have to reduce the role of specific socially-directed regulations. (Tanzi 2002: 127)

In early 2009 – after the collapse of the world's financial system, the massive increases in public spending and the apparent worldwide commitment to re-regulating not just the banking industry, but capitalism more

[1] The phrase "There is No Alternative" (or TINA) was of course first coined by Margaret Thatcher as justification for a wide range of market-liberal reforms her government introduced in the 1980s.

generally – these neoliberal arguments sound rather absurd. The *International Herald Tribune* reported from the *World Economic Forum* in Davos, Switzerland, "we are seeing a paradigm shift towards a more European, a more social state." Daniel Yergin, co-author of *The Commanding Heights* agreed, "We're moving back towards a mixed economy" (Bennhold 2009: 1). Klaus Schwab, the founder and head of the World Economic Forum summed up the sentiment of the most powerful economic and political leaders in the world quite simply when he said, "The pendulum has swung and power has moved back to governments" (Schwartz 2009).

Now the conventional wisdom appears to be that if governments don't play a strong hand in the regulation of capitalism, the entire world economy will suffer dire consequences!

One could get whiplash trying to keep up with the experts.

WHAT WENT WRONG?

I too was once convinced that the increased competition for capital, labor and knowledge in an ever more fluid and open world economy would have significant negative implications for many advanced welfare states. But by the end of the 1990s, it had become increasingly obvious that there was something wrong with the "end of the state" argument. For some reason democratic countries were not cooperating with our theories. Globalization was supposed to undermine the welfare state, but if you looked at the actual behavior of most advanced countries it was difficult to find the so-called "race to the bottom." Well before the current financial crisis it became obvious to those who bothered to look at how rich democracies actually behaved that big governments were changing and adapting within the emerging world economy, but they were not dying.

I do not mean to suggest that increased capital mobility, or the intense trade competition from industrializing countries, does not matter. In the early years of the twenty-first century, such an argument would clearly be equally absurd. But what we do *not* see is a singular pattern. Indeed, in many ways what is most interesting today is the diversity of responses to the apparently common economic pressures and threats. As Pierson summarized in his excellent volume, *"In short, there is not a single 'new politics' of the welfare state, but different politics in different configurations"* (Pierson 2001a: 455, emphasis in original).[2] Rather than seeing a common or single

[2] Castles argued similarly, "Diverse welfare states will face diverse dilemmas" (Castles 2004: 19).

response to what appear to be common pressures, students of advanced welfare states have observed a diversity of responses.

My aim is to explain *why* we see such diversity.

The book that follows tells three stories of three different nations – Sweden, Japan, and the United States. I explore how and why these individual countries are reacting or responding to the pressures they face at the beginning of the new millennium and why they are reacting in such different ways. I treat each individual case separately and through each historical analysis I also try to shed light on the evolution of modern capitalism. I believe that we can learn a great deal both about these individual countries and the context in which they each "grew up" through a careful comparison of their life histories. I call these analyses "evolutionary narratives."

I will show that each country has evolved within a broadly common macroeconomic context – but also, importantly, that context has itself evolved over time. I will also argue that each country has *always* fit into different niches within the world economy and that each has also always been quite different from the others. These narratives, then, emphasize the unique or particular features of each of these systems – its geography, its political and economic institutions as well as its social structure. I treat each case as an individual – rather than as member of a class – in order to better understand how and why each has evolved so differently.

Imagine you wished to compare how different specific people were responding or reacting to the current economic crisis (housing foreclosures, growing unemployment, etc.). There are at least two approaches one could pursue. One approach (let's call it "comparative statics") would be to try to predict how these people behave by placing them each in different categories and then examine how these categories are responding to these economic forces. From the behavior of the broad class or category you could likely infer the behavior of the individuals you are interested in. Another approach (we'll call this an "evolutionary narrative") would look at these individuals *as individuals* to try to understand how they are reacting to the current crisis. In this case we would try to explore each person's particular life history and then understand how this history has shaped this person as an individual.

Each of these two approaches might teach us different things about these individuals, about the effects of the economic crisis on citizens and about how certain types or classes of individual are generally different from other types of individuals. But if we are interested in understanding how person X is dealing with the current crisis and/or how person Y is reacting, then I submit that the second approach is particularly useful. In this case we

would want to know about the individual *and* the context in which he or she grew up.

The book that follows, then, offers three evolutionary narratives of three quite different modern industrial democracies. I believe we can learn a great deal about these countries today through these narratives. I further believe we can learn much about the evolution of democratic capitalism generally through these comparative narratives.[3]

I call these evolutionary narratives because I believe we can best understand the patterns we observe in these countries if we consider them as *evolving systems*. There are two related points here: First, I believe that we gain substantial insights into these countries' patterns of development when we consider them as *systems*. Second, these systems *evolve*. Throughout this volume I draw insights from evolutionary theorists from a variety of disciplines and apply them in my exploration of these national systems. I also draw from contributions of a diverse set of *system theorists* who likewise come from a variety of disciplines including economics, biology, computer sciences, and even political science and explore the effects, implications and ontological assumptions of complexity and emergence.[4]

The remainder of this introductory chapter outlines the move to evolutionary narratives as an approach to the study of political systems. I first argue that the diversity of states in the global economy necessitates their

[3] The fact is that there are not enough cases of advanced industrial nations to do much meaningful comparative statistical analysis. Even if we were to assume that all rich OECD countries were alike (which they are clearly not), eighteen is an insufficient number of cases. If we want to examine countries as different as the United States and Japan this problem is exacerbated. If we had several hundred cases of new nations that expanded across a continent as millions of foreigners flocked to the most resource rich geographic area in the entire world, and which then dominated the world militarily, economically, and culturally for most of the twentieth century – then treating the United States as a case among many similar cases would make sense. But the obvious truth is that there is only one country in the world that is like the United States in terms of its geographic endowment, its population, and its position in the world economy. Perhaps one might argue that Australia, or for that matter Brazil, due to their geographic size, natural resource endowment and inflow of immigrants are similar to the United States. This would indeed be a very interesting comparison to make. Because this is still a very small number of cases, I would suggest that an evolutionary narrative approach would be a very useful way of exploring both what is different and what is similar about these countries and their developmental paths. I can make the same point about Japan that was transformed into a democratic capitalist nation at the end of World War II after having had two nuclear bombs dropped on its cities. I will examine some similarities and differences between the Japanese case and the German case in the conclusion of this book.

[4] (Axelrod and Cohen 2000; Beinhocker 2006; Hoffman and Riley 1999; Holland 1992; Jervis 1997; LaPorte 1975; Lustick 2005; Sawyer 2005; Wimmer 2006).

being considered as separate systems within a large global system. I then suggest that we can be helped in this by taking evolution seriously. Evolution is often implicitly invoked in political science, but rarely as a body of theory. However, I argue that this body of thought has a good deal to say about the changes of subsystems within larger systems and that we in comparative politics have a great deal to learn from it.[5] In fact, in the third part of the chapter I show that historical institutionalists have anticipated many of the moves I want to make in this book concerning evolution: By bringing in notions such as "path dependence" and by acknowledging that time matters, scholars have moved toward a more complex picture of the world, both in space and time, one that often has striking resemblances to an evolutionary system. This book takes the next step by showing how it has been evolution that historical institutionalists, including myself, have been anticipating. The next task is to turn to the cases. I offer a very general overview of each system before a short conclusion wraps up the chapter.

POLITICAL SCIENCE

I was equally disappointed by the traditional philosophy of science, which was all based on logic, mathematics, and the physical sciences, and had adopted Descartes' conclusion that an organism was nothing but a machine. This Cartesianism left me completely dissatisfied . . . Where else could I turn? (Ernst Mayr 2004: 5)

Perhaps, if you were not an economist or a political scientist, it would not surprise you that rich countries are adapting in different ways to the challenges they face in the early twenty-first century. But it did surprise me – and most of my colleagues as well. The question is: Why?

I believe that the answer to this question lies in the kind of scientific paradigm that political science has increasingly tried to model. In the effort to be more "scientific," political science has attempted to become more formal

[5] Perhaps the most influential evolutionary theorist for this analysis has been Ernst Mayr who was widely considered one of the great philosophers of evolutionary biology until his death in 2005. For an outstanding introduction to evolutionary theory see his marvelous book, *What Evolution Is* (Mayr 2001) but see also (Mayr 1982, 1988, 1991). The philosopher, Daniel Dennett has also been particularly influential in my thinking in this regard, see especially his *Darwin's Dangerous Idea* (Dennett 1995). Other "evolutionists" who have been especially influential for the following work include biologists, Steven J. Gould (Gould 1989, 2002) and Richard Lewontin (Lewontin 2000); zoologist/primate anthropologist Robin Dunbar (Dunbar 1996); psychologist Leda Cosmides (Cosmides and Tooby 1997); economists, Richard Nelson and Sidney Winter (Nelson and Winter 2002) as well as (Hodgson 2002) and the anthropologist team of Robert Boyd and Jeremy Richersson (Boyd and Richersson 2000; Richerson and Boyd 2005).

and structured: The desire for methodological sophistication has pushed scholars toward quantifying the units of the analysis, isolating these variables and then holding them constant in order that their independent effects can be measured. This desire for methodological and analytic sophistication has certainly produced a large number of useful findings. The problem is that as we have developed ever more sophisticated comparative statics we have inadvertently built scientific models that are out of sync with the way the world actually works. Politics is not chemistry or physics, but too often we treat political and economic systems as if they are made up of sets of chemical reactions or physical relationships. In the desire to become a *predictive* science we look for linear relationships between independent variables even when we know that these variables are interdependent and nonlinear, we invent equilibrium where none is to be found, and we assume things about human nature and motivation that no one really believes are true.[6]

Indeed, at the heart of many of the deepest and most difficult battles inside political science is a fundamental struggle over the meaning and methods of science. For many, "science" is the search for systematic regularities and generalizable laws. In this view, one studies the empirical world only because it offers the evidence that can be used to build and test theory. Particular cases or specific events may be interesting – just as a good novel is interesting – but the goal of political science is not to understand any particular event, it is instead to build theories that can be used to explain many (or even all) events. Morris Fiorina describes his scientific orientation in the following way, "[we are] not as interested in a comprehensive understanding of some real institution or historical phenomenon, so much as in a deeper understanding of some theoretical principle or logic . . . [F]or most PPT (Positive Political Theory) scholars, breadth trumps depth; understanding 90 percent of the variance in one case is not as significant an achievement as understanding 10 percent of each of nine cases, especially if the cases vary across time and place" (Fiorina 1995: 111).

"[T]he role of comparative research in the process of theory-building and theory-testing" Przeworksi and Tuene advise us in their classic text, "consists

[6] In their very popular text, *Research Methods in Social Science*, Nachmias-Frankfort and Nachmias argue as follows: "The ultimate goal of the social sciences is to produce an accumulating body of reliable knowledge. Such knowledge would enable us to *explain, predict* and *understand* empirical phenomena that interest us." (Frankfort-Nachmias and Nachmias 2008: 5–7). Later in their introduction they tell us: "Deductive and probabilistic explanations are essential components of scientific knowledge. **Prediction** constitutes another. In fact," they exhort their readers, "the ability to make predictions is regarded as the outstanding characteristic of science" (emphasis in original, p. 9).

of replacing the proper names of social systems by the relevant variables" (Przeworski and Teune 1970: 30). Along similar lines Lijphardt instructs: "methods aim at scientific explanation, which consists of two basic elements: (1) the establishment of general empirical relationships among two or more variables, while (2) all other variables are controlled, that is, held constant. These two elements are inseparable: one cannot be sure that a relationship is a true one unless the influence of other variables is controlled. The *ceteris paribus* condition is vital to empirical generalizations" (Lijphart 1971: 683).

On this view there is "A" or "The" Scientific Method that all good scientists should follow. This method is based on a basic understanding of how the world works which, indirectly at least, is based on a kind of Newtonian physics. It assumes that even if the world is complex, it can be understood and explained by breaking this complexity into discrete causal units or variables and then examining the independent effects of one variable on others.

At first blush this logic appears to make perfect sense. After all, physical phenomena and chemical reactions are very complex. By following "The Scientific Method," chemists and physicists have made incredible discoveries and found predictive laws from which they have been able to create antibiotics and even send men to the moon. Surely, social and political life is complex, but if we follow the same scientific methods we may one day be able to discover the laws that underlie social and political life and then be able to uncover the Laws of Politics from which we can then cure social ills like poverty and injustice.

The problem with this interpretation of science, in my view at least, is that it assumes the social world works according to the same kind of laws and principles as the physical world. Frankly, I do not think that it does. I agree with Peter Hall when he argues "a substantial gap has opened up in mainstream comparative politics between the methodologies popular today and the ontologies the field is now embracing" (Hall 2003: 374). Quite simply, we increasingly have tried to understand the world as if it was made up of discrete, stable and independent units (or variables) when in reality we know that human history is the product of complex, dynamic, and interdependent processes. In other words, while most people (including political scientists away from the day jobs) see the world as enormously complex and understand history to be a series of contingent events, political science and economics increasingly "envision a world of linear relationships among variables, parity in the size of cause and effect, recurrent patterns over

time, and the fundamental insignificance of chance happenings" (Zuckerman 1997: 285).

POLITICS AS EVOLUTION

> When asked whether or not the adaptationist program is a legitimate scientific approach, one must realize that the method of evolutionary biology is in some ways quite different from that of the physical sciences. Although evolutionary phenomena are subject to universal laws, as are most phenomena in the physical sciences, the explanation of a particular evolutionary phenomenon can be given only as a 'historical narrative.' Consequently, when one attempts to explain the features of something that is the product of evolution, one must attempt to reconstruct the evolutionary history of this feature. (Mayr 1988: 149)

Social scientists frequently use the term "evolution" when they talk about politics and history. But in most cases all that is really meant by this term is that history is a linked chain of events. I submit that we can be more explicit in our understanding of the ways in which human social institutions evolve and that we can draw lessons from those who have studied evolutionary processes in other disciplines as far ranging as anthropology, linguistics, psychology, economics, and even biology. *I do not mean to suggest that the mechanisms driving the evolution of human institutions are exactly the same as they are for biological or linguistic evolution.* But I do believe that several of the concepts and ideas learned in the study of evolutionary processes in different arenas can be helpful for us as we try to understand the evolution of social institutions.

Allow me to explore this argument by way of another metaphor from outside politics: Consider the implications of global warming on similar species in different continents. A rise in the earth's temperature of, let's say, three degrees, will have enormous implications for virtually all life on earth. But this does not suggest that all animals – or even all populations of a particular species – will adapt in the same way. For example, would we expect all mammals to lose their hair? Obviously not.

There are two reasons we would not expect biological convergence even in response to a change like global warming. First, even if the overall temperature of the world were to increase, it is perfectly clear to climatologists that the mean temperature will not increase to the same degree on all parts of the globe. In fact, it appears quite likely that warming will melt the polar ice caps, which will have a significant effect on the flow of the Gulf Stream along the northern European coastline. It is therefore quite likely that Europe will

become much *colder* if global warming continues. Therefore, the creatures that live there (including humans) will not only have to adapt to rising sea levels, but will also have to adapt to longer and colder winters.

Second, even in geographical areas where the average temperature may increase in similar ways (say North America and Africa) this rising temperature would not necessarily force a common evolutionary adaptation from even similar subspecies. Let me demonstrate with a fanciful illustration: Squirrels are found in many parts of the world. These animals can often look very similar. But over the years these populations have evolved in somewhat different ways as they have adapted to their particular ecologies. Therefore, even if temperatures were to rise in equal measures in Africa and North America, the evolutionary responses of African Ground Squirrels and American Grey Squirrels are likely to be quite different. This is because each of these similar species has already adapted to their own particular ecologies in quite different ways – setting them on rather different evolutionary trajectories as they continue to adapt to their now warmer ecological context. In one case, this general ecological change could create opportunities for expansion of terrain and further evolutionary adaptation. In another case, global warming would likely invoke very different adaptive responses – potentially even mass extinction.

I submit that the huge changes we are witnessing in the world economy (a.k.a. globalization) may have effects on advanced welfare states much like the effects of global warming on similar biological species. There is no question that all countries are in the process of adapting to this new economic (ecological) context. But this does not suggest that all countries will – or can – adapt in the same ways, or that the consequences of these adaptations will be similar across the world.

Evolutionary theory adopts a different scientific ontology than that commonly found in physics or chemistry. At the root of evolutionary biology is the assumption that the objects of analysis – living organisms – are fundamentally different than inanimate matter. Thus, as Ernst Mayr points out, "this required a restructuring of the conceptual world of science that was far more fundamental than anyone had imagined at the time" (Mayr 2004: 26). I submit that social systems – the object of analysis in political science – are also fundamentally different from inanimate matter. Like living organisms, they change, adapt and evolve.

From an evolutionary perspective outcomes are rarely the product of discrete variables operating independently on one another in predictable and repeatable ways. This is first because evolutionary theory assumes *complex causation* and is the study of *complex adaptive systems* (Holland 1992).