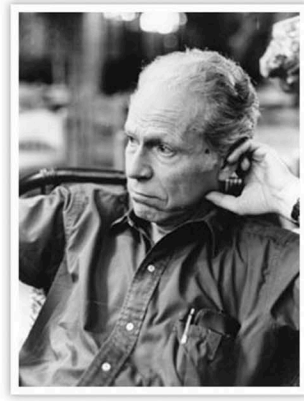


Luca Meldolesi and Nicoletta Stame eds.



A PASSION FOR THE POSSIBLE

EXCERPTS FROM THE THIRD
CONFERENCE ON HIRSCHMAN LEGACY

A COLORNI-HIRSCHMAN INTERNATIONAL INSTITUTE
AND BERLIN SCHOOL OF ECONOMICS AND LAW
BERLIN, 24TH-25TH OCTOBER, 2019

A Colorni-Hirschman
INTERNATIONAL INSTITUTE



Hochschule für
Wirtschaft und Recht Berlin
Berlin School of Economics and Law

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Preface

The task of the following pages is not so much a celebration of Albert Hirschman's life and work. It is mainly an attempt at expressing a part of what we have been able to learn from him in a wide range of theoretical and practical topics; and also how, inspired by him, we managed in addressing some... uncharted territories.

"Eugenio would [or would not] agree": this typical expression by Albert referred to Colorni came back to our minds, while we were editing this book. Meaning: while, of course, everybody should be absolutely free in her/his work, sometimes a critical assessment of what is doing may be useful. In a gracious way, Hirschman did help us in improving our performance, right from the beginning. And Colorni was always present for that, as if he was sitting next to us, on our back.

We would like to use the same method for Albert. Indeed, Albert was very present in our discussion. And to underlie this, we took the liberty of rearranging the writings that came out of the Third Conference on his Legacy: to better coordinate them around his ideas, to make the book more homogeneous and understandable. No transcripts, no proceedings: only excerpts, notes or essays from what happened among us in Berlin Oct. 24-25th, 2019. The reader (and time) will tell whether this editorial effort has been worthwhile.

LM&NS

Welcome Back Albert!

An Austrian, an Italian, a German, a Polish and a French: these five (indirect or direct) witnesses have given us introductory hints and perceptions around the life and work of Albert Hirschman. Together, their contributions give us an idea of why we feel that some occurrences, anecdotes and biographical aspects should be instinctively useful (sometime more than long talks) in encouraging and strengthening for the better positive (too timid) energies that actually exist, often latently, in our societies, particularly among the younger generations.

Marianne Egger de Campo

Introduction to the Third Albert Hirschman Legacy Conference in Berlin

Ladies and gentlemen,

It is a great pleasure for the Berlin Professional School to host the third Albert Hirschman Legacy Conference. Let me give you a bit of context of the institution here: The Berlin Professional School is the central institute of the University of Applied Sciences, Berlin School of Economics and Law. We in the BPS have some 500-600 students (the whole university has some 11000 students), we offer eleven master programmes for students returning to university (our students must at least prove one year of work experience). We are operating since 1992 (offering the Berlin MBA) and for 20 years we teach in blended and distance learning mode particularly in the public sector studies.

But how does that lead to a connection to Albert Hirschman and his Legacy?

1. *Personal Contacts*: I – unfortunately – have never had the privilege to meet Albert Hirschman in person, but I have come in contact with his ideas via books, many years ago (in the early 1990s). *Exit, Voice, and Loyalty, The Rhetoric of Reaction* and later almost all his major works. I have benefited greatly from his inspiring, concise ideas that are so well applicable in the social sciences; that is also visible in some of my publications. Knowing about this, my former colleague Erwin Seyfried thus brought me in contact with Nicoletta and Luca who in 2016 started reaching out to organise the First Albert Hirschman Legacy Conference. I was thrilled to participate in October 2017 in Boston and to meet so many interesting people and witnesses of Hirschman’s academic teaching. And I immediately

thought that it is necessary to bring the Albert Hirschman Legacy Conference home to Hirschman's birth place Berlin.

2. *A Hirschmanian spirit* characterizes our daily work in the Professional School: Continuing education with students at average well in their thirties, studying part time while being employed in business and public administration, has special features. One way to look at continuing education of students with a lot of work experience is to focus on their academic deficits and deliver the contents they need to make up leeway to the bright young and more privileged graduates whose social background allows them to study for five to six years without immediate need to earn money on the job market.

Another way to look at our students is to focus on their ambition, their potentials and the rich experience they return to the academic institution. As a matter of fact, teaching in our masters' programmes is a very rewarding experience because the audience consists of critical grown up personalities that synthesize the theoretical teaching with their insights and with their needs to understand practice.

The result of the second view is that one realizes that something new can be generated in continuing education that will neither be reached among the brightest bachelor students nor with academic peers. And Hirschman can explain why this happens. As Hirschman in his typical acumen once wrote in a diary entry about an observation he made with his grand daughter, "I show Lara (4 years old) how to prepare newspaper for making fire – she learns x from now on will do it *exactly* the same way. Perhaps it is not good to learn too many 'useful' things too early in life, for then one will never question the moment one learnt. For innovation to be possible late learning may be essential." (Adelman, 2014, p. 585) So this insight mirrors what we observe at the BPS: our students learn a lot of – hopefully – useful things that are significant for their professional careers. And they learn it late in life. Thus we prepare them to innovate society.

3. *Berlin and the History of this house*: Berlin is the place where Albert Hirschman was born in 1915. He grew up in a bourgeois milieu of secular Jewish Germans who formed the backbone of economic and intellectual progress in Prussia, and particularly Berlin in the second half of the 19th century.

This very neighbourhood – called *Bayerisches Viertel* or Bavarian quarter after the street names – was developed as residential area by a Jewish German business man with his real estate society “*Berlinische Boden*” - and later – “*Bau-Gesellschaft*”. Salomon Haberland and later his son Georg Haberland invested and carried out real estate projects from 1890 to 1933, until the society was expropriated – arianized – by the Nazis. The apartments in this neighbourhood were populated by the liberal bourgeoisie among which a lot of Jewish German professionals and intellectuals lived and had their offices as lawyers or doctors. On *Bayerischer Platz* (just up the road) e.g. the psycho-analyst Erich Fromm had his office. Albert Einstein lived in *Haberlandstraße*, and the film director Billy Wilder at *Viktoria Luise Platz*. The neighbourhood was also called “Jewish Switzerland”. In the subway station *Bayerischer Platz* and also on many lamp posts on the roads around the university you will find signs informing about the anti-Semitic rules and regulations in the years 1933 to 45. This is the result of an art project (Places of Remembrance – Memorial in the Bavarian Quarter) initiated by the city, it was realized by *Renata Stih & Frieder Schnock* (cf. <http://www.stih-schnock.de/remembrance.html>).

The lots where this building, and the other university building stands, was an allotment until 1933 when it was arianized. The German Brewery Association (*Hauptvereinigung Deutscher Brauwirtschaft*) was given this lot to build its headquarter after it was displaced by the gigantomanic plan of the Nazi architect Albert Speer to build the capital Germania (they were near *Potsdamer Platz*). The building across the road was another construction completed in 1939 to house the Association for Retailers and soon the Forced-Labour-Administration of the army, the Wehrmacht (Schmidt, 2004, cf. 2019).

After the war and serious damage caused by bombing, the building across the street housed the re-established *Hochschule für Politik*. An institution that was founded in the Weimar Republic by liberal democrats in order to instruct the citizens in democracy. The school engaged in adult education and originally was open to every one no matter what school certificate the students had. Soon the school enrolled functionaries of parties and trade unions and taught them “politics and ethics, organisation theory, history, economics” (cf. Schmidt, 2004, p. 86). In 1933 the director, a large part of the faculty and the content was changed by the Nazis. After the war, in 1948 the former liberal faculty that had been fighting in anti fascist resistance strived for funding to re-establish the school. Democratic education seemed to be more necessary than ever, a view the allied forces shared with the surviving liberal faculty members and so US funding (the Government and Relief in Occupied Areas) paid for the repairs of the construction. The *Hochschule für Politik* made a great effort to appoint remigrated faculty who brought with them a notion of American academic culture. Among the remigrées was e.g. Ernst Fraenkel, the lawyer who wrote the seminal work about the Dual State of the Nazis (Fraenkel, 2010).

Political Science as new academic discipline was introduced to Germany via the *Hochschule für Politik*, fiercely opposed by conservative German scholars, and soon the *Hochschule für Politik* educated young Germans in political science and democracy. The institution later became more academic and got integrated in the Free University Berlin. (And in 1971 the University of Applied Sciences was founded.)

Hirschman had left Berlin in 1933 and only revisited the town a couple of times, first in 1974 (Adelman, 2014, p. 499), then repeatedly in the 1980s and 1990s. In Dec 1994 he had written to Wolf Lepenies (from the Wissenschaftskolleg) to plan a colloquium for June 1995. Now 24 years later, the Professional School makes these plans real and I hope I was able to convince you that Albert Hirschman would have approved of the hosting institution and its profile.

Luca and Nicoletta never questioned whether the Berlin School of Economics and Law were worthy of hosting the Legacy Conference and when in July 2018 we decided over dinner about the date and started preparations, they – as much as I – were deceived by the Hirschmanian principle of the Hiding Hand. As I may not need to remind you, the principle of the Hiding Hand in Hirschman’s studies of economic development hides project managers, investors and entrepreneurs the difficulties involving the realization of a project. It also obscures the immense abilities to solve these very difficulties. In the case of the project of this conference we seem to have been supported by the benevolent sister of the Hiding Hand who only hid the future additional sponsors of the conference. So far we are waiting whether we will also encounter severe difficulties. Hopefully not. Since spring this year we were joined by Dahrendorf Forum at Hertie School and in June by the Institute of Social Sciences of the Humboldt University which was the place of Hirschman’s initial academic education in the winter semester of 1932/33. (At that time the university was the *Friedrich-Wilhelms-University* at Berlin, it was only named “Humboldt University” in 1949).

So now I have the pleasure to introduce you to this conference representing and thanking the following co-hosts: First and foremost I am very grateful to Luca and Nicoletta from A Colorni-Hirschman International Institute in Rome for their incessant and important work in spreading and thus conserving the ideas of Hirschman. I also want to thank Claus Offe and Helmut Anheier from Hertie School of Governance for supporting this conference and in particular for their contribution to our well-being by paying for our lunch today. By the way, thanks to A Colorni-Hirschman International Institute in Rome we will also have an onsite lunch tomorrow. And many thanks to the encouraging spirit of Hellmut Wollmann emeritus of the Institute of Social Sciences at Humboldt University Berlin, co-sponsoring this conference. There is one more merit to be appreciated officially: my colleague Oscar Domenico Maestroni and his team at the Professional School have done a great

job preparing all the details of this event. Thank you very much for your reliability and thoughtfulness.

Now I wish us all two fruitful days of exchange in the spirit of Albert Hirschman.

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Luca Meldolesi

Introduction: Three Points on Possibilism

In its evolution, the world we live in is much more complex, articulated, nuanced and surprising than any of us may imagine. Therefore one has to concentrate his attention on what he wants to know and look to it as cool as he can. That is: he has to refrain from superimposing his senses and desires upon it, as much as possible; and struggle against illusions. Therefore, “For a better world”, “A Bias for Hope” and “A Passion for the Possible” – the three titles of the Conferences on Albert Hirschman’s Legacy so far convened – should be understood in line. That is: if one pursues a better world and has a bias for hope, he may develop a passion for the possible – meaning that possibilism (cool and enemy of illusions as it is) should be linked specifically to a desired end; and, at the same time, should evolve generally in a certain perspective for the human beings...

To explain this notion I will limit myself to three points.

The origin of possibilism

First: anti-fascist Eugenio Colorni and two young socialdemocrats - Ursula and Otto Albert Hirschmann ¹ - met in Berlin shortly before Hitler rise to power. Eugenio (who was six years older than Albert) had already a position in Italy as a teacher of philosophy and pedagogy in secondary schools. Presently he was a lecturer of Italian in Marburg, coming to Berlin to study Leibniz at the Staatbibliothek for his University career. Ursula, a young woman of irresistible beauty, sitting next to him in that bibliotek was trying to understand Hegel; while her brother, Otto Albert, was a freshman in economics (at the time considered a “brot lose kunst”: an art with little bread) at Humboldt University. They became connected and

¹ It is well known that, later on, he changed his name in Albert O. Hirschman.

rapidly realized that their lives had to have an unanticipated and undesired twist: this, indeed, was the starting point of possibilism.

Possibilism came up, therefore, in deeds, before than in writings. Ursula and Albert duplicated tracts against the Nazis in the Hotel room of Eugenio: very few did it at the time. The idea prevailed, instead, in the democratic public opinion of the German Capital, that the rise of Hitler was temporary. On the contrary, Eugenio understood immediately that Albert, as a male student of Jewish origin, was becoming a Nazi target and convinced him to run out to Paris. Later he helped Ursula (and his fiancé of the time) to expatriate as well. Moreover, in 1937 – as you know - Albert became expert in smuggling anti-fascist propaganda from Paris to Trieste; and later, in Marseilles 1940, became a “virtuoso” in forging documents, exchanging dollars in the black market etc.

Actually, possibilism in writings was started by Colorni in the mid-30s². In Trieste (first alone and then helped by Ursula after their wedding) Eugenio had a mundane, highly visible and irreprehensible life of a teacher absorbed by his philosophical studies during the day, and a clandestine one at night. He joined the Socialist Party, rapidly becoming a leader of the Socialist Internal Center; and wrote extensively articles and correspondence signed by different pseudonyms on the policies and organizations of the party.

In this materials, now available in English, one learns instantly (and surprisingly) an entire bag of possibilist tricks to reach ways out and proposals: from the new antifascist opportunities that stemmed from the panic of the middle classes (the sons of which Mussolini was sending to Abissinia to wage an absurd colonial war), to the need of acting in favor of the working people from within the regime (and not from without); from the spontaneity of workers networks as a form of organization (a anathema at a time), to the essence of teaching (that, taken seriously, professionally, convinced inevitably best students that could be performed but by an antifascist teacher); to a new proposal of party organization to avoid (or at least reduce) repression etc.

² Colorni 2019a, 2019b.

My first point is therefore that when Albert “rediscovered” possibilism during his long lasting work on development and Latin America, he had on his back not only his Marshall Plan years³, but also his early activist time (the ones – it is well known – he was most proud of⁴) together with the example of Eugenio Colorni.

Discovery and surprise

I come now to my second point. Often, possibilities imply a constellation of favorable circumstances; and are helped by clusters of opportunities. This may be illustrated by a short story.

As it is known, in mid ‘80s of last century Albert looked around for an alternative to current critiques of reactionary thinking and started working at his last, fabulous monograph: *The Rhetoric*⁵. At the same time, I initiated a long, highly possibilistic book (in object and endeavor): *Discovering the Possible*⁶. Hirschman was amused. Introducing me, he often said jokingly to colleagues and friends: “Luca is an Italian scholar working on a most interesting subject: me!” At a certain point, I proposed two titles for my book - “Discovering the Possible” and “The Surprising World of Albert O. Hirschman”. I asked which one he liked most. He answered: “both”. And the reason is – I now realize – that possibilism comes out of some surprise (i.e. a contrast between a message from reality and what we had in mind previously) and, therefore, generates in time... a surprising world.

Albert was a reserved and independent person. The lukewarm American reception of *The Rhetoric* did not satisfy him. He turned his attention to Europe, and presented in Paris, at the Commissariat du Plan, his discoveries and follow-ups⁷.

The Berlin Wall had already fallen. That very day, we had been together at Buenos Aires University, for one of his numerous

³ Hirschman 1986, Ch. 1.

⁴ Coser 1984, p. 163.

⁵ Hirschman 1991, p. x.

⁶ Meldolesi 1994.

⁷ Hirschman 1995, Ch. 2.

“Laurea Honoris Causa”. In front of thousands of students so far away, I started talking of that incredible event and of the great significance that it was inevitably going to have for our “Laureandum”. Albert interest shifted to Berlin where, as you know, a lively discussion had started on the interpretability in exit-voice terms of what had happened⁸. He accepted the invitation for a sabbatical year at the Wissenschaftskolleg. Helped by Annette and Wolf Lepenies, Sarah and Albert Hirschman started commuting between Princeton and Berlin. Sarah (who new Russian already) began studying German. Albert carried through the well-known, extraordinary research on exit-voice and the fate of the DDR⁹, while cultivating in his mind a new perspective.

He met Nicoletta Stame and myself in the German Capital, and with a simple question – “How can you call yourself European if you are not present in Berlin?” - he induced us to “relocate” ourselves in Europe. He was particularly keen in understanding what was going on in East Germany (and more generally in the liberated East – where his father came from). He wrote the important “Social Conflicts as Pillars of Democratic market Societies” for a “discussion circle” who met in Dresden¹⁰.

At the same time, he welcomed the surprising rising of his friend Fernando Henrique Cardoso: from Senator, Foreign Minister, Finance Minister and finally President of Brazil. He wrote that the torch of liberty, ignited in the Us by John Fitzgerald Kennedy, had travelled South to Fernando Henrique. I organized in Naples an association to back this development, and Albert suggested that Brazil and Italy should work together. Actually, I interested Romano Prodi and Patrizio Bianchi in Bologna and we had in Rome a joined meeting of the Italian Government with six Ministers from Brazil...

All in all, it is clear to me that in the first half of the Nineties, Albert had one of the happiest time of his life. He released a long

⁸ Hirschman 1995, Ch. 1.

⁹ Hirschman 1995, Ch. 1.

¹⁰ Hirschman 1995, Ch. 20.

interview in Italian to Marta Petrusiewicz, Carmine Donzelli e Claudia Rusconi¹¹; prepared conscientiously a “Colloque” on his work with a selected group of European “competent rebels” in Berlin; and cultivated his life-long universalist dream of working on three continents at the same time. But after a journey in the European East, he came to Nicoletta Stame and myself and said: “it will require some-time”. And he did not have that time. Later unfortunately, as is known, he felt in the Alps, and the mirage disappeared...

The high tide of the nineties and today

Okay, you might argue. Does it makes sense, however, to recall that happy period now, in very different conditions, with serious troubles on the East, on the South, and actually on all sides — in a world characterized by the widespread revival of nationalism, the rise of China and other countries, re-ignited by inter-imperialist rivalries etc.? In my opinion, it does. Especially if we realize that, instead of moving toward resolution (as we had often supposed), many problems in different parts of the world (more or less developed) have only been attenuated or have recurred in different forms; that others, that we thought were solved, have re-emerged; and that still others have been powerfully added. Especially if we connect the world we live in with all of Albert’s experiences, including those of his youth - along with the page by Eugenio Colorni (inserted in my chapter on Europe, below), which to me is quite enlightening¹². And especially if we make a collective effort to understand what is all about.

¹¹ Hirschman 1994. See below Marta Petrusiewicz’s account of this interview, in this panel.

¹² When he saw it, Vittorio Coda, the noble father of Italian Business School, exclaimed: “but that’s what actually happened...” Indeed, in Western Europe “les trente glorieuses” (or rather the expansion of the 50s and 60s and the strong economic revival of the 80s) in a climate of harmony, of reduced disequilibria, and of moving ahead collectively were (rather unknowingly) decisive for creating the Colornian *magnet* that strongly helped the Fall of the Berlin Wall.

Actually, that tri-continental high tide of the 1990-95 period is an interesting story in itself, but above all it is an *instructive narration* of that time we lived through. A quarter-century later, in very different conditions, we can still (*mutatis mutandis*) be inspired by it.

Which is to say, even if the process of dividing the world moves forward with the further ascendancy of China (Russia, Iran, India, etc.), we can imagine (in the East and the West) a Hirschmanian route along internal lines, starting from our own society ("*as it is, in spite of what it is and because of what it is*"¹³). Provided that we focus on *the process of becoming more civilized* by consistently and coherently taking the side of this omnipresent human aspiration (and thus also favoring as much as possible the dominant policies *most compatible* with it). Provided that we intelligently pursue the issues that are moving in this "green" direction, toward accelerated high-tech metamorphoses (such as liberation of human energy, fraternization, democratization, federalization, gender equality, the fight against poverty, unemployment, underdevelopment, inequality; along with accountability, harmonious innovation, empowerment, merit, etc.). Provided that we give greater value to those aspects of individual and collective life (intellectual - artistic and scientific - and practical) that do not concern power and domination (but with the idea of shaping the latter indirectly and progressively). Provided that we construct material and moral *magnets* of various magnitude that are highly attractive; we take an interest in all of humanity - even while using the three continents (or some other supranational reality - as a starting point); and we intend to peacefully disarm opponents—even while aiming to promote general disarmament...

These are, indeed, very general indications that can be developed in thousands of directions. I trust that the Third Conference on Albert Hirschman's Legacy will offer numerous illuminating examples of how "a [human] society can begin to move forward" effectively, especially from those in the new generation committed to observing reality through Albert's "lenses" —in the words of Ilena Grabel, who is now the deserving winner of multiple awards, an

¹³ Hirschman 1963, p. 6.

important result which indirectly supports the true potential of the Hirschmanian perspective....

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Claus Offe

Albert Hirschman: Introductory Remarks¹⁴

Albert O. Hirschman, born April 7, 1915 in Berlin, was a political economist and social scientist who is a major and influential author in highly diverse fields such as development economics (1945, 1958, 1963, 1967, 1971) the theory of the firm and other formal organizations (1970), the history of political ideas (1977), the economics of inflation (1981: 177 - 208) and the epistemology of the social sciences and the sociology of knowledge (e. g., 1986, ch. 5). After fleeing his native Germany right at the beginning of the Nazi regime in 1933, he has worked in France, Britain, and Italy before settling in the US, where he became engaged in research and teaching at Berkeley, Yale, Columbia, Harvard, and Princeton universities and academic institutions. In 1985, he retired from his post of director of the School of Social Sciences of the Institute for Advanced Study in Princeton. He died in 2012.

Hirschman's wide-ranging international as well as interdisciplinary academic work is significantly and self-reflexively shaped by the author's rather unique biographical experience (cf. 1995, part II, and the autobiographical interview contained in Hirschman 1998; cf. also the grandiose biography by Jeremy Adelman (2013)). He was not just an *academic* (London School of Economics, 1935-6; degree in economics, Trieste 1938), but also a *soldier* (in the French and US armies, as well as in the Spanish Civil War), an *underground activist* in German occupied France (cf. Fry 1945), an *official* and employee of the US Federal Reserve Board where he was involved in the admin-

¹⁴ The text is partly based on my entry "Albert O. Hirschman" in: Beckert, Jens and Milan Zafirovsky (eds.), *International Encyclopedia of Economic Sociology*. London: Routledge, 2006: 317-320

istration of the Marshall Plan (1946 - 52), a *government advisor* working for the World Bank and an independent *consultant* running his *private business* (Colombia, 1952 - 56). To the best of my knowledge, there is hardly any other person whose life course spans that variety of professional experience.

Hirschman's style of intellectual work

His highly distinctive style of intellectual work has been described by himself and others as driven by a propensity for "lateral" thinking, for "self-subversion" (1995), and "trespassing" (1981) or "boundary-crossing" (1998), often combined with a sense of irony, a keen interest in paradoxes, unanticipated consequences (of both the "perverse effects" and the benign "blessings in disguise" variety), "trust in doubt" and the fallibility of "general laws". The intellectual playfulness and unmatched elegance of much of his writings, much of which are "non-technical" by the standards of modern economics (cf. the critical appraisal of Krugman, 1996) corresponds, with all its subtlety of imagination, to a concern for humanistic and progressive values and the role these values can play in the conduct of social and economic research (cf., e. g., 1971; 1981, ch. 14).

The greatest accomplishment of social theory is arguably its capacity for categorizing a heterogeneous variety of phenomena around by means of a few, simple, and clear-cut concepts. Hirschman has become influential and famous for his innovative exploration of pairs (and sometimes triplets) of opposite concepts and the tensions, asymmetries, sequences and syntheses that occur between the respective realm of opposites. He is best known for the conceptual pair of "exit" *vs.* "voice" (1970), to which he returns with revisions and elaborations in some of his later work (1981, chs. 9 - 12; 1986, ch. 4; 1995, ch. 1). If social systems (such as states, marriages, firms, market transactions, industrial relations) perform disappointingly, members can *leave* ("exit") or "*protest*", i. e. raise their "voice" in order to seek improvement. After introducing the distinction of these two basic mechanisms of responding to failure, Hirschman proceeds to analyse the (opportunity) costs and returns that either of them yields in different situations. One idea suggested by

this distinction is that "exit" is the standard response in *markets* and "voice" the standard within firms and *politics*. Another aspect is the asymmetrical sequence of the two: once exit has been chosen, voice is no longer relevant, while the *threat* of exit may well increase the weight of voice, as highlighted by Hirschman in his analysis of the GDR opposition movement of summer and fall of 1989 (1995, ch. 1). Whether a complaint results in exit or voice depends, among other things, on the *costliness* of exit, which may well be too "cheap" to lead actors to try voice first (1967). Yet voice, in case it is collectively and hence more effectively raised, may presuppose prior investment in and the practise of *collective action* which makes your voice louder and more likely to be heard. (*Individual* utterances may often just make for "noise" rather than voice.) Following these and related lines of thought, the reader is introduced into a whole range of situations and problems of rational agency, the complexity of which defies any doctrine of some unique best way to deal with all kinds of failure and suboptimality.

One of the great and challenging issues in contemporary social theorizing to the solution of which, I submit, Hirschman's work can provide fruitful guidance is the *critique of liberalism* and its claim of a robust compatibility of democracy and capitalism. Today, we encounter liberalism in two versions: its *political* version ("liberal democracy" as it is defined by rule of law, equal rights, constitutionalism with division of powers) and its *economic* version ("neo"-liberalism, liberalization of markets). Apologists for market liberalism usually *praise* the unanticipated and unintended consequences of market competition, brought about by some anonymous invisible hand as positive and beneficial externalities, as something that is conducive to growth, innovation and eventually social progress through alleged "trickling down" effects. Yet often the same authors, using Hirschman's "rhetoric of reaction" patterns, *condemn* the outcomes of policy and state intervention, as they are allegedly bound to lead to (if anything) counterproductive effects and jeopardize valued accomplishments. Democratic voice is what seems under threat in many places, be it in the form of "*illiberal democracy*" which bans the use of voice through authoritarian forms of rule or in the even more

familiar form of *undemocratic market liberalism* where voice is silenced by the ubiquitous fear of investors and employers turning to "exit", a move that they can ever more easily perform under the premise of "globalization".

The pair of concepts "exit" and "voice", as well as other related pairs such as "interests" vs. "passions" (1977) or "private interests" vs. "public action" (1982), or "market dominance" vs. "precapitalist forms" (1986, ch. 5) have, at least in Hirschman's own use and imaginative applications, some of the compelling simplicity, elegance, and intellectual appeal that must be experienced by children who learn that their speech is structured and organized by a small set of rules of grammar of which they so far have been unaware. The interplay of these elementary forms and forces of social life yields such a virtually unlimited complexity of phenomena and situations that both *prescription* and *prediction* become matters of an ill-advised ambition on the part of both social scientists and political leaders. "After so many failed prophecies", Hirschman asks (1986: 139), "is it not in the interest of social science to embrace complexity, be it at some sacrifice of its claim to predictive power?". Instead of general "laws of development", social scientists (following Hirschman's model of "possibilism"; 1971; 1986, ch. 8) should elucidate the range of the possible, thus deconstructing both the notion of insurmountable obstacles to change as well as the opposite notion of some law-like certainty of the course of events and developments. What he focuses upon is the vast range of *contingency* - all that what is *neither* necessary *nor* impossible (Aristotle). In some of his writings on method, Hirschman theorizes the (self-)doubt in the intellectual practice of nomothetic theorizing in search of "iron laws". (As an aside, let me note that strangely enough there does not seem to have been a contact or exchange of Hirschman and Polanyi, in spite of some similarities in their creative and heterodox economic thought.)

Hirschman's interpretive approach

Hirschman also ridicules, beginning with his writings on economic development, the figures of both the "visiting expert" and the visiting revolutionary, both offering ready-made recipes to put

to work - or, in the case of those befallen by the doctrinaire pessimism of "*fracasomania*", or "failure complex" (1998: 87) Hirschman observes in Latin America, the message that "*nothing works*" and we are doomed. Such deterministic views, according to Hirschman, suffer from the dual liability of not only being *untrue* (unless entirely trivial), but, perhaps more importantly, because they ignore and discourage the *creativity* and energy of human agents in their constant search for improvement. Motivations of economic agents are in no way "given", least of all by *homo oeconomicus* assumptions, but they emerge endogenously from the specifics of a situation and the expectations it gives rise to. There is thus more than just an element of hermeneutics in Hirschman's approach to economic action. The basic intuition of this approach is well illustrated by the famous model of the "tunnel effect" (1981, ch. 3): The model is that of two lanes of traffic getting stuck in a tunnel. After a while, only the left lane traffic starts moving, inducing the hope in those still stuck in the right lane that they, too, will soon be allowed to move. After this does not happen for an amount of time, the hopes of the people in the right lane turns into frustration and anger; as a consequence, they try to squeeze themselves into the left lane, and the traffic gets stuck again.

A similar U-shaped trajectory of *endogenous motivational change* underlies the analysis of *Shifting Involvements* (1982). Providing an alternative to the dominant public choice models of the Prisoners' Dilemma and the Logic of Collective Action (Olson, 1965), the author provides theoretical evidence and empirical illustration of the fact that actors engaged in "public-regarding action" do actually experience the *costs* of such action as a *gain* - as the pleasure of acting and belonging, which would explain why the more of this action is taking place, the more resources for further action are mobilized, as with the appetite that comes with the eating. *Up to a point*, that is, when failure to achieve intended objectives turns into frustration and eventually defection or fatalistic inaction. Similarly, as Hirschman had observed much earlier (1958), an unorthodox strategy of "unbalanced growth" can yield challenges, trigger the creativity and

spontaneity of actors, and yield unanticipated upstream, downstream, and inter-sectoral linkages (1967) and other favorable externalities, the total effect of which may be superior to what any strategy of "balanced" growth is able to accomplish.

Another example of Hirschman's *interpretive* approach is his account of the debates about the welfare state (1986, ch. 7) and his analysis of what he terms the "rhetoric of reaction" (1991) where he describes how dominant interpretations of "futility" and "perverse effects" can inhibit the course of political and economic reform. He also shows how the false certainty concerning perverse effects can be dispelled by the reformers' insistence that the policies they advocate are called for "on the ground that they are *right and just*, rather than by alleging that they are needed in order to stave off some imaginary disaster" (1993: 311).

Much of Hirschman's work on the economics of development as well as that on the rise of markets and the interaction of markets and politics has played the role of a highly influential "instant classic" (if more so in sociology and political science than in the discipline of economics itself); this "classical" status of the *opus* is indicated by the fact that Hirschman (by 2003) has been awarded no less than 19 honorary degrees from universities in eight different countries. Yet research which tests, applies, elaborates, or critically confronts his theoretical insights are still rare, with recent work of Helmut Anheier being among the noteworthy exceptions. Freeman and Medoff (1984) have used the exit/voice paradigm for an analysis of industrial relations and industrial action, and several of the contributors to his *Festschrift* (Foxley et al. 1986) have taken up and discussed some of his theoretical ideas. But a critical and comprehensive assessment of Hirschman's work in its entirety, including his contribution to modern political economy and the sociology of firms and other organizations, is still missing. Hopefully, the initiative that Nicoletta Stame and Luca Meldolesi have taken with founding the Colorni-Hirschman Institute and in organizing, together with Marianne Egger, this Third Conference on Albert Hirschman's Legacy will contribute to finally overcome the relative neglect with

which the social sciences have for a long time treated one of their most creative and original 20th century thinkers.

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Marta Petruszewicz

My Interview with Albert Hirschman

I was actually a very close friend with Albert Hirschman and Sarah Hirschman. It happened, I think, by the time I arrived in Princeton, to teach in Princeton in the Department of History. I'm historian. I had read something about *Journeys toward Progress* or *The Strategy of Economic Development* because I started as economic historian before I became a different historian.

Many people, as Luca and Nicoletta and other people in Princeton, know how welcoming Sarah and Albert were especially to foreigners. And that was actually the case.

Luca: especially to Eastern women ...

Marta: Yes, Albert. Sarah was welcoming to everybody. They were extremely nice and open people, but also they were very cosmopolitan. At home they spoke mostly in French and Albert had not spoken in German for a very long time. Actually it was very moving when Wolf Lepenies came for a year at the Institute for Advanced Study and they started reading Holderlin together and he went back to German *via* poetry. So at home they spoke French. Sarah was doing this project which involved Latinos, "People and Stories", "Gente y Cuentos". They spoke English as well. Sarah spoke with her mother and aunt, who were still alive and lived in California, over the phone in Russian every single day. It was like a joke. Her mother was 90s and Sarah spoke with her every day over the phone.

When I arrived I was the right kind of person to be adopted. I was basically adopted as a third daughter. Katia had become by then a French daughter, and actually a French Jewish daughter. Lisa had become an American daughter, and I was the third daughter which understood Russian, and who could talk with Sarah about

her beloved poetry. And I could talk with Albert in Italian and about Italy. I knew some of the people who were very close to him then, who were from the other side, like his memory of Emilio Sereni. I knew Clara Sereni. He was very close friend of Renzo Giua, and I knew well Lisa Giua Foa. So we could talk Italian, we could talk about Italy, we talked about Poland, we could talk Russian, we could talk French. That was the adoption, and that's how friendship developed.

Then the idea of the interview. I now regret immensely that I never thought of putting on paper the story of my mother. She was not very keen, but I could have talked of my aunt, of my father... I have never done it, but now I regret it immensely.

The idea of the interview with Hirschman was the idea proposed by Carmine Donzelli, it was his idea. He asked me to do it together: of course ... I was the daughter. So I asked Albert and he said no. He said that everything that he had to say he had put in his books: he worked on his books very carefully, he thought and rethought his ideas. So, actually, he didn't see the point. But as I insisted, already having been the daughter for ten years by then, he gave in with this interview. Actually it was a great fun, but what I want to say is what Albert discovered: it was really the first time. He was in private, with friends, with visitors: when you asked him questions he would show you the fake identity card, other fake cards that he had, he was very funny proud for his various adventures.

So it's not that he was not talking about the past like my mother. Actually, Albert and Sarah when they went to Warsaw, and nobody knew Albert in Warsaw yet, my mother took them around, they found the language.

He never wanted to talk on the record about his life, and about concepts and ideas, how they developed and how they were revisited. In that long conversations, which lasted several days coming and going to where we kept most of these, but also at home, the conversation was in different languages. He wanted to speak Italian. And lot of that was in Italian. And then it was in English, and then

some parts of that were in French because he started telling the stories of Marseilles, so they would come in French. And he also wanted poetry in German. So then the working of this interview, mostly made by Claudia Rusconi, was as a big thing.

What I wanted to say is that in that process he actually started discovering things about himself. There were some questions that he said: "oh, you know, I never asked myself this question". And he started developing these ideas of how he was always crossing borders in every possible sense, disciplinarian and actual borders, and being illegal, and going to Spain and going back and forth with the German passport, changing passport, using the French, inventing the ways of crossing borders into Spain without leaving France, these very complicated things. Crossing borders was something that he had done all his life, in every possible sense. But what he developed in these conversations, was that he started developing the concept of being a trespasser and crossing borders. Luca spoke about his self-subversion. He explained to us how this self-subversion works, that is how he rethinks his own ideas. He never thought that any of his ideas were nonsense. He said: "no, I never thought they were nonsense, but they were not all true. Many ideas were not all true".

He loved languages, and even by that time it was very clear that there was no language which is *his* language. He wrote these palindromes; he wrote them in several languages. So he really had several languages and no language was actually his. The language of Berlin maybe he shared it with Wolf Lepenies but not just with everybody. And so was for every language. But, he started rethinking of his use of the language. And in that conversation he got very excited. He said this: "it's a very beautiful thing to do, as one of the fundamental rights in American Declaration of Rights, the right to the pursuit of happiness". And then he said: "the happiness of pursuit, that's exactly what I want to talk about. People are happy because they are doing collectively something together, because they are looking for the solution not demanding individual solutions".

Then we asked him why was what he wrote against somebody and he said "yes, a lot of books are written against". And he

explained which things he wrote against the rational choice, the free riding, concepts that really disgusted him. But he said that the happiness of writing *Passions and Interests* was that is not written against anybody. He said it was an incredible happiness.

Then what happened was that *ci ha preso gusto*, he took pleasure. The more he did it, the more he liked it. And then when he read the product that was presented to him he was absolutely happy with that. And then he totally appropriated it, it was actually lovely how he took it over. He didn't even inform us or the official publisher. Then it was published in French – *La Morale secrète de l'économiste* –, it was published in *Crossing Boundaries*, it was published in German, in English, in Spanish. It became his. And he liked this sort of connecting his life to his ideas. His life of course was ever connected. All was always connected. Somebody was talking about him being more theoretical. We talked about it and he said in this interview: "Sometimes I like to do some theory but actually I don't like the abstract theory. I am glad to be able to do it from time to time, just to show and demonstrate it".

Albert was really an incredibly optimistic person. His *nom de bataille* during the period in Marseille with Fry was Beamish because he really had this ... in his eyes. I saw him the last time a few weeks before he died. He was in the nursing home and he hadn't been speaking for a very long time, but his eyes were alive.

What I regret is that I tried to ask him more about the Jewishness but he was escaping this topic. He said it really didn't matter. Now, how much could it not matter? His father came from the pain of settlements. Even if he wanted to put everything behind, he must have had the memory of pogrom maybe not to him but to others. His mother, about whom he said not very many things, came from a religious family and extremely numerous family. And I think there was a rabbi there, if not immediately, one generation removed. But Albert said: " you know, we were baptized, a lot people of this part of town, the Jews from this part of town, were baptized, were baptized as protestant, and it didn't really mean anything to anybody being baptized or not being baptized". He went to the Franzosische gymnasium. Yiddish of course was not the language, it was

not the language of the German assimilated Jews. Carlo Ginzburg then reproached me for not having insisted on that. But, he didn't want to talk about it, and Sarah didn't want to talk about it either. And she was from Wilno, that's sort of more real. Recently I read David Simon, the economist David Simon who wrote a book about this: Holocaust escapees who are the economist of development. So, I thought it was very interesting for me. Actually it is not. It's sort of putting together some 15 protagonists and show that Gerschenkron and Hirschman were in the same office in Berkeley and then Gerschenkron called him to come to Washington. And so on. It is not really a topic...

Lucie Tesnière

My Great-grandparents Forged Albert's Identity Card ¹⁵

Background information:

Paul and Juliette were my great-grandparents. They used to live in Nîmes, in Southern France. Paul was a surgeon, and Juliette – de facto – his anaesthetist (as the specialisation did not officially exist in France at that time). During WWII, Paul was coordinating the illegal health services for the Resistance in his department. Six years ago, I decided to find out more about that and interviewed his son, Jean-Pierre, who was a teenager at the time.

1

I ring on the door of the apartment of Jean-Pierre, one of Paul's sons, at rue d'Assas in Paris. At 93 years old, Jean-Pierre is one of the family patriarchs. He has strong features – a face carved as if out of rock, a prominent nose, an easy smile and a kindly look. His wife, my godmother, almost thirty years his junior, greets me, a cigarette in her hand. She leads me to the living room.

"Would you like some tea?"

I accept and arrange my things on the table to prepare for the interview:

"Did Paul, your father, talk to you about the Resistance?"

"No," replied Jean-Pierre.

"Not even after the war?"

"No... What I know, I learnt about it from other people, by chance. In 1989, for instance, I met a man in Paris. He was called Albert Hirschman. He was a German Jew. I'd met him in France for

¹⁵ This chapter is translated from L. Tesnière (2018) *Madame vous allez m'émouvoir. Une famille française à travers deux guerres mondiales*, Paris: Flammarion.

the first time during the 1930s at my cousins' place. He was their private tutor. He had fled with his sister from the Nazi persecution in Germany. Paul and Juliette made him false papers in 1940 that allowed him to leave France! I learnt that 50 years after the fact!"

"What became of Albert Hirschman?"

"I don't know. I think that he lives in the United States..."

The interview goes on for several more hours. I thank Jean-Pierre and fetch my bike to go home. On my way, my curiosity piqued by this Albert Hirschman, I open my computer for some internet research.

I come across a Wikipedia entry devoted to him. After the war, Hirschman became a renowned economist. He was a tenured professor at Harvard, Yale, and Princeton! Impressive! There's no date of death. His last book was published in French very recently... Could it be that it's still possible to talk to him? My excitement rises.

I come across the blog of an Indian professor at Columbia University, Rajiv Sethi, who writes: "Albert Hirschman is 95 years old today." This professor knew the date of Hirschman's birthday. With a bit of luck, he might know him personally?

I find Prof. Sethi's email on the Columbia University website. I decide to go all in and send him an email: "Dear Mr Sethi, I have just been on your blog. You seem to know Mr Albert Hirschman. My name is Lucie Tesnière. I think that my great-granddad in 1940 made counterfeit papers for Mr Hirschman enabling him to leave Europe. Do you know if it would be possible to contact him? Best regards, Lucie Tesnière".

Voilà. A message in a bottle, cast into the sea.

His response arrives within a few hours!

"Albert is 97 years old now. He's been sick for many years and can't be reached by telephone or email. You should contact Adelman, his biographer, who is most familiar with Albert's early years."

I'm disappointed. I'd hoped, a bit madly, to speak to Hirschman himself. I doubt that his biographer would have the slightest awareness of my great-grandfather. But I have nothing to lose by

trying. So I get back in touch with Jeremy Adelman, professor at Princeton (they all seem to end up in the top five American universities!).

He agrees to speak to me, cautioning me that “I don’t think that you’ll learn anything that you didn’t know already”.

It’s 11pm in Brussels and 5pm in Princeton, when we manage to talk, a week after his email. In the background I can hear the rowdy voices of youth. I get the sense of a beautiful afternoon on an American campus.

I explain what I know: Hirschman’s meeting in 1989 with my great-uncle, the fake ID card. Adelman listens carefully. Then I take a deep breath:

“Did you ever hear him talking about our family?”

“Of course!” Albert Hirschman often spoke about the Cabouat family.

I can hardly breath. He spoke about our family?

“He even describes meeting your family in one of his books.”

“Are you joking?!”

“Not at all. I’ll scan the relevant chapters for you. Albert Hirschman carefully kept the false identity card signed by your family.”

“This is extraordinary! You said you didn’t think you had anything new to tell me!”

“I thought you knew.”

“No, no one spoke about it in the family!”

“Your family was Protestant, wasn’t it?”

“Yes. Paul was Catholic but his wife was Protestant and the children were brought up that way.”

“Albert Hirschman always thought that was extremely important – that the Protestants in France understood his problem. He always felt the courage and sympathy that French Protestants had for others.” He continued. “When Hitler comes to power, Hirschman is 18 years old. He is a social democrat. Some of his friends were arrested. Hirschman immediately leaves Germany for France, where he meets Jean-Pierre, Paul’s son, in the early 1930s. In 1939,

at the declaration of war, Hirschman enlists in the French army. Under the German occupation his situation is perilous, as both a Jew and a political opponent. He flees to the south of France, still unoccupied, where the only person he knows is Jean-Pierre. So Hirschman goes to Nîmes. Jean-Pierre is not there, but his father, Paul, welcomes him. They discuss his situation. Hirschman speaks French without an accent and can go unnoticed. But if the Germans see his papers he will be arrested. So Paul arranges a false identity card for him, along with a false affidavit attesting to the loss of his identity papers, made out in the name of *Albert Hermant*, a Frenchman born in Philadelphia, USA, so that no one could check the French birth registry. It was thanks to these documents that Hirschman emigrated to the United States in 1940.

“It’s not until 1989 that Hirschman next hears news of Jean-Pierre through a common friend, Jean-Noël Jeanneney, a historian. Hirschman asks Jeanneney to invite Jean-Pierre to dinner. Over the meal Hirschman tells the whole story to Jean-Pierre and shows him the false identity card.

“Jean-Pierre looks at the document with a start: ‘But ... that’s my mother’s signature! It was my mother who signed the fake document’. Hirschman is stunned. He had always thought that the card had been signed by a man”.

The phone is jammed to my ear. I am drinking in Adelman’s words.

“All his life, Albert Hirschman had a feeling that the Cabouat family had saved him. It was a very small gesture for the Cabouats. They never understood how important it was to Albert.”

This whole story is shocking to me. It’s incredible to think that, on the other side of the Atlantic, years later, someone wrote about Paul, without anyone in his family knowing about it!

It’s midnight.

I end the call.

Sleep is out of the question.

2

A few days later, I receive an email with the scan of the false identity card, with its picture of Albert Hermant, born not in Germany but in Philadelphia, address "c/o Dr. Cabouat, 5 rue Demians, Nîmes". My grand-mother's address.

Further down, I see the signature of my great-grandmother, Juliette Cabouat.

There it is. Proof. Unbelievable...

4.317. =

CARTE D'IDENTITÉ

Nom : Hermant
Prénoms : albert
Profession : Interprète
Département : Philadelphie = (U.S.A.)
Nationalité : (U.S.A.)
Domicile : chez le Dr. Cabouat
à Nîmes, 5 rue Demians. =

SIGNALEMENT

Taille : photo =
Cheveux :
Moustache :
Yeux :
Signes particuliers :

Ne : Dos base
Dimensions :
Forme du visage :
Teint :

Expéditeur, digitale :
Le Titulaire : Albert Hermant
Les Témoins : J. Cabouat
J. Verroux

Vu pour légalisation :
Le 6 JUL 1940
Le Commissaire de Police : [Signature]

COMMISSAIRE DE POLICE

To have used a real name and address on this card showed enormous trust in its veracity. Around then I met a historian, Philippe Joutard, who told me: "You know, the story of this false identity card is important because of its date: it is very rare to see such acts of opposition as early as July 1940."

In the same email Adelman attached extracts of Hirschman's book. There I came across this account by his pen: "Later, in the sixties, when all the young people were going through "identity crises"... at the Erikson, I had to tell them: "when I was twenty, I didn't have time to have an identity crisis. But I did have an identity card crisis!"

In 1940, Hirschman lived for a time with the Cabouats and then went to Marseille, "where my French identity card, embellished with Mr Cabouat's signature, was to do great service for me (especially in my work with Varian Fry [...] until my departure for the United States in December 1940)".

I'm not familiar with Varian Fry, but I don't dwell on it. What interests me in Hirschman's book is that his grandson is called Grégoire. That's a very French name! I contact his biographer to find out if Hirschman has descendants in France. "Yes he does. I'll put you in touch with his daughter, Katia." Katia agrees to meet me in Paris.

It is a rather special situation to discover the daughter of a man whose life may have been saved by your own great-grandfather during the war. Who is she? What will we say to each other?

I ring at the door of Katia's apartment, not far from Montmartre. It's full of books, with stained glass windows at the end of a corridor. In the living room a little girl, sick, is lying on the sofa under a duvet, watching television. Katia kisses her granddaughter and leaves her in the care of her husband. We both leave for lunch in a café in Rue des Martyrs. Katia is a playful, interesting woman. Near the end of the meal she exclaims:

"You haven't heard of Varian Fry? He was an extraordinary person. In the 1930s he was a journalist, an American correspondent in Berlin. He was deeply shocked by the scenes of violence against the Jews he saw. Back in the United States, he began working for the

Emergency Rescue Committee, which raised funds to rescue Jewish writers, artists and political opposition figures from the Nazis. In 1940, he left for Marseille with \$3,000 in cash. He helped thousands of people escape, including Hannah Arendt, Andre Breton, Chagall, Heinrich Mann ...! Over six months Albert Hirschman, my father, helped him in his mission.

“An American film was made about Fry, *Varian’s War*, with William Hurt and Julia Ormond.”

A few months later, on December 25th 2012, I’m with my family for Christmas. Jean-Pierre comes to see me carrying a newspaper: "Albert Hirschman is dead. It’s in *Le Monde*. It's crazy: we’d just found him!"

I look at the article in *Le Monde* in silence. “Albert Hirschman died on Monday December 10th, at Erwin Township (New Jersey, United States), aged 97. He had an active life, as a combatant and a witness to the upheavals of the 20th century which would have such consequences for his own biography, such is the legacy of one who was as much a cross-disciplinary sociologist and philosopher as he was an economist.

I am too late to meet him.

I soon discover that the biggest newspapers across the world are paying tribute to him: the *New York Times*, the *Washington Post*, *Le Monde* ... *The Economist* writes that Albert Hirschman should have received the Nobel Prize in Economics. *Le Monde* publishes a full page on him. Accompanying the article is the Hirschman’s false identity card. The identity card signed by my great-grandmother.

Thanks to the false papers that she signed, my great-grandmother, Juliette Cabouat, is in *Le Monde*, more than 40 years after her death.

Fake
birth
certificate



Certificat de Vie

Nous Maire & Mmes
certifions que
D.A. Monsieur HERMANT Albert
né le onze février
mil neuf cent quinze
à Phila delphic - U. S. A.
Né et Français
demeurant à Rome
à rue St-Marc chez M. de Dalm
Gabriel
Est venu pour être présente
aujourd'hui devant nous

En foi & pour une atteste
Maire le présent certificat pour
soin et valeur ce jour & tout

Maire & Mmes
mil neuf cent quarante

Le Maire

A. Lottmann

SE 1992.00

PART I

Business and Development

Still, surprisingly, in the early Nineties of last century, the Colombian business community knew Albert Hirschman as a consultant, much more than as a scholar (!). The origin of *The Strategy* (and more generally of Hirschman's Latin American elaboration) was grounded originally in his professional work in Bogotá (together with George Kalmanoff: 1954-56) at least as much as in his responsibility for the Government Planning Commission (1952-54). Indeed: "Interdependence and Industrialization" and "Efficiency and Role of Individual Firm" (Ch. 6 and 8 of *The Strategy*) had a key role in Albert life-long intellectual experience. In this Panel we tentatively connect all that to some work we are doing in Europe on development and business activities.

Hans Rüdiger Lange

“Akteurszentrierter Strukturwandel” in Lusatia – a Hirschmanian Approach to Socio-economic Transformations? Observations and Questions from Development Practice and Embedded Research in a Highly Industrialized Region

I am very much honored to have the possibility here to share with this community our challenge, strive and insights in Lusatia of making decarbonization policies practically successful in industrialized regions. Personally Albert Hirschman and this community has been a great discovery and enrichment – and I am grateful to the organizers of this series of conferences and in particular to Prof. Matthias Tomenendal, to have opened this door for me in February this year.

Why is this Albert Hirschman perspective so compelling for us? Us, that are some 50 actors and stakeholders in a mining region about 100 km South of Berlin facing Coal Exit driven by decarbonization policy of the German government. In 2016 regional players like business associations and the university initiated “Innovation-region Lausitz GmbH” with the purpose to find a way to walk through the process of decarbonization without repeating the traumatic experiences of deindustrialization in the 1990’s. Hirschmann’s conceptual frameworks and heuristics seem to resonate strongly with our needs and chosen approaches.

With this contribution I want to share insights from practice. I present the story of this still very young transformation case

in three phases following our adaptive strategy of “Akteurszentrierter Strukturwandel” (Regional Entrepreneurial Transformation Process) – starting with the formation phase of our initiative, an experimentation and finally an institutionalization phase. For each phase, I present a description of what happened. For each phase I try to pick out one “castelletto”: a particular insight which I relate to existing theoretical concepts and summarize with a key terminology¹⁶.

Akteurszentrierter Strukturwandel – Formation Phase (2016/17): Listening

In early 2016, the region was still locked into the conflict and political polarization between those against and those for coal industry in the region. In order to overcome this dead lock, we entered into a broad dialogue putting out three key messages: 1) “the coal exit we are fighting about is already taking place”, 2) “no repetition of 1990 – this time we want to take the change in our own hands” and 3) “we don’t know what will be but we want to start the journey to discover it NOW”. Because we had no pre-fabricated plan, our plan started with listening as part of a bottom up strategy process reaching out to those affected the most by coal exit. We conducted some 40 interviews with entrepreneurs and managers from the most affected firms and asked them how they judged the situation and what they thought would be good to do (Markwardt et al 2016). This dialog opened doors, entailed a wider range of contacts and cooperations and helped us and the interviewed persons to develop a shared perspective.

In parallel, we developed a second level of explorative dialog with research and expertise communities. We engaged in cooperative research projects with a number of selected research partners

¹⁶ Eugenio Colorni and Albert Hirschman worked out their own procedure to co-develop their inspiration: 1) observe, 2) relate to existing concepts and 3) coin adequate terminology. Once developed, Albert’s “petites idées” became “castelletti” – taking the word from the Italian Renaissance: castelletti – nice little castles.

reflecting a diversity of views and complementarity of socializations. Amongst others we collaborated with *nodal*, a creative Brazilian management consultancy (www.nodal.br), *McKinsey* consultancy for data analytics and case studies of successful “non-coal” regional transformation cases (iRL internal material), with *E3G* and *Böll Stiftung* (NGO’s) in a cross-border, Czech-German dialog about energy-transition and with various established research institutions¹⁷.

On our own account, the team of Innovationsregion Lausitz systematically worked on issues of strategy development and innovation. We approached the issue from a business practice literature and through exchanges and networking with the start-up and innovation communities in Berlin, Leipzig and Dresden as well as international events¹⁸.

Based on these inputs and our practice work with the firms and stakeholders in Lusatia we co-created our specific strategic framework – “Akteurszentrierter Strukturwandel” – for our organization (Lange et al. 2017). The emerging concept was refined in a sequence of workshops with shareholders and stakeholders and intensively put forward for discussions in the Lusatia.

Castelletto I: A “Hirschmanian Development Context” requires adaptive strategies of transformation. The regional specialization of lignite based electricity production has become under decarbonization policies a context of high uncertainty and techno-political disruption. Innovationsregion Lausitz has chosen an adaptive strategy to face structural change.

Observation. The listening and analysis of the strategic context of Lusatia at the end of 2015 led to us to the following observations (Lange et al. 2017):

¹⁷ *Stanford University, Wuppertal Institute e.V., Ifo Dresden, HIW Halle, DIW Berlin etc.*

¹⁸ Interactive conferences SWSX 2016 Austin Texas, SWSX 2017 Austin Texas, Collision 2018 New Orleans, Organisationscoes (fr)ageis 2019 Sao Paulo

1. Lusatia is an industrialized, peripheral region framed by the cities of Berlin, Leipzig, Dresden, and Wrocław: At present, lignite mining, electricity generation, chemical industry, and various manufacturing activities are at the core of the value creation. Comparatively, high value creation and wages in the energy and chemical industry are the source of prosperity.
2. Lusatia is fragmented on the political-institutional level: It is divided both by an international (Polish-German) and by a relatively recent (1990) German interstate border (states of Sachsen and Brandenburg). Subsequently, the formation of a single economical-political center of action is at least complicated if not unrealistic.
3. Lusatia is still characterized by a void of strategic corporate centers capable of driving regional development from the business side. Centralization and nationalization in times of the GDR as well as the privatization focus on a subunit level in the 1990s have left the region deprived of robust, strategically integrated, typical German “Mittelstand” firms. Most local firms are fairly young (25 years) and rather small (10-150 employees).
4. Persisting bleach-out of entrepreneurial tacit knowledge, practice, milieus, and networks after 40 years of socialism: Although the 1990s produced a sprawl of courageous entrepreneurs, the depth and breadth of entrepreneurial experience in the region is still thin. Forty years of systematic expulsion of firm owners, eradication of ownership in civil society, and stigmatization of the entrepreneur in education and culture have left a void that has been only partially recovered in the 30 years since 1990.

Relating to concepts. Scholarship on disruption, innovation and start-up-business have led to a rethinking of strategical approaches as a function of uncertainty and control over resources or goals. Birkinshaw (2010) elaborated the consequences for management in such circumstances of uncertainty and volatile changes.

Reeves (2015) summarized these developments in strategic thinking and introduced a classification of strategic approaches in terms of uncertainty and malleability – i.e. in terms of the knowledge about future context evolution of a given agent, on the one hand, and the influence of that agent on his context, on the other hand. Following this thinking, we concluded from our analysis that actors and stakeholders in Lusatia are at the onset of the political induced coal exit in 2016 in a situation of high uncertainty (unclear political process, glooming prospects for the regional anchor industry lignite based power generation – for a detailed discussion see Lehmann 2018) and at the same time in a position of low malleability. Low malleability, because there is no formal or legitimate political structure in Lusatia as an entity in its own (next political entities beyond counties are the “Länder” with their capitals in Potsdam and Dresden – political centers who perceive Lusatia as periphery). Furthermore, there are also no strong strategic business head quarters with a critical mass of resources in order to shape the future evolution of the region (all big companies are controlled by decision centers outside the region, 70% of the interviewed suppliers in the lignite cluster have no strategic autonomy in Lusatia). As a consequence, the strategy of an entity like Innovationsregion Lausitz GmbH would best follow a concept of adaptive strategy following an iterative sequence of experimental exploration, testing, learning and improvement.

After living through this process of strategy formulation, I personally came only lately – in February 2019 – into contact with the thinking and methodology of the Hirschman community. I was delighted and felt that his concepts – “non-linearity”, “disequilibrium state of system” aspects and the resulting central role of “uncertainty” – related very much to our own context analysis in terms of uncertainty and malleability. Beyond that, our methodological conclusions with respect to strategy design principles (adaptive strategy) and operational choice of instruments (wide range of perspectives, conceptual diversity, maker philosophy with a bias to self made experimentation) resonate strongly with Hirschmanian development concepts

Creative Terminology. We coined our approach “Akteurszentrierter Strukturwandel” with an English translation as “Regional Entrepreneurial Transformation Process” (RETP). These descriptions emphasize the crucial role of uncertainty in the current situation and the disruption of existing structures – leading us to a concentration in our innovation work on individuals and small entities.

Akteurszentrierter Strukturwandel – Experimentation Phase (2017/18): Open Innovation

On the practical side of our approach to the coal-exit challenge in Lusatia, we took a lot of inspiration from the start-up world.

In 2016, we started offering a cascade of successive co-creation workshops on strategy, product innovation, business model optimization and a full design sprint. A first round of over 40 workshops with even more companies helped us to develop a project of now over 100 innovation projects in Lusatia. We also run a program “Innovation Interaktiv” – a one day event with several 2 hours workshops addressing different segments in the population (pupils, entrepreneurs, elderly) in varying formats.

In summer 2017, we made a stop and undertook our annual strategic review. We evaluated all activities and sorted out those which worked and those which failed. A key conclusion of the 2017 review was an endeavor to increase the scale of our activities. The small project workshops seemed to dissipate the energy and appeared too fragmented in face of the challenge of disruption from the coal exit. Thus, we embarked on three measures of intensification: open innovation conference, master class (“Meisterklasse” like in classical music) and strategic initiatives (grouping firms with similar innovation potentials together). We developed and tested these measures 2017 through 2019. Starting with an open innovation conference with 80 participants over two days, a master class of entrepreneurship & innovation 2017 regrouping some 20 personalities – the “work horses of innovation” – within the firms which we had encountered and learnt to appreciate in 2016. We derived a list of 5 strategic initiatives and related consortia of firms from our innovation project portfolio by mid 2017.

In summer 2018, we repeated our annual strategic review and decided to abandon “innovation interaktiv”, initiated a co-innovation platform (waves of innovation projects which are always co-developed with at least two local partners) amongst a group of companies in the field of industrial automatization as one new potential markets for regional specialization in Lusatia. The processes to set up these activities up are running at present.

Castelletto II: And there we are, a few years into the coal exit: the cumbersome part of change. Finding out and feeling into limitations, failure, misperceptions. Spiced sometimes by the delight of tiny early successes. We believe that these failures help us to unveil that part of our vision which turns out to be impossible. We also believe that it is important to tell everybody from the beginning that this hard part of structural change is an integral part of a future success story.

Observation. A big part in this kind of explorative innovation and development work is that large numbers of projects fail or, more precisely, that failure is an essential part of the discovery and learning process. As we know from abundant data in the start-up world, something like over 80% of business ideas fail, some 20% survive and only one or two out of a hundred manage to achieve healthy growth. A few years now under way with Innovationsregion Lusatiz GmbH, we accompany a similar exploration process with the people and companies striving for new business opportunities beyond coal. We sift together through a lot of options, encounter difficulties and learn about the obstacles. The key is to run this “path-finding in the darkness of the unknown” with a joyful mind set – understanding that each early failure is the reduction of uncertainty and risk in the long run. With respect to the motivation of individuals and the energy of the collective, it is important to be honest about the reality of this hard part of change. Hirschman knew this and gave it a voice: “... sometimes things have to become harder before they become better ...”.

Relating to concepts. Today – in contrast to Albert Hirschman in 1990 or even earlier – we have a broad scholarship about disruptive innovation and even a popular culture about start-ups and founders. Due to the economic attraction to build a billion dollar start-up, a lot of resources have been flowing into the research on this type of “development work” and “behavioral patterns” in the tech and business world. Although at a first glance it seems hard to imagine two more distant fields than a traditional mining region and an urban start-up world, the high level of uncertainty of disruption on the one hand and the uncertainty about future markets brings them pretty close together. The start-up world has developed process understanding (Ries 2011), system understanding (Geels 2011, Isenberg 2011) and people tech, i.e. practices of collaboration for innovation (Osterwalder 2010) to manage business risk of new ventures. A broad set of practices has developed towards a culture of risk taking and errors (events like fuck-up nights, Ted talks or celebrating error at googleX) as well as behavioral scholarship into failure and healing (Brown 2015, Horowitz 2014, Pepin 2016, Sarashvaty 2001). It seems to me a rewarding comparison to review Hirschman’s thinking and practice in the light of the learnings from the start-up world.

Creative Terminology. At Innovationsregion Lausitz GmbH we deliberately adopted language from the start-up world to talk about the challenges of structural change. We have set up the “LausitzLab” as an explorative laboratory. We call a research and development platform “Ko-Innovationsplattform Industrie-Automatisierung”. A book recollecting experience from past structural change of local entrepreneurs got the title “Chancen der Lausitz” (Opportunities for Lusatia).

This contrasts with the official talk of politicians and terminology of research experts on coal exit and structural change in the actual German debate. There is a lot of talk about coal-exit (“Kohleausstieg”), a structurally weak region (“Strukturschwäche”), “just” transition (supposing “injustice”), social protec-

tion (“Sicherheit der Arbeitsplätze”) and “participation” (in a centrally decided political process). It is a discourse of decline, pretended influence of the locals and promises of security.

Albert Hirschman alerted us to the danger of ‘fracasomania’. The question is: what is the role of the creative terminology we use to talk about the challenges to face? Do we speak honestly about the insights we have? Do local people perceive this as a correct description for their situation? If we take a Hirschmanian perspective on “systems in disequilibrium” and “non-linear processes”, I fear and I feel that we should employ terminology reflecting the high risk as well as hardship of these processes and what people in these regions have to expect in the coming years. At the same time an adequate terminology conveys also a mindset to take an entrepreneurial approach towards a better future. The term “possibilism” is for me an inspiring example: it highlights how little we know in such circumstances about the future – both about its upsides and its downsides.

Akteurszentrierter Strukturwandel – Institutionalization Phase (2019): struggle for agency

By 2019, the search for orientation continues. First partial successes appear. A lot of insights into the challenges have been generated. Overall new patterns of cooperation have been established. On the economic side, the disequilibrium disruptive forces are setting in for the lignite sector (plant closure, reduction of work force, credit crunch). In mid 2019 a prominent commission on “work, structural reform and employment” concluded a compromise on coal-phase out on the federal level in 2018. The commission was carefully composed of 32 members balancing the presumed conflicting political interests on a national level. The commission elaborated within less than a year a time frame for coal phase out until 2038 in Germany and catalogue of support measures for the affected regions (totaling some middle two digit amount of billions of Euros over 20 years). Though this commission had no formal legislative power, the executive and legislative started to develop legislation and action programs along the lines outlined by the commission. As

a consequence, the debate over the institutional and organizational governance in Lusatia has become a critical question. At the time of writing this paper, the central state ministries seem to take the decisive role in this change process. As a consequence, regional state governments (“Länder”) align along their traditional and established state-center organizational lines. The State of Saxony has just announced to form a dedicated legal entity (“Entwicklungsgesellschaft”) which regroups both coal regions within in Saxony – a third of “Lausitzrevier” and the “Mitteldeutsches Revier” – into a single organization. On the local level, the regional entities (Lausitz Runde, Innovationsregion Lausitz, Wirtschaftsregion Lausitz) created over the last three years appear now to be outpaced by these new structures. Regional fragmentation of Lusatia seems to come back. And as the central state decided not to create regional funds but intends to provide the resources mostly through existing programs and policy measures on the federal level, the power structure and power lines are molded along existing structures outside of Lusatia. It seems at the moment, that local initiatives can only “shop” from the central state programmatic options.

Castelletto III: A key milestone in the reaction to disruptive change is that the region organizes itself and addresses the problem of agency in the transformation process. In situations of disruption and economic disequilibrium, time horizons are short and impact of change high. Such situations typically require the “region” to formulate goals rapidly, coordinate its capabilities and allocate scarce resources.

Observation. The question for a highly industrialized region is how much of its already accumulated “regional economic system” in terms of infrastructure, business organizations, governance structures and cultural specialization can be saved for a new specialization beyond the current economic activity in decay. Will the resilience be such that much of the cumulated ‘cultural capital’ (coordination processes, business organizations) will be reused? Can the

existing governance and business organizations become key organizers of the transition? Or will the decay be faster than the transition and existing governance structures and business organizations will vanish before new viable economic activities will be rising? In such a case, the transition will probably occur predominantly through a migration of individuals either within the region from one employment to unemployment and new employment or a migration out of the region.

Relating to concepts. Within a highly developed industrial society, a large number of players is active in the field of development and innovation – political parties, specialized branches of the administration on different levels, the universities and interest groups and associations (for the case of Lusatia see Lange 2017 on “Netzwerkbildung”). A successful industrial society or region usually has developed an elaborate pattern of coordination in order to create some competitive advantage for the region in the global economy. Now, under a disruptive external shock, such a regionally coordinated ecosystem becomes a challenge on its own. The existing processes and structures itself are affected by the shock. Past priorities, authorities and legitimacies are subject to change too. Who and which institution has both legitimacy and the authority to speak and act on behalf of the region? Although some cohabitation of different structures can be creative as well as constructive in the initial phase of structural change, a coordinating structure capable to integrate strategy development, mitigation of interests and execution of actions is the more important the stronger the intensity of structural change in the region becomes.

The coordination in such developed industrial societies has been outlined in their complexity by multi-level models reflecting different layers of coordination – markets, political regime, organizations, individuals (Geels 2011). Another approach to frame the complexity of coordination provide concepts of ecosystems – where Isenberg’s entrepreneurial ecosystem with its major categories markets, human capital, supports, culture, finance and policy may serve as an example (Isenberg 2011). The efficient coordination of such an

elaborate entrepreneurial ecosystem is a corner stone of competitiveness of a given region – a state of optimization sometimes labeled smart specialization (European Commission 2012). Much less studied are the transition states of such entrepreneurial eco-systems and the conflicts and change processes arising when they come under shock (see contribution of Tomenendal et al. in this volume).

As this phase of institutionalization is still ongoing in Lusatia, it is too early to assess the full picture of this process. It is visible that existing coordination structures struggle to organize regional coordination. We observe that the number of agents went up in face of the coal exit since 2016. The coordination costs in the system scales with the number of agents. This plus the uncertainty about actorness, legitimacy and authority absorbs a lot of energy from the community and leads to friction and inefficiencies.

Creative Terminology. Looking at these phenomena of internal complexity of regional economic systems under shock, I would like to discuss this in terms of Entropy of Coordination. If the regional specialization is very high and comprises several layers in the multi-level model or the alignment of several elements in the entrepreneurial ecosystem, it appears to be attractive to attempt a change process involving current actors, organizations, institutions and networks already in place. If successful, this shows the resilience of such an established ecosystem. Change management occurs on a higher level of regional self organization. The coordinative entropy remains close to the former level of the equilibrium system. It might be on the other hand, that the incumbent ecosystem has not the resilience and most of its structures decay. The number of coordination tasks explodes. The entropy of coordination in the regional system will go up accordingly. The change will be done to a large extent on the level of lots of individual choices and coping.

Outlook

The experience of Lusatia as a mining and energy region entering into a policy induced coal phase out has been presented in

three phases: formation of initiative, experimentation and institutionalization. The scholarship of the Hirschman community has been an insightful and helpful frame to read and interpret the difficulties, contradictions and also the measures developed by Innovationsregion Lausitz GmbH in the years 2016 – 2019. The concepts of “Akteurszentrierter Strukturwandel” as an adaptive strategy to disruptive change, the “LausitzLab” as a set of cooperation formats and an attempt to frame the struggle for regional agency with a concept of “Entropy of Coordination” have been discussed in this paper. Based on the fruitful exchanges during the conference, it appears promising to integrate further the approaches developed in start-up communities and new venture development with the scholarship in development and regional economics.

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Matthias Tomenendal, Hans Rüdiger Lange, Christian Raffer

Possibilism at Firm and Cluster Level: How Institutional Logics Affect Regional Economic Resilience in Lusatia in the Face of Decarbonization

Introduction

In the course of our research on the lignite-mining cluster in Lusatia, East Germany, we have realized that Hirschmanian ideas are inspiring and fruitful for developing intellectual foundations and practical actions in the pursuit of a promising further development of the region. In this contribution, we aim to highlight main findings of our current research and link these to Hirschmanian thinking as we interpret it.

Our object of study is the Eastern German region of Lusatia. Because of large natural lignite reserves and centralized industrial policy during times of the General Democratic Republic (GDR), this region is strongly linked to coal mining and power generation as of now. When the German federal government decided for the phase-out of lignite-based power generation a few years ago, the region of Lusatia was exposed to a shock with regard to the development of its regional economic system. From the perspective of cluster research the key question arises, how cluster firms and subsequently the cluster may be resilient in the face of this shock. And from a Hirschmanian point of view the more general question arises, how the further development of the region of Lusatia may be supported.

In this context, we aim to make a contribution by proposing, from a neo-institutional perspective, that antecedents for cluster resilience are changes of institutional logics which may eventually lead to higher resilience of cluster firms and finally of the cluster. In

line with former research, we find that in the face of turbulence, institutional logics in firms become contested and develop towards more openness and collaboration. This process is an interplay of structure and agency in organizations with a more significant role of agency in times of crisis. At this point, we see a connection to Hirschman's idea of possibilism in the sense that individual actors who act outside the realm of dominant institutional logics may serve organizations well in achieving resilience.

Our paper is structured as follows: after an introduction into the current situation and significant historical developments of Lusatia in the last decades, we introduce our theoretical framework based on neo-institutionalism and cluster research. Afterwards we present the design and key results of our empirical study of cluster firms in Lusatia. Finally, we conclude, focusing specifically on links of our research to ideas of Albert O. Hirschman's.

Lusatia as a Challenging Case for Regional Transformation

Lusatia, which is located in the East of Germany and entails the Eastern part of Saxony and the Southeastern part of Brandenburg, has been a mining region since the late 19th century. It developed quickly in the 20th century, especially when Lusatia was to become the leading "energy district" (Energiedistrikt) of the GDR with the city of Senftenberg as the "capital of lignite" (Hauptstadt der Braunkohle) and the "Energiekombinat Schwarze Pumpe" at its centre. At times, lignite from Lusatia contributed to 87% of energy generation in the GDR, as lignite was the only domestic source of energy in Eastern Germany (Schulz and Schwartzkopff 2018: 12).

Germany's re-unification and the subsequent de-industrialization eliminated large parts of other traditional industries of Lusatia – like aluminum production in Lauta, steelworks in Lauchhammer and the important textile industries in cities like Cottbus, Spremberg, Forst and Guben. In spite of the closure of four fifth of the mines which had operated in 1990, the relative importance of the energy sector for the region was highlighted by the GDR's strategic move to make the lignite-based electricity production an "anchor of stability" in the post-reunification years. During the privatization

phase in the early 1990s, mining activities were regrouped in the company of LAUBAG (Lausitzer Braunkohle AG). Its headquarters were moved from Senftenberg to Cottbus, and the headquarters of the East German utility VEAG (Vereinigte Elektrizitätswerke AG) were moved from Berlin to Cottbus in order to create a national utility champion at eyes' level with the other major German utilities. The companies LAUBAG and VEAG were sold to the Swedish state owned utility Vattenfall in a move to further internationalize the East German economy. The power plant fleet was completely modernized and expanded well into the second decade of the 21st century. Over this period, Lusatia saw an increase from 55 (2000) to 62 (2016) Mio. t of lignite output per annum – representing 36% of production (2016) in Germany as a total (RWI 2018), which corresponds to 10% of electricity production in Germany. Direct employment in the lignite-based electricity production grew from 7,081 (in the year 2000) to 8,281 employees (in the year 2016). The share of Lusatia in the lignite-mining work force increased from 36% to 42% in Germany over the same period.

As a result, the regional economy of Lusatia is today still a region with a strong specialization in the energy sector. The high value creation in the lignite-based electricity generation is due to the comparatively high transport costs of this fossil fuel and therefore the concentration of a near complete value chain reaching from land preparation, mining, recultivation over transport to power plant engineering, operation and waste management. The lignite-mining cluster provides identity to the region and a major source of employment. Overall the region still counts around 24,000 coal-dependent workers and an annual value creation of about 1.4 billion € in terms of salaries and local contracts from this sector (BMW_i 2019: 74). Furthermore, a strong industrial cluster of firms and other institutions like universities, research institutes or industry associations has developed around the theme of lignite mining and power generation. Given the economic, but also the social and political, background the transition of a centrally steered lignite-mining cluster with two focal firms (LEAG and VEAG) towards new areas of economic activity without dominantly leading firms and institutions is a big

challenge. The region of Lusatia now has to show resilience, that is “a multidimensional property embracing not only recovery from the shock and resistance (the ability of regions to resist disruptive shocks in the first place), but also re-orientation (the extent to which the region adapts its economic structure), and finally renewal (the degree to which the region resumes the growth path that characterized its economy prior to the shock)” (Martin, 2012; cited from Bristow/Healy, 2014: 924).

Regional Transformation from the Perspectives of Neo-Institutionalism and Cluster Research

We refer to cluster research and neo-institutionalism to address the question how cluster firms may show resilience in Lusatia.

Hervas-Oliver, Sempere-Ripoll, and Boronat-Moll (2014) called for linking the relational view of *cluster research* (which has the cluster as a complete system in focus) with the resource-based view (with individual cluster participants in focus). Such a bridging of different streams of cluster research may be achieved by cross-disciplinary research, which is characterized by “the contamination between the various disciplines, which borrowed theoretical frameworks and analytical tools from one another, enriching the notion of clusters in a co-evolutionary and trespassing process” (Lazzeretti, Sedita, and Caloffi 2014: 23), much in the sense of Hirschman (1981). Following this tradition, we strive to trespass several streams of cluster research such as evolutionary economic geography, innovation and firm analysis as well as inter-firm networks, social capital and flows of knowledge, according to the classification of cluster literature by Hervas-Oliver et al. (2015). To this end, we will promote the idea that cluster resilience is driven by institutional logics, which connect structure and agency and may serve as the linking pin between the relational and resource-based view of cluster analysis.

We understand a cluster as an agglomeration of firms and institutions, which share activities in a value network. Cluster resilience is “an adaptive capability that allows a cluster to make changes to overcome internal and external disruption and still function with its identity as a cluster within a particular field”

(Østergaard/Park, 2013: 2). A more general concept is the resilience of economic regions. Martin and Sunley state that “the notion of regional resilience is necessarily context- and place-dependent”, but they call for research on “general principles concerning its definition, measurement and explanation” by conducting “case-studies of specific regions” (2015: 36). In this line of thought, we propose to study the specific case of the Lusatian lignite-mining cluster deploying a qualitative methodology, also to “stress the unique rather than the general, the unexpected rather than the expected, and the possible rather than the probable.” (Hirschman 1971: 28).

Former studies on specific clusters rather raised questions on the resilience of cluster firms: Behrens, Boualam, and Martin (2018) did not find any evidence that plants in Canadian textile and clothing clusters are more resilient than those outside clusters. Østergaard and Park (2013) found mixed results on the wireless communication cluster in North Jutland, Denmark, but they concluded that the degree of entrepreneurship has a positive effect on cluster resilience. Too much dependence on focal firms in clusters seems to diminish cluster firm resilience (Martin, Mayer, and Mayneris 2013). This is especially the case when the leading firms are multinational corporations who quickly withdraw from businesses in the face of crises. Elola, Parrilli, and Rabellotti (2013) found that the resilience of cluster firms in the Basque wind energy industry depends on their flexibility and ability to act in the international arena. Delgado and Porter (2017) report a positive effect of clusters on their participants’ resilience in the U.S. (2017), depending on the business-sector diversity of a cluster: Clusters in which firms belong to a set of related industries have been found to be more resilient than clusters in which firms specialize in one narrow industry. Yet, resilience of a cluster does not necessarily mean resilience of all firms (Delgado 2017). Higher resilience seems to be shown by “flexible firms” with regard to their product/service offerings, which act in clusters with “adaptive capacity” and “appropriate institutional forms of coordination” (Storper and Christopherson 1986).

In sum, there is still a lack of empirical studies on how sector-specific cluster firms can increase their resilience as a reaction to

a shock. Here, we propose to relate to neo-institutional thinking. *New (or neo-) institutionalism* is one of the leading organizational theories today. It is characterized by a focus on how the external environment socially constructs organizations by providing templates for formal structures and policies for increasing an organization's legitimacy in the wider world (Powell and Bromley 2013: 764). The institutional context is characterized by institutional logics which are defined as "socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality" (Thornton and Ocasio 1999: 804). In this sense, institutional logics provide a link between individual agency and socially constructed institutional practices (Thornton and Ocasio 2008: 101). Analyzing changes in institutional logics is an application of Hirschmanian possibilism from our point of view, as possibilism can be regarded as "a tool of analysis based on cognitive presuppositions rather than on the assumptions of the rational homo oeconomicus" (Lepenes 2008: 449).

Moreover, recent research on neoinstitutional theory "has been at the forefront" of efforts to analyze how organizations deal with multiple, sometime divergent, external pressures, especially how to deal with turbulences (Ramus, Vaccaro, and Brusoni 2017: 1253-1256). The relative importance of institutional logics within an organization may change in the course of turbulences (Reay and Hinings 2009). In addition, in the face of turbulence collaboration among organizational members, who advance different institutional logics, is important (Ramus, Vaccaro, and Brusoni 2017), even if it becomes more difficult (Almandoz 2012).

There is limited research on the role of institutional logics in the development of clusters so far. Tilleman (2009) found a positive role of congruous institutional logics in a study on cluster emergence in wind and solar energy industries. In a study on agricultural clusters in Ghana, Osei-Amponsah, van Paassen, and Klerkx (2018) found processes of bricolage and blending of institutional logics of potential partners in development initiatives and conclude that a

deep understanding of such processes may serve development practitioners in the future. Yet, there is still a considerable gap in literature at the interface of specific research on the resilience of cluster firms and clusters in the face of an external shock and on how institutional logics develop for increasing an organization's legitimacy, its resilience and finally chance to survive. It is here where we aim to contribute with our study. We strive to analyze how cluster firms change institutional logics in their pursuit to prosper further and to survive – in a word to be resilient.

Empirical Findings Hinting to Changes in Institutional Logics for Higher Resilience as “Possibilist” Moves

Data for our qualitative empirical study were collected in ten expert interview sessions in Lusatia from summer 2017 to the early months of 2018. In each session, five to ten entrepreneurs or representatives of public or research institutions participated. The mode of interviewing was a so called “Erzählalon”, a combination of group discussion and narrative interview which follows the tradition of focus group interviews (Richter and Rohnstock 2016: 94, Patton 2002: 385). The group situation helped to disclose collectively relevant processes and to socially control extreme and distorting views. While the interview situation promoted exchange of representatives of companies and institutions from within and outside the energy sector, we analyzed only material from representatives of firms which either directly or indirectly (e.g. by services to direct participants) operate in the field of energy-tech (Zukunftsagentur Brandenburg 2012). In the final sample only firms were included which employ at least 50 people. The interviewees who participated in the group interviews, which we analyzed, represent 13 out of 91 companies with more than 50 employees in the Lusatian lignite-mining cluster. Out of these 13 firms, for seven (Firms A to G) the interview material was rich enough to identify institutional logics and their transition.

We audiotaped and transcribed all interviews. We analyzed the transcripts by structured content analysis according to Mayring (2014). In the center of our content analysis, there was a system of

categories, which was based on neo-institutionalism as applied by Ramus, Vaccaro, and Brusoni (2017). Our fundamental structuring dimensions, were “old institutional logic”, “new institutional logic”, “external shock” as well as “moderation of institutional logics” and “institutional complexity”. These were split up in finer-grained dimensions. Subsequently, the dimensions were brought together to form a consistent system of categories. Two researchers then coded the transcripts to guarantee inter-coder reliability. The result is a case-based identification of all text passages, which correspond to the coding scheme and a subsequent aggregation of those codes to higher-level categories.

Three main findings emerged from analyzing the empirical data: First, all of the seven analyzed cluster firms, in the face of the external shock, increase their openness towards innovation and try to develop new business ideas by adapting their core competences. Representatives from all firms mention that they do something new now, something innovative. In all firms, it becomes clear that the innovation, which goes in line with an adaptation of core competences, needs experimentation, an element of institutional logics, which clearly deviated from the past:

“We need to develop products for new fields of business, we conducted research in this direction. It is about getting an idea of where to go in the future knowing fully well that mistakes may happen.” (Interviewee from Firm E)

“The situation is new for us, but not unmanageable. In our company we made one or two attempts to find future fields of business, took the freedom and were courageous enough to work on ideas.” (Interviewee from Firm G)

We suggest regarding these experimental moves as signs of Hirschmanian possibilism, as the experimenting actors surely act outside of formerly dominant structures. They enact strong agency, looking for a unique solution in an unknown situation.

Second, our data reveals that for developing new business models and eventually coping with the external shock, cluster firms increase their openness towards cooperation with other cluster

firms. They put effort into building a network, including competitors.

"We need to cooperate; we are located closely to each other. It is possible to talk and to enrich each other. It is important to build alliances and to learn what the others do." (Interviewee from Firm B)

We interpret this move as an attempt, beyond former institutional logics, to collect ideas and to build potentially useful links in order to generate new business. In the formerly rather stable Lusatian lignite-mining cluster, this is a clear shift in institutional logics. It is a search for new possibilities for the future.

Third, we found comments that centered on the topics of "moderation of institutional logics" and "institutional complexity". Institutional complexity is a state of increased stress or fear induced by the transition from old to new institutional logics (Ramus, Vaccaro, and Brusoni 2017). Then, active moderation in the process of changing institutional logics is suggested. Our interview material of five sample companies provides evidence of institutional complexity. The interview material of three companies indicates the existence of moderation processes in the form of workshops or an actively communicating management. From our point of view, these activities further enable possibilism, as they facilitate in the legitimization process for innovative agency – in search of possible, rather than ideological solution.

Conclusion

We interpret Hirschman's idea of possibilism as the search and support for independent and experiential agency in complex situations of socio-economic transitions. With this interpretation, we refer to Lepenies (2008: 448): "Hirschman advocates an escape from the 'straightjacket constructs' of policies grounded in generalizations, universal laws and fixed sequences by searching instead for the uniqueness or unique features of a given situation. This would then allow the identification of possible 'avenues of escape'. He calls this approach 'possibilism'. It is based on the belief that change within any given setting is possible, but that identifying agents of

change requires a propensity to search for hidden rationalities or interpretations of local settings which at first sight might be counter-intuitive.”

In our research on the socio-economic transition of the Eastern German region of Lusatia, which is the case of a lignite-mining cluster that has to prove resilient in the face of a shock, we found that changes of institutional logics within cluster firms occur and can be the basis of resilience. The changes contain a more adaptable view on core competences of the firms and a greater openness to communicate with other players inside and outside of the cluster. In addition, signs of higher complexity of institutional logics could be found as well as the existence of coordination activities for arriving at new institutional logics after a phase of contested logics in the face of crisis. These findings are in line with Ramus, Vaccaro, and Brusoni (2017): to support changes in institutional logics, moderation processes within organizations are recommended. In addition, reflections and discussions about current, and potentially restricting institutional logics with regard to more innovation may serve organizations well. More communication within organizations may be effective for bringing forward formerly neglected ideas and components of institutional logics. Agency should be strengthened over structure so that cluster firms may make use of a variety of possible elements of institutional logics in the situation of a shock, when the most beneficial way forward is less clear than in stable times. In this context, we think that we are well consistent with Hirschmanian thinking on situations of regional economic development. As Lepenies points out, “Hirschman’s work propagates the necessity to identify ‘built-in modifiers or remedies’ and to explore whether the system might contain the ‘seeds of its own destruction’ which allow for the reduction of dependencies from within” (2008: 444). Thus, for propagating socio-economic change, based on changes in institutional logics, agents of change should be strengthened in the course of “ideology-free development work”. With our research, we strive to highlight the powerful role of institutional logics in fostering innovative regional transformation if it is regarded from a

Hirschmanian perspective of possibilism, i.e. as channeling and empowering mechanisms of small-scale and disparate innovations, which reveal what could be (Hirschman 1971/2013).

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Francesco Messina

Possibilism as a Cornerstone of Consultancy

This text aims to describe the *modus operandi* behind our consultancy service, CentoCinquanta. We will try to shed light on our methodological efforts as consultants and practitioners of Hirschmanian possibilism using examples to provide insight in support of the method.

CentoCinquanta is a management consultancy company. Today it mainly deals with defining and implementing management control models. The company name reveals its origins—CentoCinquanta came into being at number 150 Via Umberto in Catania. It was not initially clear to us what we would achieve, and the choice of name fell on our location at the time when we were just starting to give shape to our ideas. As we shall see, this turned out to be a point of strength.

In the early years we did a wide variety of things: we went with entrepreneurs to trade fairs, we arranged exhibition spaces, we accompanied business people presenting themselves to credit institutions, we created an online newspaper and sold it, we organized the participation of several Italian universities in the model United Nations, we facilitated the birth and growth of four associations of entrepreneurs in different areas, etc. Each experience led to another and improved our ability to do business. This stimulated our empathy for the efforts made by entrepreneurs—we immerse ourselves in their problems by experiencing them first hand; and this helped give the relationship a psychological boost, even though none of the founders has this sort of educational background. Thanks to this empathy we don't just identify the right thing to do, but we ascertain

what impediments might limit its effectiveness in the business context and we support management to ensure its successful implementation.

We could never imagine a service that merely suggested what to do without building the tools required to make the suggested change a reality. I believe that the roots of much of this approach lie in both the chaotic entrepreneurial experiences of our youth, and having been supported in these experiences by the lessons of Hirschman proposed by Meldolesi. CentoCinquanta has a short slogan: "* A bit different" meaning that we felt that our way was something different with respect to current trends in consulting. What this difference consisted of is the essence of this article.

*** A bit different**

A consultancy should suggest and apply solutions that allow the company to grow and become independent in its ability to reorganize itself. Some of the tools used in consulting can block a company's endogenous growth process.

As Mintzberg and Westley (1992) point out, change can take place on a level that is either more concrete or more conceptual. The first of these is less traumatic for the individual, while the second demands a radical alteration of mental models. In this sense, the literature distinguishes between "single loop" and "double loop" learning. The former is reflected in behavioral changes rather than changes in the understanding of what has happened. This leads to incremental modifications or adjustments in the existing interpretation (Watzlawick, Weakland and Fish 1974). The double loop refers to a restructuring of the individual's mental models and results in a significant change in the understanding of what is happening. The double loop is correlated with the elimination of concepts and the associations set up previously between these concepts and the external environment, along with the addition of new concepts and associations. For this reason a low level change will more likely be

linked to single loop learning, while a high level change is linked to the double loop type.¹⁹

This means that the company's efforts in training personnel have to be much more intense in the case of radical changes, in order to favor a complete understanding of the double loop mechanism and the related replacement of the old mental model with the newer one.

Figure 1 shows single-loop learning, on the left, and double-loop on the right.

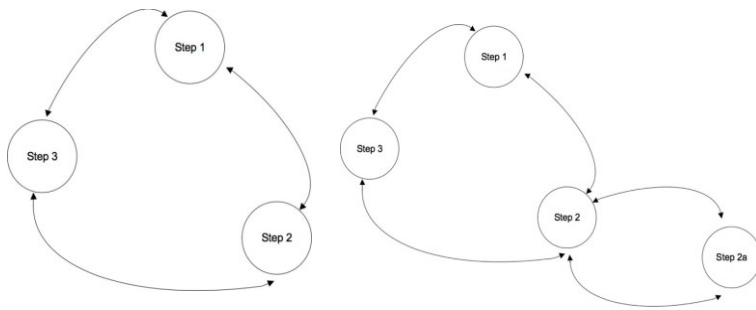


Figure 1 Single and Double loop learning

Single loop learning is the ability to find and correct errors within a set of norms. Double loop learning is the ability to maintain a double view involving observing phenomena and also questioning whether existing norms are still valid or need to be modified.

- Step 1 is the process of understanding and monitoring the environment.
- Step 2 is comparing the information received through monitoring with existing norms.
- Step 2a is the process of “questioning” and examining whether the norms governing an action are still valid.

¹⁹ For a more detailed study of the topic of single and double loop learning, see Morgan (1997: 76 - 86)

- Step 3 is the launching of an appropriate action, consistent with the answer to step 2 (single loop) and 2a (double loop).

In the example offered by Gareth Morgan (1997), a thermostat that regulates the ambient temperature in a home is a single loop learning instrument. It checks the ambient temperature (step 1), verifies the desired temperature—in other words, the norm (step 2) and decides whether or not to turn on the heat (step 3). A thermostat will never be able to determine whether the norm is correct or not—whether, that is, in the example, the temperature will be right for the comfort of the people in the room. Many organizations become experts in single loop learning, developing skills in understanding the external environment as well as in defining objectives and generally monitoring system performance with regard to these objectives.

These skills are often institutionalized in the form of systems able to keep the organization up to speed.” Some examples:

- 1) The budget and other systems of managerial control often favor single loop learning because they monitor costs, sales, and other performance indicators that ensure that organizational activities stay within established limits. Advances in the computerization of management systems have amplified this type of “single loop” controls. Double loop learning requires the institutionalization of a system that is capable of reviewing and boosting the basic paradigms and operating norms. Many organizations, bureaucracies in particular, generate systems that impede the process of norm modification and perpetuate themselves in single loop learning.
- 2) Bureaucratization tends to create fragmented systems which, by parceling out problem solving among different individuals in hierarchies and in different sectors, make the problem of modifying norms nearly impenetrable. The existence of hierarchies and horizontal divisions tends to emphasize the distinction between different elements of the organization and amplifies the development of systems that

pose barriers to learning; revision of standards thus becomes rare and occasional. Under these circumstances, single loop learning is strengthened and can actually put an organization on the wrong track.

- 3) Processes involving bureaucratic responsibility and other forms of reward and punishment can prevent threatened workers from finding creative solutions and can activate defensive forms of behavior. To protect themselves and their co-workers, people sweep problems under the rug to avoid having to deal with them. They become skillful at reporting only partial truths that put them in a good light, omitting situations that might compromise the progress of the task, or simply with the aim of pleasing a superior. An extreme example, reported by Gareth Morgan (1997) is the destruction of the space shuttle Challenger due to insufficient quality control—a deficiency that, although known, was ignored to ensure that the shuttle launch would take place at the scheduled time.

Transmitting a double loop learning approach is what characterizes us as * A bit different. It requires efforts in the design phase and the implementation phase that are completely different, and the examples we focus on below will highlight these, showing how they make such an approach possible.

Every time we start a consulting activity, it is customary to request the client company to host an introductory meeting for the purpose of introducing the team of consultants to the employees. During this meeting we ask a question that mainly functions as an ice breaker: “Do you think there are opportunities for improvement that can be activated in this company to reduce waste or increase product quality and customer satisfaction?”

Typically, in all companies, the vast majority of attendees raise their hands. Our job, of course, is to distinguish those ideas aimed at solving an individual problem, perhaps at the expense of quality and productivity, from solutions that actually produce an advantageous advancement for the whole structure. The

entrepreneur is always surprised to find that most of the ideas offered are of this second kind. Thus, while the control model is being defined we activate in parallel cross-sectional teams that search for bottlenecks, malfunctions, errors or new opportunities that can increase company margins or improve the well-being of its components without generating new costs, but simply by reorganizing existing costs.

This is made possible by the strong Hirschmanian conviction that slack is always present—that resources exist, but they are scattered, unused or misused; this is indeed true, and this energy can be mobilized to reach a better level. Activating teams is a necessary tool, but it is not enough. The people involved must come to appreciate, little by little, that their contributions are relevant and that what they say really affects processes since they themselves are immediately responsible for them. In other words, they have to discover the implications of working in a free environment. In this context, what we mean by freedom is the opportunity to present their own ideas without fear of judgment and to discover that these ideas will always be evaluated—they may be criticized, but they may lead to new initiatives for improvement. This freedom is won day by day in increasing degrees of awareness and its main enemy is self-censorship. For this reason, we help people search for any debilitating beliefs that perpetuate the status quo and prevent the generation of effective new initiatives.

Design vs Implementation

During the course of our work we distinguish two periods: the design phase and the implementation phase.

The design phase. During this phase, we verify what the management's annual and multi-year objectives are, what information it would like to see and how often, how it would like to reorganize the organizational chart, job descriptions and procedures, and what sorts of slack should be taken up in the short term. Starting in the design phase we give great consideration to the role of debilitating beliefs. The managers and entrepreneurs taking part in drafting a

strategic plan can be infected with self-limiting ways of thinking that severely restrict innovative action—and without new action it is impossible to generate growth. We have formulated a set of questions that lead to a deconstruction of such debilitating beliefs, beginning with recognizing their existence.

In the context of workshops involving people whose roles in the company are diverse, the participants are each asked to describe their own role, whom they identify as benefiting from their work, and how much this “alter ego” values their contribution. In other words, if I fill the role of assistant cook, my beneficiary will be the cook and I can ask how useful I think I am to the cook. This question elicits first reactions. Individuals are forced to look at themselves from the outside and judge themselves. There is no judgment from others—in our example, the cook, if present, would not be asked to comment.

Typically, in the first round, the different subjects involved give themselves—on a scale of 1 to 10—points that vary between 5 and 7. At this point we ask, “What would you have to do to get to 10?” This question helps the subject bring into the open what it is that isn’t working.

Then we ask: “what has prevented you so far from deserving a 10?” and shift the attention from generic external problems to problems that would respond to a proactive push. This crystallizes the fact that there are margins of autonomy that can be exploited for improvement.

The question that follows is: “If, even though you knew of an error and how to fix it, you still didn’t do anything about it, then there must be some reason. Can you tell us what it is?” This is where debilitating beliefs come out. The list of reasons why no steps are taken even when it is known that something could be done amounts to a set of justifications for the status quo, and everyone—apart from the person discussing the point—can see what a debilitating belief in fact is. It is incredible to see how hard it is for the direct interlocutor to see at this point that what he or she says is not an absolute truth, but a point of view that is blocking any other way of thinking.

Here are examples of beliefs found in the company and their counterparts—prerequisites for the correct exploration of an effective action. Up to now we have identified a set of debilitating beliefs, but this is not a sufficient basis for a plan of action—it is first necessary to uncover new and empowering beliefs that would underpin the idea that change is possible, and with this purpose in mind we ask: “What new belief will determine the new level I want to set for myself?” There are a thousand difficulties with this question and it is not easy to extract an answer on the first attempt; the individual must be given time to grow into it and often success comes only after a few meetings.

Debilitating	Empowering
I don't have time	I don't know how to organize my time differently
I can't take on these responsibilities	I don't know the subject
No one is responsible	I've never helped define the roles in the company and I've never seriously questioned my role
My boss and my colleagues don't listen to me	I don't know how to properly communicate my ideas and share them with others
I don't know how to properly communicate my ideas and share them with others	I don't know how to do things differently
We'll never be able to do it	I have never succeeded and I have always tried with the same strategy—I don't know any others
My colleague just doesn't get it—it's pointless talking to him/her	With that colleague I can't make myself understood
I can't do it	I'd like to learn to do it
It can't be done	I don't know of examples of people who have managed to do it
The costs of my responsibilities can't be reduced	We need to go into the details to set the costs differently
The client is always busy and hardly has any time for me	The client has time for me because I offer solutions that are useful in his/her work
I have several clients I focus on; others just waste my time	All clients have their peculiarities and need to be studied carefully
If I started checking the overall effectiveness of the team, I would be less able to take care of the details and people would judge me incompetent // Or, my team judges my skills on my ability to solve problems.	I can improve the team by helping them stay connected to our overall vision without going into too much detail.

At this point the question becomes: based on an empowering belief, what action can I take?

The idea here is the construction of a convincing plan of action that is free of prejudice and useful in building real innovation. The pathway is not a straight line—if a person in power takes advantage of the moment to reprimand those who are opening up to a dialogue, the process will be blocked. For this reason we carry out preliminary meetings with senior managers preparing them for the approach they should take during the meetings.

The implementation phase. During this phase we help employees at all levels put into practice the decisions that have been made.

As planners know, planning is one thing and application another. In the application phase, everything comes to the surface, the small details that prevent the immediate realization of what has been projected are put through a necessary “fine tuning” that can only take place following the acquisition of data in the field through trial and error. And here we close an initial link in the chain of reasoning: although innovation is essential for competition, it necessarily involves wandering in uncertain surroundings, and making mistakes is an inevitable consequence of learning in an uncertain context. Acquiring the freedom to propose an idea that may prove to be incorrect is a point of arrival for mature teams that actually manage to generate innovation, and it is not at all obvious that this will take place. Implementation is risky.

Keeping the strategic plan and project plans together

You might say that we create an organizational system that allows the free expression of ideas. Contributions can come from any position; the warehouse worker may have useful suggestions on how to reduce delivery times to customers, just as sales staff can contribute in an important way to defining what customers like best about the product and in this way guide research and development in focusing on certain details.

These suggestions can feed into a system of constant innovation, but they can give rise to two kinds of problems: different divisions may have projects that conflict with one another and the budget may not be enough for all of them. Because of this it is essential that management have a system that defines the objectives it deems necessary to ensure the growth of the company. Initiatives are collected in a single plan of action as outlined by Kaplan and Norton (1996), each equipped with a dashboard that monitors whether the individual projects carried out are in line with company objectives or significantly deviate from these objectives.

It happens that we have encountered difficulties of this type, which we can summarize in two broad categories:

- management fails to formalize its own objectives;
- management is unable to follow up on the formalized objectives by means of relevant projects.

In addition to the inevitable corporate culture necessary to master the topic, the private companies where it was most difficult to construct a formal development plan and where there was the greatest disconnect between the objectives set and the actual projects had one element in common: management was not a cohesive group and pursued different visions. In such cases our work is geared toward understanding how each manager (each partner, each official) imagines the company in the coming years, what dangers it should be protected from and what opportunities are considered important to pursue. This exercise can produce a synthesis that everyone agrees with—it's incredible to note how often managers find they are more cohesive and in agreement than they had imagined; or it brings to light irreconcilable elements about which decisions have to be made.

The question concerning the connection between strategy and projects can take on even more complex shades. We have done consulting work for a number of middle-sized municipalities. Each local government decides on an annual budget based on a multi-

year plan set out at the beginning of their mandate. From our dialogue with various officials and managers on the one hand and the departmental assessors on the other, a divergence between political desires and the execution on the part of the technical structures emerged clearly. So we did a double job, on the one hand extracting from the multi-year plan (a difficult document to read, typically over 600 pages) an 8-slide report setting out the strategies included, and on the other summarizing the projects put in place by the various departments and not yet concluded.

In this way officials were able to see for themselves that the plans they were in the process of implementing were incoherent with the strategic initiatives in the multi-year plan—indeed, and perhaps even more serious, they were the projects of the previous administration. This disconnect creates stress in the organization—emotionally the different actors feel that they are armed against each other, while they are governed by an inertia that keeps them moving in the same old direction even despite the results of a new election.

The dynamics of innovation

In Italy, innovation is often seen as a virtue. It is as if a company could go on forever replicating its behavior and periodically just acquire innovation from someone else. Obviously this is not the case, and companies that do not periodically innovate under constant pressure from clients, suppliers or competitors are either eliminated or forced to the margins of the market.

A company that wants to test itself daily in terms of innovation will listen to these agents and will be encouraged to innovate or customize. Such innovations lead to a widening of the range of products or services offered. Some of these products can be extremely profitable, while others turn out to be (costly) nonstarters that fail to produce the desired results. Product catalogs begin to seem wildly diversified, warehouses pile up with materials not reusable for other purposes, and the time spent cannot be recovered.

Conversely, some solutions, perhaps designed to meet a specific need, lend themselves to becoming real Business Units. With additional work on the sales network and on product identity,

they might produce high incomes and guarantee growth in a specific market niche.

For the purpose of the topic under discussion, we assume that the company is equipped with excellent control tools and that it is administered in a timely way—in other words, that the entrepreneur is aware of company data in time to make decisions. This rational choice keeps us from having to delve into issues such as the doubts, anxieties, concerns and uncertainties of the entrepreneur who, out of affection or because he believes that a product, while not generating margins, is nevertheless able to attract customers to other lines, decides to keep it alive even with its low or negative margins.

Every day we witness the frustration of the entrepreneur who would like to devote himself to each of these product lines, but ends up spending his time in the usual routine and is unable to push his team to make an effective effort. We also witness the phenomenon of "cherry picking," in which the entrepreneur launches a new line of work but then does not follow it, confident that someone in the company will take the reins and make it grow. The more independent this new line is from the core business, the more the entrepreneur will be likely to delegate blindly. This will not produce the expected results because in this phase the entrepreneur is delegating a dream rather than a true business plan; and this typically produces dissatisfaction, demotivation and bad feeling.

We can use a parable to try to express how much frustration it can generate working simultaneously with multiple opportunities in parallel. We have a forest with 810 saplings, each becoming suitable for cutting in 3 years; we, skilled woodcutters, have to cut down 5 trees a week and replant the same number of seeds. Let's assume that every day our available energy allows us to give 10 hatchet blows and that this is the number that will fell a tree. We have two alternatives: 1) the first day, cut down and sell the first tree, the next day the second tree and so on up to the last one; 2) chop at all five trees every day knowing that each can be given two hatchet blows. At the end of the first day we would not have brought home any

wood, and the same for the second and the third—we have to wait for the fifth day, when all the trees fall at the same time.

Three effects can be derived from this—one is financial: I will have to manage a negative cash flow for a longer period of time than in the case of the first hypothesis; one is organizational: I will have to make a trip with a larger vehicle (which will remain stationary 4 days out of 5); the third is motivational: we will be just as tired as we would have been if we had cut down only one tree a day, but we won't have brought home any results, and this is a source of frustration.

In an increasingly complex market, where the speed of the decision-making process imposes abrupt changes of direction, waiting for 5 opportunities to come to fruition in parallel is riskier than letting them mature in sequence. It therefore seems more correct to focus on one business at a time, understand its mechanisms from close up, analyze how to build economies of scale and purpose, establish customer and supplier loyalty, make it efficient, put a manager or partner in charge of it, and only after it is in a position to produce income attack the second business. In this case a scientific reduction of less interesting product lines should be considered in order to be able to concentrate on the most profitable business areas. An analysis of this kind will be possible if and only if all data are correctly entered in general accounting and analytical accounting, if the work phases have been correctly analyzed and quantified... etc.

But even this advice is risky. Albert Hirschman (1995: p. 74) provides a useful suggestion that points in another direction: “leisurely, sequential problem-solving is not necessarily a pure blessing [...]. Sequential problem-solving brings with it the risk of getting stuck [...]. I have met with some real drawbacks of sequential solutions, particularly where interdependence among tasks is weak or nonexistent.” In short, there is a risk that focusing on one “tree” at a time will not take advantage of economies of learning that could lead to astonishing innovations which can in turn transform the entire business.

Deciding not to undertake any exploration of business alternatives means that the discoveries and potential innovations that

might have derived from them are fueled instead only by unilateral information. There is a consequent risk of becoming further entrenched in the existing business and seriously compromising “disruptive” innovations, which are blocked by the impossibility of comparison with alternative experiences. In fact, we will see less innovation in the main business due to what Hirschman calls a “jeopardizing” process: the company, fearful of putting at risk its steady results, will postpone innovation in order not to damage the already solidly established business. Jeopardizing explains clearly why it is much easier to build than to destroy—innovations are snapped up with greater motivation and enthusiasm if they do not force a rethinking of already established practices. Opening to a new market, creating a new product, meeting a new customer are more enthusiastically undertaken than getting back to the already established customers, to the xls files or the strings of software code already built, to improving existing products, etc.

Our comfort zones conspire against us, and reshaping what already exists is dangerous because we may no longer remember how it works, but it is producing results. Losing something we already have produces more suffering than discovering that we have missed out on something that we never had in the first place. The *destruens* phase is blocked and jeopardizing is the dialectic (of Hirschmanian memory) that we often find in companies. The entrepreneur would like to modify what currently exists, but is afraid. And yet there is no true innovation without destruction; by dismantling the activities we already know, we can find values that are not yet fully expressed. Perhaps our potential customers have not yet purchased a product because it is missing something inexpensive that could greatly boost its value.

So how do we proceed? Perhaps Hirschman would recommend adding a small office of experimentation (perhaps entrusted to the entrepreneur's best collaborator) alongside current production, which would continuously examine possible alternatives on one hand, and the consequences of the gradual insertion of the most promising of these into production on the other.

Another observation: the failure to eliminate non-functional business areas causes dispersion of strategic focus. Everything we keep running requires concentration on the activities that fuel it. Some time ago, in the case of a client who had started out as a large gardening retailer, we realized that over the years he had expanded his range of products so much that his vision was watered down—he raised animals, produced seedlings, hired out gardeners. Each of these activities was struggling, none produced income because each of them needed the support of specific marketing and his limited resources did not allow it. The strategic focus on the main business had been lost.

The danger here is therefore double due to a trap acting in two opposite directions that blocks the company: businesses moving forward with several projects in parallel risk dispersing resources and bogging down before they see appreciable results; but by not doing so, they risk not innovating at all because of the jeopardizing of the functioning business.

There is a virtuous path here, distinguishable in the narrow space between expanding lines of business and shutting out all innovation. If we value the wisdom of Einstein's observation that "the mind that opens itself to a new idea never returns to its previous dimension," we should be willing to make room in the budget for a number of rudimentary initiatives per period, aware that only a few among these can actually be carried forward and that all will contribute to influencing the current way of thinking about the existing businesses. This involves building a multi-stage innovation "funnel" that keeps the door open to new ideas so that they can permeate the company, and then decants them in a second stage where, based on corporate strategies and constraints on financial and managerial resources, the company can define priorities and set up a budget sufficient to carry out only some of these initiatives, transforming them from ideas into Business Units.

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Francesco Cicione and Gennaro di Cello

Providing Innovation to the South: the Entopan Experience²⁰

F.C.: Building a provider of innovation to the South

We are a small group of people with previous political and economic experience, and we got the crazy idea of building in South Italy one of the most important innovation providers in Italy and Europe. This is an enormous challenge and there are huge difficulties to overcome. My reasoning is based on the other experiment in Italy moving in this direction—H-Farm in the Veneto countryside. I thought it would be a good thing, just as they did in the Veneto countryside, to create an innovation center in the Calabria countryside. They started out in 2005, ten years before we did. The idea was to do something similar to what they were doing while taking a lesson from the critical issues that they encountered. They started before us and they are ahead of us—they were the visionaries, the reference points in the process; we started later but we have their experience to learn from, and the world today has matured with respect to what they are doing.

By comparison with their approach, we can define two choices that in a way set us apart: operating without the support of public funds and without the support of private capital. Madness on top of madness. An act of presumption, perhaps, but at the same time an act of necessity. After all, we are in Calabria and not in Veneto, and we find ourselves interacting not only with a more fragile ecosystem and entrepreneurial fabric, but with a banking and credit situation that is more fragile as well. We did not have Northeastern or Northern manufacturing to turn to for potential customers; we

²⁰ Excerpts from an Interview by Nicoletta Stame, to appear in *Pratiche Possibiliste*, edited by Vincenzo Marino and Nicoletta Stame (A Colorni-Hirschman International Institute series, IDE, Roma).

did not have the large banking groups in the North, and we did not have the big capital and the Northern investment funds. Since we wanted to do better and do more with less we asked ourselves "how do we do it?". So we invented a new way, and that's the difference between us and H-Farm.

H-Farm has been strongly supported by injections of capital. This makes sense from an entrepreneurial point of view. If you need to build a new thing that does not exist, then it is right that there is initial financing—this way the working group is not forced to produce revenue every year and you have 5 years to work and start producing and can get to the break-even point from the sixth year onward.

Everything we have done, on the other hand, has been without the support of capital. If we compare ourselves with them, it emerges that in our first 5 years we had zero million euros from external (external to our own) capital. We managed the whole process with approximately 3 million in financing, of which 1.5 was loans from the banks and / or the rescheduling of tax liabilities (that is, debt), and the other 1.5 million we put in ourselves, in self-financing. While H-farm got their money immediately, before starting out, we started with zero and found the money over the course of several years. For them it was financing that pushed the project forward, while in our case the projects had to follow the financing.

This situation produced both positive and negative effects. On the positive side: we learned to strongly orient ourselves toward achieving results; this has led us to invent a much more result-oriented incubation and acceleration model, because we were in a hurry to earn and cash in. It is not a coincidence that our financial statements have shown profits and positive EBITDA right from the first year of activity. A unique case. We did it by learning to produce results. For example, in the case of any other start-up, they have 5 years to make it work, since they do not depend on this to sustain themselves. Instead, we have had to do it in one or two years at most.

F.C.: Speeding up the innovation chain

To understand better, maybe we need to take a closer look at the concept of the innovation chain. The innovation chain is made up of the following phases. The first is *pre-incubation*. The start-up comes to you with an idea, and in three or four months you try to rationalize it and systematize it, trying in the meantime to understand whether it is interesting. Then is the *incubation* phase in which, once the idea has been rationalized, we start working on it. This phase lasts for a certain period. In other places pre-incubation lasts from six months to a year; with us, in some cases it can last a month—enough time to be convinced that the idea will work or that it won't. Doing this saves a great deal of time. Then comes the *acceleration* phase. After incubating the idea and arriving at the creation of a first prototype, you have to speed up the phase of placement in the market, of pre-competitive development. That is, the start-up has to get out into the market; it must start selling and making money with its idea. Elsewhere, this phase usually goes on for years. Last is the *investment* phase. Once you have verified that the idea works, created a prototype to be put on the market, and started to generate the first market metrics, you can open it up to interested investors ready to capitalize the company. With us, the first three phases, which elsewhere can last from three to five years, never go beyond one or two years. This is because, as an innovation provider we make money when the start-up we have worked on starts producing profits and can pay us. Start-ups initially come to us penniless. We invest in work.

F.C.: Integrating solutions

I am very pleased with the results this type of pace has produced. I knew we had to do it in a year, and that this required integrating and bringing forward the whole chain. In the meantime, I thought I needed multidisciplinary skills, because what happens later in other places must in our case take place simultaneously. Here the legal, administrative, financial, technological, ICT, marketing and communication advisors all had to begin working together

immediately. They are all part of the supply chain—this is our multidisciplinary approach. Obviously, not all of this can be done internally; some things must be outsourced. Therefore we have created national and international partnerships so that what was missing could be provided by the partners.

If, on the one hand, we have a model of incubation, acceleration, investment, to help us understand needs regarding innovation, on the other hand we have to find solutions, and it is here that integration comes into the picture. If we have a start-up put together by three IT engineers who know how to write a program, we have reached the investment phase; but then since they are a company they need administration and marketing, and maybe they don't want external staff. At that point we guarantee them the incorporation of the skills that they don't have—we carry out these functions at Entopan. So all the companies we incubate remain connected to us, some decide to have us as advisors, others want us to integrate their services with ours. Today, however, we are increasingly making the decision to eliminate the integration phase in order to concentrate on the first phases, the setup of the project. A project has a setup phase and a management phase. We are very good at managing the setup phase. Therefore we have decided to limit ourselves to this phase, because the management phase tends to become disorganized. This is a strategic choice.

F.C.: Everything is more difficult here, but we have gained trust

As I said, our local context was way behind and much more sterile than the one in which H-Farm operated. And this means fewer customers. By now our customers also, and in fact mainly, come from outside our area—the scale is national. At the beginning they were mainly regional. The relationship was unbalanced toward Calabria, now it is unbalanced towards the rest of the country.

Accessing bank debt was also difficult for us. We did the job without having the initial capital H-farm had. If you need to finance a start-up with 500 thousand euros or to finance yourself with a million euros up in Milan, the financing is an ordinary loan that goes

through in 10 working days. So if you have 10 start-ups you can finance them quickly in Milan. In the North, the banking system is more risk-prone because it has lower risk codes than those in the South. Thus, getting a million euro start-up funded in Calabria is something unusual and extraordinary. Asking for funding, both for us and for the start-up, is difficult. We are the start-up's consultant and the start-up asks for funding, but the local banking system is distrustful. Indeed, I have to say and I will admit that the banks were very good with us because they trusted us and the projects we presented, since they knew us. But while they could extend such trust on one project, they could not give it on 50 projects, as an advanced banking system would have.

So, we had these three elements of structural difficulty: lack of equity capital, a less productive market with less potential than the one H-farm or the other providers operate in; and a much less risk-prone banking system. Then there are infrastructural difficulties. Broadband for example: in Milan they have 5G. Even though we pay €30,000 a year, we often have the problem of an absent line. Often in our old location there were even a power outages.

Other contextual difficulties derive from public policies and from a region which is oriented more toward destroying things than toward building them. In Calabria when you do something good you are immediately attacked—social envy emerges. To resist these attacks we have done two things. We have ignored destructive criticism and stayed strong in our conscience. Don't fall into the trap of being argumentative, of following the old dynamic of the perverse game of one against all and all against one. We have often talked about this with Luca and we have gone ahead on our path. At some point people who criticize just for the sake of criticizing will realize that we are on a different level and they will get tired of it.

G.dC.: Anticipating inefficiencies and trying to eliminate them

In all our many and varied activities and in all the phases of process and project management, we try to bring a new approach for the South, a spirit that Francesco Cicione has always instilled in the management team and in the collaborators, renewing it and to

keeping it alive day after day, sometimes even in a repetitive and obsessive way. This spirit can be summarized in a few words—do not stop in the face of any difficulty, even those produced and / or linked to the inefficiencies of others. You have to anticipate inefficiencies and try to eliminate them by getting ahead of the game, because otherwise you remain a slave to the dynamics—and inefficiencies risk becoming an alibi for "not doing it". Maybe there are others that can afford this, but we can't. For us, the inefficiencies of others are not sustainable, so we must always try to anticipate them. I know it is complicated and it is not always easy to adopt a constructive and proactive attitude, but if you do not want to remain rigidly immobile within your narrow perimeter of observation, you must daily go beyond your limits and help others overcome their own. In this difficult and fertile situation of tension, in the attempt to produce a small revolution every day, the possibility exists to grow as a person, as a group, and as a company.

Paolo Manfredi

Connections - Addressing Italy's Innovation Gap as a Territorial Issue

Province, not periphery

My fondness for Albert Hirschman can be epitomized with a famous phrase I read as a student, and fully understood just recently. "Development depends not so much on finding optimal combinations for given resources and factors of production as on calling forth and enlisting for development purposes resources and abilities that are hidden, scattered or badly utilized".

I happened to think again to this quotation and to the far reaching consequences of "possibilism", writing my book *Provincia non periferia*²¹[Province, not periphery] focused on the long and worsening crisis of Italian provinces vis à vis the metropolitan centers. Non-metropolitan territories are losing ground around the globe, demographically, economically and culturally. This is basically due to their progressive inability to provide life conditions that could match those of metropolitan areas.

Within this *longue-durée* trend, digital technologies are a powerful booster. Metropolises, and the agglomeration of people, talents, competences, and demands within them, are the ideal platform for the deployment of the outstanding powers of digital economy. Technologies redefine relations of production, social equilibriums, economic and political geographies. Metropolises are the real stage for cutting edge innovation.

What about what lies in between metropolises, and farther than the 200 km span, within which metropolis exert their influence? Such territories could be province, meaning hotbeds of alternative

²¹ Manfredi, P. (2019), *Provincia non periferia. Innovare le diversità italiane*, Egea.

development models, based on the primacy of interpersonal relations, cultural density, and social and economic biodiversity. Or they could slip into being non-metropolitan areas, non-city, non-something, that is periphery.

As Professor Andrés Rodríguez-Pose of LSE has recently pointed out, peripheralization of once relevant territories has led to violent outbursts of discontent. Such upheaval has taken primarily the forms of electoral consensus for political options, from Brexit to Trump, that violently put processes of metropolization in jeopardy. It is, in Rodríguez-Pose words, “The revenge of the places that don’t matter”, and its consequences make the phenomenon worth of non-cursory attention. Beyond the ballot box, what has been happening in France with “gilets jaunes”, a contemporary jacquerie, can be read as a violent dispute between France’s province and the urban agenda of President Macron. With that respect, even the sparkle that ignited the fire, that is the revolt against the pro-environment measures limiting diesel fuel, goes a long way in telling how such conflict will be reinforced and spread in the future.

The Italian diversities, and beyond

If we look at how these global phenomena have taken place in Italy, we first of all need to focus on the relative importance province have historically had in our culture, society, and economy. Niches, diversity and insularity are more than just nuances of Italian identity, they are defining traits of our being as a country as well as an economy. Such traits have given way to peculiar social, political and economic formations that have sustained our postwar development. Pillar of such development was the equilibrium between rich towns and thriving countryside.

Now such equilibrium has been broken both by global phenomena and by local reforms of public and private institutions, that have undermined local governments and the autonomy of local elites. Territorial powers have been disarticulated with no alternative. Hence, the risk of enlarging the perimeter of the places that don’t matter to much of the Italian province is very high, and it hits right at the heart of our society and economy.

Italy has been the hotbed of an outstanding manufacturing culture, declined in endless niches and specialization, extremely flexible and resilient, all marked by a natural leaning toward beauty. That is not just ornamental beauty, but attention to quality, functionality, details, and personalization, that is unique. You will not find it in other cultures, though undoubtedly advanced and productive. Not in highly functional Silicon Valley, whose productive culture is marked by trial and errors, nor China, with its “chabuduo”, or “good enough” approach.

This productive biodiversity has taken the shape of industrial districts, as highly verticalized and immersive ecosystems. Here you could breath productive culture from industrial sheds to private houses, from churches to bars, from multinational industrialists to salaried workers. Territorial diversity has fueled productive diversity.

Now such system has entered a deep crisis for several reasons, the main being the emerging importance of new elements in the value chains, primarily technology, that are exogenous to industrial districts and therefore put the liveness of these ecosystems into unprecedented strain. Saskia Sassen had already singled out as highly specialized competences are one of the emerging forces of a new knowledge based global metropolitan economy. Most of these competences are related to digital economy, while others, from financial to legal to design are related to the globalization of markets and tastes. Such competences are closely tied not just to urban environments, but to metropolitan ones, as dimensions and complexity nourishes the agglomeration economies they flourish in.

Non-urban economic ecosystems, on the other hand, suffer the scarcity of such resources, and perish.

My experience

As head of digital innovation for the main association of Italian micro and SMEs, such evolution poses me a great intellectual and professional challenge: how can we prevent our systems, and the underlying social and economic infrastructure, to slip into periphery? I have been struggling with such problems for many years,

to the point that I have gathered my reflections on a book. The starting point for the book were some best practices of micro and small entrepreneurs that have defied the limits of their location, as well as the shortcomings of their respective business sectors.

Salvatore Pepe, from Gravina di Puglia, near Matera, creator of digitally printed mosaic tiles who used to cover skyscrapers around the world; Luigi Scapicchio, from an even smaller village in Puglia, barber master who is teaching the profession throughout Europe; Filippo Berto, who escalated the family upholstered furniture business from half a million turnaround to 10 mil in 10 years, from a local company to a global one: these are just three examples of outstanding performance carried out by crafters located around Italian province. In these, as in other, cases what made the difference was the ability of the entrepreneurs to connect with long networks, well beyond the boundaries of their town or their district.

Where such conditions were fulfilled, by leveraging on the abilities of Schumpeterian entrepreneurs, results went a long way. Even in slack territorial, organizational and financial conditions, such companies are achieving excellent results. They are highly innovative and fairly internationalized, overcoming all the limits of sub-optimal and non-orthodox combinations of productive factors. Such entrepreneurs are “hares”, outstandingly shrewd and fast in learning and practicing innovation. They amount to roughly 10% of all entrepreneurs and are outliers.

On the other hand, there are entrepreneurs who are totally detached from innovation, and whose life expectancy in business is very short. They are “fossils”, roughly 30% of entrepreneurs, willingly approaching the conclusion of their career. They have to be respected and defended, as employers and taxpayers, but can not represent a viable model for the others.

The 60% in the middle is what I term “horses”, because they can either be very fast racers or slow draft horses. They are the main targets of an inclusive approach to innovation. Their leaning towards hares or fossils definitely changes the landscape. Winning

horses to innovation in a slack environment poses the tough challenge of turning individual genius into replicable method. In order to do so, storytelling good practices is not enough anymore.

Out of the box strategic solutions

Out of the box strategic solutions must be put in practice, rapidly. They must defy the assumption that innovation is exclusively an urban affair.

My tentative strategic approach is based on three pillars:

1. A more personalized and inclusive way of approaching innovation for non-innovators. Be they entrepreneurs, workers, citizens or territories, those non-naturally leaning towards innovation have been marginalized, also by the orthodox way innovation has been narrated and supported. A technology and performance-based approach, due to an ever-present geek and/or commercial background marking every discourse about innovation, hampers participation in those who do not care how it works, as long as it works. I have therefore decided a moratorium in technology talks, and to pay more attention on sectorial goals. I have called such approach *Optimal Technological Horizons*. That is, focusing on what and how technology can do for a given productive sector, or territory, according to their own expectancy and scenario. The right mix of technological solutions will follow. I have made experiments in small business environments as auto repairers and shoemakers. Though such experiments are ongoing, and it is too early to draw conclusions, I can say that the level of attention and commitment to innovation has been considerably higher, even among those who do not have any leaning towards it.
2. Building new, longer and more complex networks as a way to preserve existing ones. The shortcomings of industrial districts in keeping the pace of innovation have given ways to a widening separation between “hares” and “horses”. In order to prevent such result, high value-added competences

must be brought in non-metropolitan areas. This by efficiently connecting industrial districts to such competences. The model I am working on is a program of business acceleration based in Milan, presently our most competitive and innovative city. The program will open highly specialized and internationally competitive venues, not just university and TT centers, but private firms, designers, retailers.

3. Engaging personal relations and commit to local development as a social service. Personal ties have been a crucial fuel for the mechanics of industrial districts, and have to be made still valid also in a virtual age. At the beginning of 2020 I will launch a call for a project named *Congiunzioni* (Connections), aimed at fostering adoption of local projects (in business, culture, social services, tourism) by caring urban professionals. Goal of the project will be to provide, though informally, local energies that are resisting brain drain with competences that would, at market conditions, be either too far and/or too expensive to approach. Thus, high value-added competences and international experiences could inspire local ones and hopefully strengthen them.

Inclusive innovation is the polestar of our effort to, in Hirschman's words, calling forth and enlisting for development purposes resources and abilities that are hidden, scattered or badly utilized. An orthodox approach to innovation has clearly failed in accomplishing the mission of making digital technology a powerful tool to extend individual capabilities, as well as companies' and territorial competitiveness. On the contrary, it is consolidating disparities and creating new ones. What we are glimpsing of a game-changing technology as artificial intelligence could, if not governed inclusively, could very rapidly harm, not just our territorial and economic equilibrium, but our very democracies.

Not just politics and governments, but also the academia, seems largely unable in focusing and addressing such shortfalls, and time is running fast. There are no off the shelf solutions and

possibilism is really the only way to operate for a renewed social activism that, in the very center of Europe, would like to spend time and intellectual resources to avert frightening signs of incoming collapse.

Heinz Hinrich Schmidt

The Exit Voice Loyalty Neglect Silence and Cynical Reactions (EVLNSC) Typology as “Frame in Use” for HR – or: How to Uncover “Hidden Rationalities” and Master Change in Declining Companies?

Introduction

My focus here is on organizational change driven by Human Resources with the mission to act in accordance with the program of an “organizational citizen” (OCB). There is a fundamental difference to the approach of consultancies even though they recently include “subconscious thought patterns (and norms?)” (Keller, Schaninger, 2019a:5). For them these patterns represent somehow mental barriers against the tide of change management initiatives and approaches. Here I want to focus on a spectrum of attitudes, perceptions and patterns of action that hinder or promote necessary changes in order to survive as company with its jobs. In any case this compass bearing will be of help to discover and to avoid blind spots. If there is a corporate culture that tolerates mistakes this tool may even have a dimension to anticipate dead end roads.

Based on the argument of “repairable lapses of economic actors” (Hirschmann, 1970:1) I will explain that the typology is crucial to prepare and to steer organizational change. The typology not only describes attitudes, but these options reflect deep routed mind sets of members in organizations driving or being affected by changes processes. To include all aspects of organizational behavior that might have a decisive impact on these change processes the

main options of “Exit, Voice, and Loyalty” have to be completed by “Silence, Neglect and Cynical” to cover the range of reactions that can be anticipated. Thus, this analytical tool can be described as the „Exit Voice Loyalty Silence Neglect Cynical” (EVLNSC)²² typology. These options are decisive to provide an overview of the “state of mindsets” in an organization. It is a tool for the description of the main underlying sets of motives and attitudes that will heavily influence the events of the change processes. Based on this analysis the typology provides insights to develop a change strategy for the future of an organization under market conditions.

I will focus on the pivotal function of HR which in general is responsible as an architect or as a main contributor of this change process. The typology can be used as an analytical tool to generate the expected input which reflects the complexity of a given corporate culture. It is important to represent the full range of reactions that can be expected. Most importantly it will fit with an inclusive HR strategy choosing targets like flexicurity and employability. Thus, the typology plays a major role merely not only to survive as a firm on a reduced level but to gain traction, create a momentum leading to enhanced organizational capacities.

In the last decades there were innumerable publications of studies, which used the typology of Exit, Voice, and Loyalty as a starting point to identify regularities of collective and/or organizational behavior. There are also interesting contributions on aspects and experiences of organizational change.²³ Unfortunately, their results are rarely known by practitioners struggling with challenges of permanent change efforts. From an actor’s perspective quite a lot of those mental barriers continue to be “blind spots”. I will argue that these could have been anticipated and dealt with once the questions and empirical results of studies using the “Exit Voice Loyalty Silence Neglect Cynical Reactions” typology would

²² In this paper I will use the abbreviation EVLNSC for this typology.

²³ See the Bibliography at the end of this chapter: This selection of studies and literature represents only a limited selection of studies in the field of organizational behaviour (OB).

have known. Therefore, this is a contribution to explain insights gained from these studies and how to successfully implement those aspects in organizational change processes.

The typology “Exit, Voice, Loyalty, Silence, Neglect, Cynical Reactions”

In the context of organizational behavior, the key notions of EVLNSC have been a fruitful invitation to scholars to investigate further and provide some explanatory power on the behavior of those “targeted” groups of members. (Whithey, Cooper, 1989) However, I will focus on some insights of the EVLNSC typology, which might be beneficial for those who plan the strategies, execute them or participate in a change process inside an organization or to activate “endogenous forces of recovery” (Hirschman, 1970:15) In my view this is of utmost importance as we still have a situation where – not only in the public sector – a considerable part of those change initiatives fail. As we get feedback from current change projects that are not very promising: Relying on data from worldwide operating consultancy groups the success rate varies between 20% and 40%. The question arises what can be done internally in answering to the challenges of continuous and large-scale changes or in other words: How to be prepared and to develop a strategy from the HR function based mainly or exclusively on internal resources?

Inevitably the following steps of managerial decision making will have to face this dilemma or like Hirschman explained it: “Should profit maximization conflict with discontent-minimization, there will be some compromise or trade-off between these two objectives.”(Hirschmann, 1970: 64) In preparing for substantial changes bearing this dilemma in mind HR must establish a plan anticipating mainly risks in terms of conflict potential and (perhaps) some opportunities. This plan includes the chapters of industrial relations, collective bargaining and extra communication efforts. Key are answers to the question how the target organization will look like. In addition, this plan should explain expectations of collective behavior of members in the near

future along the dimensions of exit and voice. So, it is not simply the question of how to cope with the outcomes of different scenarios but it is key to outline a strategy of change pragmatically with their possible alignment towards previously defined common goals which are dedicated to prepare for an uncertain future both for the organization and for its members. Principally HR's main concern, discontent minimization, will be the guideline or at least it will be part of this strategy.

Silence, Neglect and Cynics: The enlarged typology

Thus, with pragmatic intentions and using results of some studies I consider that the typology "Exit, Voice, Loyalty, and Silence" should be completed because some typical reactions in such situations are missing. In adding these poles or the dimensions I will focus only on the options "Silence, Neglect, and Cynical Reactions" in addition to the classical options Exit Voice and Loyalty of A. O. Hirschman. In consequence I suggest the EVLSNC typology.

Close to silence I argue that neglect very much like silence and cynical reactions are each an option on its own as they find an active and a passive as well as an individual or a collective expression.

"Neglect. We expect that neglecting work is most likely when the costs of exit and voice are both high, prior satisfaction and the likelihood of improvement are both low, organizational commitment is low, alternative jobs are available, and people have an external locus of control. This outline of the neglecter is one of a passive person who thinks that action is costly and useless and who thinks things are better elsewhere. Neglecters had mixed beliefs about the costs of exit, with skill specificity favoring neglect and investment discouraging it. They also had high voice costs, low prior satisfaction, didn't believe improvement was likely, felt externally controlled, were not committed to the organization, and had a better alternative. The only difference between loyalists and neglecters was that neglecters

had a better alternative and loyalists were unaffected by alternatives.” (Whitey, Cooper, 1989:525)

Neglect means that there is first a perception and second an attitude of repression of all threats and of invitations to alter routines or change of work-related opinions. In some cases, it might come close to ignoring signals, symptoms and relevant information for the sake of continuing an everyday life and its routines and well protected comfort zones in choosing external opportunities. But this option includes also an active part of fixing realities in professional life in dealing with uncertainties which clearly means looking for external opportunities. So, silence means a more passive attitude whereas neglect represents an active stance towards external choices.

The voice option represents a manifest, and expressly visible opposition to the strategy proposed by management. Instead, the cynical syndrome produces a sort of informal counter-legitimation. This set of attitudes can be called cynical reactions. Here we have a mixture of cognitive and emotionally reactions of a certain target group that is actively expressing its discontent and frustrations. In some constellation there will be a latent or overt readiness for conflict so that it comes close to the “voice” options. Messages and narratives are transformed in rumors. The preferred communications channels are most likely grapevine. These reactions can be found across the board, no matter where their position in the hierarchy, but frequently to be found among managerial functions where there is an official working consensus and even commitment in favor of change but de facto these representatives counteract the “official” strategy.

“It seems that the nature of cynicism is not readily captured by exit, voice, loyalty, or neglect and that cynicism can be conceptualized as a distinct response to adverse circumstances in the workplace. (...) In our view, this combination of consequences and prevalence provides a compelling argument why cynicism should be considered for inclusion in

the EVLN model. In summary, we propose that there are five, not four, ways in which employees may respond to adverse organizational circumstances. We will set out to demonstrate by means of confirmatory factor analysis that organizational cynicism is a distinct response that can be differentiated from exit, voice, loyalty and neglect." (Naus et al. 2007:684)

This typology already with five options has inspired a multitude of scholars and of studies in different disciplines of social sciences. My comment would be that cynical reaction is not only reflecting some prominent corporate scandals or cases of organizational crisis but it is based on an underlying almost universal tendency of an adverse stance toward the current state of affairs in an organization. So Neglect and Cynics are so to say everlasting mind-sets which you will find widely spread in organizations of a certain size.²⁴ This generalized attitude can be found frequently among middle management. They will communicate a critical attitude almost exclusively informally as they want to express a certain concern but at the same time they look for protection against sanctions like job loss. Cynic's projections include works councils or trade unions. Insofar we must attribute a certain destructive quality to this approach which remains close to everyday experiences in organizations.

This enlarged typology EVLNSC with its six options needs some further explanations. Each dimension represents a possible reaction and thus a corresponding pattern of behavior which is sometimes typical for functions like maintenance in industry or for layers like middle management. Once applied to a specific case this tableau offers thus a variety of options which must be considered one by one. Obviously, the number of organizational layers determine the number of options. Of course, there might be some constellations, which will be or which seem to be highly unlikely. For instance, the

²⁴ Perhaps with the only exception are start-up, NGO's and some SMEs.

role and responsibility of Senior Management in charge would exclude the assignment of some of these options like silence, neglect or cynical. By experience I stress the point that none of these options can be excluded in advance when laying the foundations of a comprehensive strategy of organizational change.

Org. Layers/ EVLSNC	Exit	Voice	Loyalty	Silence	Neglect	Cynical	Reactions
Senior M.							
Middle M.							
Blue Collar							
White Collar							
Other							

At least the typology serves to test hypothetical reactions and to map the current and the future constellations including the layers and of departments in an organization. Being prepared for the turbulences of changes is more than a tactical advantage; it may be decisive for the outcomes of the whole process.

Focus on Leadership: An important contribution of HR to master change?

Based on this enlarged typology and results an empirical case studies at German car manufacturer VW provides some interesting hints. Considering that the extensive degree of enlarged co-determination at VW where the trade unions master major zones of influence it might be argued that this case is not at all representative. Nonetheless there are numerous practical hints especially for HR Managers:

“Our study has some practical implications. For example, our proposed framework provides guidance for HR managers who want to take action with regard to the early detection and reduction of organizational silence, especially in the case of dilemmatic situations. For example, an indicator of a potential issue with organizational silence is a spike in employee turnover rates after a critical event, but it is especially relevant for those teams or divisions led by managers who score high in authentic leadership scales (e.g. using the ALQ). In such cases we would recommend that HR managers explore whether employees find the organization’s policies and practices procedurally fair, and that they evaluate whether such practices reward (or punish) raising voice. Similarly, we would advise HR managers to assess the division’s or team’s climate and focus on those aspects that create the conditions for employee voice (constructive, safe, authentic). However, detecting destructive–passive silence responses, such as employee withdrawal behaviors, is much more difficult due to their insidious nature. However, if HR managers suspect that a strong organizational silence situation may exist in their organization, it would be advisable to take action to foster employees’ organizational identification. Our findings show that organizational identification may be particularly useful to directly reduce neglect behaviors, and to counter-balance excessive loyalty that employees may develop towards their authentic managers. In dilemmatic situations, authentic managers may believe they are doing ‘the right thing’ according to their internalized moral values, and yet it may not be the right thing to protect the long-term interests of the organization. In such dilemmatic situations, the employees of authentic leaders will probably close ranks and not speak up as a sign of loyalty towards their leaders. However, by no means should we discourage HR managers from developing authentic leadership at all levels of their managerial ‘pipeline’, because when it is the organization who has chosen an unethical

business strategy, as occurred in the VW case, it may be up to authentic leaders ‘to lead from the front’ and be the right example that makes their followers speak up and avoid organizational silence.” (Monzani et al., 2016: 262)

The authors understood that the EVLSNC typology has an explanatory dimension to handle dilemmatic situations, but they underestimate “neglect” and “cynical” and their consequences. This means to address the destructive quality inherent in “Neglect and Cynics” options. The challenge will be to cope with these mindsets. Authentic Leadership for sure will lay the grounds for commitment and may deal with Neglect and Cynics in a different, perhaps more adequate way. But it remains to be seen how this style of authentic leadership can respond or even counteract to these critical reactions. Anyway, this approach already means to change corporate culture substantially.

For sure this dimension needs to be considered as it has a direct bearing on the level of conflicts to be anticipated. But just insisting on a certain leadership style may not be appropriate to cope with explicitly destructive attitudes and actions. I doubt that “authentic leadership” might be the “one fits all” solution for such issues. Instead it is a question of a program that provides guidelines to cope with “VUCA”²⁵ both on an organizational and on an individual level.

In perspective of “Flexicurity” and “Employability”: the HR contribution to long- termism in managerial decision making

Once there has been professional diagnosis for instance based on the EVLNSC grid the panacea for these dilemma has been explained at different occasions: Different scholars developed and explained an HR strategy which consists on a corporate level as a combination of “Flexicurity” and “Employability” (Muffels, Wildhagen, 2013; Schmid, 2010; Mühge, 2018). Even though it means to

²⁵ VUCA is the currently used abbreviation of volatility, uncertainty, complexity and ambiguity.

navigate between conflicting interests of organizations and their employees it offers a broad range of possibilities focusing on training and development activities. However, this solution makes sense only in a medium- and long-term perspective. At present this approach has been recognized even by some consultancies like McKinsey and their think tanks in reevaluating the lifelong learning of employees and justifying the related cost accordingly. (Keller, Schaninger, 2019b)²⁶

The objective is to investigate the usefulness of the EVLSNC framework from the perspective of HR practitioners. Because frequently HR is assigned to initiate continuous improvements focusing on business processes and/or to foster service mindsets among middle management and employees. Once assigned with this mission HR is confronted with multiple resistances of different stakeholder: Some will defend their status or their vested interests (territory) for the status quo of a given balance of power, others want to protect a given “comfort zone”. Some may even play micro-political games. The interventions based on cynical options can be observed to question or just to comment or even to hinder ongoing changes. However, overcoming the defense of certain comfort zones will be one of the main challenges. EVLNSC may guide to anticipate such internal constellations and to avoid bad surprises like turbulences.

Of course, this approach to institutionalize new forms of internal co-operation in the context of co-determination in Germany is subject to and becomes part of collective bargaining. Elsewhere the management strategy of “empowerment” will be implemented unilaterally as a “bottom up” approach. This means mobilizing suggestions, fostering bottom up and top down as well as vertical communication are the desired results/outcomes of the quite simple

²⁶ Just recently federal lawmakers in Germany created incentives like furlough used for training mainly for SME's to contribute to a much larger participation of further vocational training.

agenda of “day by day stand up meetings”. In the last years this approach became widespread in industry - mostly in engineering companies or those with large R&D departments.

I assume that the EVLNSC typology serves as a sort of compass bearing to map the forces in an organizational field. This may work in cases of meaningful organizational change even in such rather simple “stand up meetings” and other methods of management techniques in the age of “agility”. So, this frame provides a heuristic tool to anticipate and to deal with resistance before internal blockades are raised or HR change agent’s credibility has eroded. Moreover, EVLNSC may be useful for HR to sharpen its professionalism in implementing long lasting improvements and thus initiating promising virtuous circles (Aust et al. 2015) of cross- functional cooperation. It will be argued that the chances to initiate “virtuous circles” of organizational change including the main stakeholders internally have a fair chance to happen only when HR has a professional understanding including an analytical capacity to anticipate and to judge different levels of escalation of intra-organizational conflicts. Undeniably this is in general part of its responsibility. To play an active role means that HR is equipped with a certain power base. In my experience this setting corresponds with a homogeneous HR function.

This line of thought may prove to be of great importance facing the challenges of a new technological era in the future with an important part of the workforce in industry and in services being obliged to prepare themselves to be re-trained and to work in the context of industry 4.0 or service organization 4.0. For others as part of a redundant workforce (leavers)²⁷ there will be options of re-training. This will be heavily time consuming and needs long preparations as well as appropriate time budgets and funding. Finally, there will be a large range of professionals like HR, councilors and trainers to give orientations and to provide valid help. All of them will be confronted not with a mass of anonymous

²⁷ See Mishra, Spreitzer, 1998, for a widely recognized set of principles in cases of restructurings.

employees concerned but with specific subgroups each with a different skill level. The EVLSNC typology may be helpful in varying, completing and testing their “natural” perceptions. Conceptually the typology allows considering conflicting issues.

Facing these structural challenges I want to suggest to renew the key concept of “employability”: the medium and long term preparation of employees to acquire a set of skills that will offer them additional options of alternative employments to their current jobs.²⁸ In summary there is a close link between parts of EVLSNC being situated more on the constructive side of a continuum of conflicts whereas the other extreme pole represents erratic reactions in escalated conflicts altogether. These attitudes once they become active may cause a considerable loss of time, energy and resources and may even lead into dead end roads. There are well confirmed practices of “organizational citizen behavior” with principles like participative justice that can explicitly invite actors to join in and to balance detrimental effects of Silence Neglect and Cynical reactions. Subsequently such a strategy needs to be spelled out in accordance with the groups on different layers with their respective orientation of EVLSNC.

“In conclusion, when organizations are going through turbulence, it becomes important for the employee to be able to cope with stressors in the environment. Employable individuals show stronger reactions since they have greater opportunities to act in such situations. Interestingly, although employability primarily appears to bring on vocational mobility and reduced loyalty to the organization when individuals experience job insecurity, it does not appear to make employees more likely to use their voice in times of uncertainty. These findings have implications for both the organization and the individual. (...) For individuals, it may be of benefit to know, even prior to facing turbulent times, that

²⁸This concept – typical for north and central EU welfare states – became a part of EU programs (Muufels 2013, Schmid 2010) almost a decade earlier.

experiences of employability could secure them greater control over their working lives and afford them better opportunities to affect their situations in insecure times.” (Bernstson et al., 2010)

These arguments highlight an essential approach that would heavily impact the contemporary scenarios of structural and organizational change: Once “employability” has become an integral part of Management Development and of Vocational Training as one of the dimensions of “sustainability” the now “difficult to handle” dimension of EVLSNC would obviously represent a different distribution and allocation of individuals in this typology. In this perspective employability adds a completely new dimension that will smoothen transitions.

Referring to participative justice these four target groups must be considered: 1. those leaving (exit) or 2. those which have chosen a passive or defensive option like “Neglect” as well as 3. those who are actively spreading cynicism with messages or rumours often using grape vine channels and – of course -4. those who are opposing the organizational strategy (“Voice”). Procedural justice includes “fair treatment” with a possibility to make an appeal which means perhaps that internal or external mediators will be charged to deal with those conflicts professionally. A very common HR approach is to offer each an attractive package so that detrimental consequences can be matched or compensated on an individual basis. Potentially destructive activities and related messages can be counterbalanced. Following this approach important contributions have created a solid basis for constructive outcomes even in cases of organizational decline that include the constructive dimension of “voice”. This aspect was an important for Hirschmann when he explained the effects “severe initiations” as a reinforcement of activist behavior. (Hirschman, 1970:150)

Conclusion

To my understanding these fields of applied social research

focusing on change management are in line with “possibilism” (Col-orni). I am referring to realized social alternatives to a pure market mechanism like in Scandinavia²⁹: Then widespread fatalism can be removed in providing answers to each of the option of the EVLNSC typology. So, there are means to prepare for the unknown and uncertain futures. Nonetheless, conflicts will remain; the professionalism of HR will still be challenged mainly to overcome short-termism in managerial decision making. At the same time change also must address different forms of “organizational slack” in search for mobilizing potentials (Hirschman, 1970:14)

The typology EVLNSC reflects possible and realistic options and as a result offers an optimistic perspective faced with uncertainties, risks, alternative options and costs. Bearing these categories in mind the grid invites HR to invent a more comprehensive implementation strategy. At least it deliberately relieves from fatalism.

As one last remark I like to highlight: Institutional isomorphism has a certain explanatory strength and provides some explanations for organization’s endeavor to survive. This mechanism could be the door opener and the starting point of an interesting discussion in coping with huge threats and tremendous uncertainties in a constructive way. What could be the leverages to get virtuous circles started?³⁰ Is it one that consists of prior investments in employability, anticipated turnover rates and readiness to embrace substantial changes in professional career paths with conflict levels that will occur?

In this line of thought I conclude with a set of questions:

- For HR: Do we discover and name “hidden rationalities”, thus a kind of organizational patterns operating in the back

²⁹ See the recent comparison of progressive approaches in the Sweden, Austria, Belgium and Germany, Reissert, 2018

³⁰ Aust et al. (2015) outlined a promising approach for the HR function in dealing with ambient paradoxes.

- of main actors, by applying the EVLSNC framework? – Or do we have alternative approaches?
- Once applied to an ongoing change process, how does the EVLNSC scheme fit with requirements of HR activist be? – Or is this concept pragmatically of use so that it helps to explain and to anticipate sufficiently the nuances of organizational realities?
 - For managements vision: Can an organization facing turbulences be “healthy” or resilient for a certain period?
 - If this is the case: Do we have to imagine and thus to consider a continuum, where an organization can be moved gradually towards more resilience?
 - From an actor’s perspective: Is the EVLSC framework of use to increase resilience facing turbulences and an economic scenario of crisis?
 - On a macro level: What are the priorities for a welfare policy which will create a favorable context for change for organizations which will be constantly under stress of reducing its workforce that nonetheless consequently favors its employability?

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“Getting Ahead Collectively”

The 1984 book by Albert that has this title is not highly considered by Academia, but it is actually a very important one for practical operative people. Because it suggests the opening up of a large field of work on human cooperation in democratic market societies. We talk currently of welfare state and third sector in between private and public ones. But the proper managing of that key part of human life is often (and wrongly) overlooked. Actually, social needs, autonomy and economic behavior should be strongly complemented: to improve fraternity, cooperation, integration, results; and get rid of rent-seekers and criminal organizations. Actually, in Europe the great experience of highly performing cooperatives represents an extraordinary encouragement for all that.

Erwin Seyfried

From Negating the Total Institution to Social Inclusion

This contribution is about the history of social cooperatives in Germany, a movement that started with negating and overcoming psychiatric asylums by promoting community-based jobs for people with psychiatric careers, and in the long-run was paving the way for the nowadays widely shared policies of social inclusion.

The approach to trace this story is guided by using some Hirschman terms, which is without any intention to proof or to verify Hirschman's ideas, but trying to frame the roots of the social cooperatives in Germany and to better understand the impacts on society that were triggered by this movement. In this contribution I restrict myself to tracing the conceptual essentials and implications and analysing the social and political impacts of the social cooperatives. Peter Stadler complements this analysis and examines the economic side of this development in his contribution.

Creating new openings with an unconventional approach

As to be shown in this article, the social cooperatives in Germany are a really unconventional approach to create jobs for people with mental illness and support their social integration. However, these cooperatives are unthinkable without another fairly unconventional and, at the same time, fairly radical approach, which has its origins in Italy. It was here that Franco Basaglia began in the 1970s to deny the total institution of the mental asylum and finally to negate this institution by closing it down.³¹

In Germany, the psychiatric asylums were not closed down but various initiatives at local level were looking for alternatives by

³¹ See Basaglia (1973)

experimenting with small unconventional ideas, like day units, assisted living communities, social venues or cooperatives.

Negating the total institution

The theoretical concept of the “total institution” goes back to the work of Erving Goffman. Although he is not considered to have invented this term, he popularized it with his book “Asylums” (Goffman, 1961), which included comprehensive studies on the social and mental situation of patients in psychiatric hospitals. Its focus is on details of psychiatric hospitalisation, a process leading into chronicity of mental illness, which Goffman called “institutionalization”. The patient's mental and physical state is anything but an expression of a pathological condition: it is the result of systematic destruction by the institution. Goffman's critics of the total institution has been a major driver of change in mental health systems.

When Franco Basaglia took over the psychiatric asylum in Gorizia in 1961, patients were confined to beds and in strait-jackets, and treated with ice-cold baths and electric shocks. Similar to Erving Goffman, he concluded that the institution itself produced pathological behaviour, by labelling the patients and excluding them from society. Initially, he tried to introduce principles of the therapeutic community into the institution, but these approaches soon proved to be not appropriate: labelling and exclusion of the mentally ill from society was not conquered, the total institution was not yet negated. It was only after having taken over the psychiatric asylum in Trieste in 1972 that Basaglia consistently closed this institution, as a precondition for human treatment of mentally ill people. The new ‘unconventional’ approach was re-integration into society and outpatient treatment.

Transformation of theoretical thinking into practical action was followed by enforcing indispensable political change: the approach applied in Trieste led to Law 180 for the reform of the mental health system ordering the abolition of psychiatric asylums; the law was passed in 1978 by the Italian parliament.

Origins of social cooperatives in Germany

Against this background, the first cooperatives with jobs for mentally ill people were created in Germany at the beginning of the 1980s; work was offered outside the traditional institutions for the first time. It's worth to note, that work for people with mental illness had a long tradition in Germany: Many psychiatric asylums had emerged as institutions for caring the poor, so it was logical that work was carried out there, and to conclude some asylums operated as autarchic systems. And later then, work was even attributed a systematic therapeutic purpose.

The social cooperatives, on the other hand, simply wanted to offer jobs, thus allowing people with mental illness to find their place in society by making their own living as far as possible. Corresponding to individual capabilities, the cooperatives provided various employment opportunities; their claim was not therapeutic, they did not aim to cure maladies, they intended to provide jobs as a prerequisite for social inclusion and mental health.

The Lebenswelten approach to social cooperatives

The photo below shows the team of Backstern bakery, the first cooperative providing jobs for people with mental illness in Berlin, which was opened in 1983 by the non-governmental association Lebenswelten. Backstern was not the first cooperative for people with a psychiatric career in Germany, but it was based on the unconventional approach of an integrative concept with "handicapped and non-handicapped" people working together in a self-determined team. It was an ecological bakery, operated by a team consisting of professional bakers, workers with a psychiatric career, and psychological supporters.

The bakery had an anti-institutional setting in every conceivable way. In order to prevent the potential misuse of every label, it was not only about overcoming the total institution, but also about preventing new labels, stigmatisation and new exclusions. Backstern therefore had no charity look to the outside world, but rather a clear professional branding. Far beyond any territorial isolation it was located in the heart of the local community of Berlin-Moabit.

The shop and the premises were designed in a business-like manner, the bakery wanted to win customers solely by the quality of its products.



The team of Backstern, the first social cooperative in Berlin³²

The organic Backstern bakery was a beacon of mental health reform in Germany, and a showcase for the emerging ecological movement with its demand for healthy nutrition. And last not least, the collective self-determined management of the cooperative was in line with the spirit of time. The cooperation of “handicapped and non-handicapped” individuals in a self-determined team, the synergy of solidarity and professionalism in everyday working life, was even the centrepiece of the unconventional *Lebenwelten* approach.

³² In 1983, this photo made the front page of the journal of DGSP (German Society for Social Psychiatry), at that time the leading organisation for mental health reform in Germany.

For Franco Basaglia, a psychiatric patient was “not primarily a sick person, but a person without negotiating power, without a socio-economic status”.³³ The social cooperatives aimed to give this status to their employees. Backstern and the other cooperatives were not for rehabilitation and not offering training programs designed to make participants fit again. All employees were workers with unlimited employment contracts. In addition, in line with the collective approach, all employees in Backstern received the same payment, regardless of whether they were professional bakers or unskilled workers with a psychiatric career. Decisions were made together as a team; there was a voice for every employee and a vote for all, too.

The working process was organized holistically, starting with grinding the grain, baking bread, and selling the goods in the shop. All employees were free to alternate between the different stages of this process. However, continuous job rotation was not compulsory, individual priorities and capabilities were taken into account in the weekly redistribution of tasks.

The team spirit lived inside gave a new anti-institutional meaning to the “community of the excluded” (Basaglia). Internal relationships were characterized by solidarity and mutual support; seen from outside, the Backstern community was anything but stigmatized. This “community” produced healthy organic products of high quality from best raw materials, all of which enjoyed stable demand. Bread and rolls, pastries and cakes from Backstern were premium products, sold in the bakery shop and eventually also on street markets and by resellers, and therefore enjoyed a high reputation nearly all over Berlin, which at that time was the Western part of the city alone.

In difference to Italy, the structures in the German psychiatric system were not immediately touched by Backstern and the other social cooperatives. It was in the long-run only that the dynamics set in motion by their anti-institutional approach initiated

³³ F. Basaglia, 1973, p. 138.

far-reaching processes of social change. It was seeds that grew more and more fruit over time.

Gaining insights from the dynamics of developments in the small

Over time, many social changes have been initiated with the successful implementation and dissemination of the cooperatives in Germany and beyond. There were also important changes in the approach originally pursued. Following the success with Backstern, Lebenswelten association established a number of further cooperatives with different approaches, including an industrial company, a restaurant and catering service, and an accounting service, all of them still operating until today.³⁴

The changes of concepts and approach resulted from daily experiences and observations, internal team discussions and reflections, and exchange with exterior views. And they were based on in-depth interviews that Peter Stadler and myself (1985) had conducted with Backstern employees.³⁵

The analysis of developments in the small made clear that some conceptual components had proven themselves whereas others were clearly falsified. The overall self-governing approach proved to be too much of a burden for the unskilled workers with psychiatric careers, whereas this component was very important for the young professional bakers. The unskilled workers refused to take on responsibility for matters the implications of which they could not oversee, and this experience resulted in the emergence of an internal team hierarchy that was based on professional competencies. However, these developments did neither reject the right to have a vote nor did they affect the internal culture; the basic values like solidarity, social coexistence and mutual support remained.

The fact that in Backstern healthy organic products were manufactured in a holistic working process was of different im-

³⁴ For further information on Lebenswelten e.V. see: <https://www.lebenswelten.de>

³⁵ Seyfried, E., P. Stadler, 1985, p.159-170.

portance as well. For the professional bakers this was a major concern, for the unskilled workers it was much less important. Their main concern was to have the status of a paid worker, to experience self-affirmation, to make their own money, and be able to “afford something”.³⁶ Further experiences in Backstern demonstrated that the initial importance of earning one's own money gradually decreased in parallel with the length of employment. But initially it was a clear priority for the workers with a psychiatric career to overcome deprivation and to regain civic reputation and rights. The worker status allows to overcome stigmatization, own money enables participation in everyday life.

Based on such insights from the dynamics of developments in the small, the initial Lebenswelten approach to social cooperatives was adapted step by step to the components which had proven to be the essential for social inclusion of people with psychiatric careers.

Creating pathways for social inclusion

Reducing the original approach to the possible and to the important essentials for the individuals was a factor that allowed to achieve far-reaching social changes. Some additional factors were not less important in pushing forward the social innovations initiated by the cooperatives.

Without doubt, the social commitment and political engagement of health care professionals was one of the decisive factors. Their activities consisted of networking and cooperation at national and European level, initially with the aim of exchanging experiences and increasingly to jointly assert their interests.

In all European countries, strong efforts were made to attain economic support for the social cooperatives and achieve public financing in more or less the same areas:

- Public funding for job creation (investments for equipment)

³⁶ *ibid*, p. 162.

- Public support to compensate lower performance of employees with handicaps, disadvantages and special needs
- Provision of (psychological) advice and support for these employees at the workplace.

In addition, specific challenges had to be overcome in several European countries, e.g. to create a legal “disability” status for individuals with mental illness. In Germany, such a legal amendment finally allowed people with mental illness to get access to the extensive support provided by the disability law.

All of these changes resulted from consistent advocacy by those active in the social cooperative movement. In Germany, with the foundation of FAF e.V. as early as in the mid-1980s, an association was created that serves as a management consultancy for social cooperatives, providing business advice on the establishment of social cooperatives and corresponding trainings for the management staff. Up to this day, FAF gives advice to social cooperatives on applying effective business management methods and thus contributes to their economic success.³⁷

The later created Bundesarbeitsgemeinschaft Inklusionsfirmen (BAG IF) is something like the political arm of the social cooperative movement. Nowadays it is a nationwide network representing the interests of over 900 inclusive companies in Germany that are providing employment for more than 29,000 people. BAG IF carries out political lobbying, negotiates with public financiers, and participates in legislative procedures.³⁸

At European level, the social cooperatives formed CEFEC (Confederation of European Firms, Employment Initiatives and Cooperatives) as early as 1987. Today, CEFEC is a European wide net-

³⁷ For further information on FAF e.v. see: <https://www.faf-gmbh.de/> and the respective contribution of Peter Stadler in this e-book, where the developments towards economic professionalism of the social cooperatives in Germany are addressed in detail.

³⁸ For further information on BAG IF see: <https://www.bag-if.de/>

work of social cooperatives and firms, NGO's and promoter organizations, all sharing the objective of creating paid work for people with disadvantages, disabilities and special needs within a supportive environment. The focus of CEFEC is on exchange of experiences and discussions on strategies for overcoming new challenges, such as the claims for social cooperatives in the digital economy and associated challenges to employ disadvantaged people.³⁹

In 2018, BAG IF founded together with French, Spanish, and Belgian organizations the European Confederation of Inclusive Enterprises (EuCIE), a European-wide umbrella organization of national associations for inclusive enterprises. EuCIE represents 3,759 inclusive enterprises in the four member states (115 in Belgium, 800 in France, 879 in Germany, 1965 in Spain). The enterprises that are members in the national umbrella organizations must offer their employees regular employment contracts and at least pay minimum wages; in reality they often pay more. Each national association campaigns for the political interests of the inclusive enterprises on its territory, whereas EuCIE is to lobby at the European institutions.⁴⁰

The social cooperatives in Europe emanated from similar origins and drew from the same sources, they faced similar challenges, they succeeded because of opening up the same human potentials for mutual solidarity, and they enforced similar dynamics for change. Their shared strategic approach aimed at mobilizing solidarity and mutual support, professionalizing their economic business model, and exerting political pressure to expand their scope for action through provision of appropriate legal conditions for this model of social inclusion.

As a result, this model has become increasingly widespread, not only in territorial terms; beyond the original group of people with a psychiatric career it is widely used meanwhile to create appropriate employment for other groups, like people with physical or mental disabilities, and various disadvantaged groups.

³⁹ For further information on CEFEC see: <https://socialfirmseurope.org/>

⁴⁰ For further information on EuCIE see: <https://www.eucie.org/>

Prevalence of inclusion policies: on the relationship between theory and practice

Even though there are still many forms of exclusion, with the developments shown in this article and their inherent social changes, total institutions and territorial segregation of stigmatized individuals have largely been overcome. Individuals with mental illness have access to society and gained adequate civic rights and personal freedom for participation in social life. Collaboration of disadvantaged or disabled and non-disabled individuals is no longer seen as impossible, but is an everyday practice in various contexts. Social inclusion has become a cross-cutting issue that spans all areas of life - accommodation, employment, and leisure.

The most visible culmination in the developments towards social inclusion is certainly the worldwide adoption of the United Nations Convention on the Rights of Persons with Disabilities (CRPD).⁴¹ Amongst others, the guiding principles of the Convention address effective participation and inclusion in society, respect for difference and acceptance of persons with disabilities as part of human diversity and humanity. As practiced in social cooperatives, persons with disabilities are not any longer viewed as "objects" of charity, medical treatment and social protection, but rather as "subjects" with rights, capable of claiming their rights and making their own decisions.

We are not presumptuous enough as to claim a direct path leading from the small social cooperatives to the UN Convention. But social change starts with little ideas and small projects. The social cooperatives were amongst the first to demonstrate the "possibilism" of inclusion, and from the start they did it in a convincing way. The ethical values practised in the social cooperatives prepared the spirit that pervades the United Nations Convention on the Rights of Persons with Disabilities. In this respect, the social cooperatives might have contributed a lot to the worldwide prevalence of the inclusion paradigm.

⁴¹ For further information on the UN CRPD see: <https://www.un.org/development/desa/disabilities/convention-on-the-rights-of-persons-with-disabilities.html>

The social cooperatives put the theoretical critics of the total institution into practice, thus contributing to overcome these institutions. They opened up pathways to society and allowed for inclusion. The UN Convention might be seen as another theoretical generalization, which builds on this practice, a theoretical guideline, that is now gradually becoming a general practice in all areas of life.

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Peter Stadler

Inclusive Enterprises – Companies Providing Jobs on the General Labour Market with High Social Impact⁴²

In the summer of 1984, when I ascended from the cellar of the wholemeal bakery Backstern to the baking room with the oven, a sack of grain on my shoulder, I couldn't believe my eyes: Mr Regenspurger, at that time the Federal Government Commissioner for the Interests of Disabled People stood in the bakery. Johann Z, a baker with psychiatric experience, explained to him the first so called "self-help company" in Berlin. Johann identified strongly with his new employer and presented his descriptions with such enthusiasm, that Mr. Regenspurger stayed longer than planned: over coffee and cake, politicians and social entrepreneurs discussed together intensively for two hours about visions and problems.

At that time, we had no idea how the so-called "self-help companies" (later "integration companies", since 2018 "inclusive enterprises") would develop nationwide. In 1984, there were only about 40 such companies in Germany, which had been founded in the course of the psychiatric reform. For people with mental health problems there were few offers for professional participation, many psychiatric patients were prematurely pensioned off. Pioneers, professionals from the health care sector, tackled the problem and began to "help themselves" by creating concrete jobs on the open labour market with adapted working conditions.

⁴² This contribution addresses the development of inclusive enterprises in Germany, complementing the contribution of Erwin Seyfried by highlighting the emergence of their legal status and disclosing factors for their economic viability in the market economy.

One aspect was very important at that time: we wanted to be entrepreneurs, we did not want to be part of the psychiatric care system. Klaus Dörner, psychiatrist and head of a large psychiatric clinic, suggested a title for our first book about the movement of inclusive enterprises: *We increase the gross national product!* We accepted enthusiastically.

The first movement of social entrepreneurs in Germany

The self-help companies in Germany were modelled on inspiration of the social cooperatives that had been set up in Trieste and northern Italy after the closure of large psychiatric asylums.

The first inclusive enterprises in Germany have been founded at the end of the 1970s. To ensure their economic survival they sought to establish contacts to private, public, and charity foundations, and due to their intense cooperation and widespread networking they managed to get lasting support from the foundation of the Freudenberg trust. The Freudenberg Foundation identified the need for a specialized "economic counselling centre". The companies created a specialized umbrella organisation FAF and the Freudenberg Foundation supported the founding phase of FAF from 1987 - 1991. Information and two-day start-up seminars were held (at a price of € 20 including material, accommodation and catering in the conference hotel); guidelines on professional start-up were written, printed and sold.

The first 100 company projects were created step by step. In North Rhine-Westphalia we created 623 jobs and 340 in Bavaria. In 1993, FAF was commissioned by the state ministries to investigate whether the companies had created sustainable jobs. The result: The companies were quite successful; almost all of them survived their start-up phase in a positive and economically stable manner.

Two types of companies emerged: market-oriented companies on the one hand, and companies which also carried out employment measures in cooperation with the then "employment offices" in a company setting. The Ministry of Labour, at that time in Bonn, invited tenders for a pilot project to identify successful concepts. In

§ 215 SGB IX (Social Code, Book IX), politicians assigned to the companies a legally standardised role in the field of vocational participation: Self-help and integration companies became "inclusive enterprises operating on the normal labour market" (abbreviated to "IP").

With the legal definition there was a status, and when a big charity foundation called "Aktion Mensch" launched a special support programme especially for the start-up phase of inclusive enterprises, nothing could stop the growth of the movement: today, 30 - 70 new inclusive enterprises start every year, and the number of companies and their jobs have tripled since the turn of the millennium. Providers of independent welfare work, especially those who run so called sheltered workshops for disabled people, are now also setting up integration companies.

Definition and legal mandate

Inclusive enterprises are companies in the general labour market that are managed by their owners under their own entrepreneurial responsibility.

The following persons are the target group of inclusive enterprises:

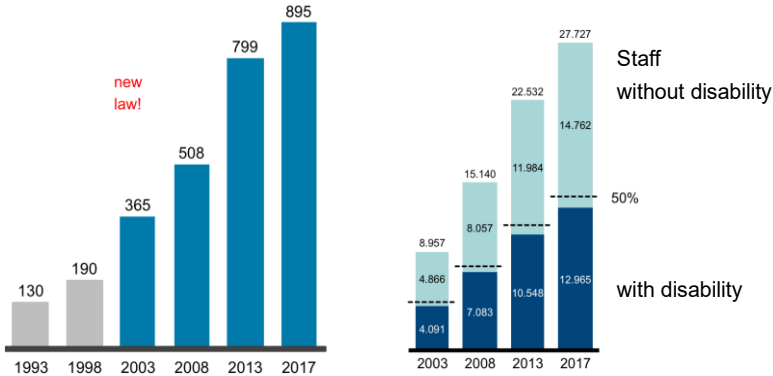
- severely disabled persons with mental health problems or learning disabilities, or with a severe physical or sensory disability, or multiple disabilities which severely limits the possibilities of finding work on the labour market
- severely disabled people who, after specific preparation in a sheltered workshop for disabled people or a psychiatric institution, wish to make the transition to the general labour market
- severely disabled school leavers from schools with specific support measures

The share of these target groups in the workforce of the inclusive enterprises is fixed at 30-50%. A higher proportion was not desired by the legislator (inclusion-reasons, marketability).

Companies and their jobs

Today, in 2019, there are more than 950 inclusive enterprises. These are companies in the general labour market, with one important characteristic: They employ a high percentage of people with severe disabilities, by employment contract, with a collectively agreed or local wage, which in many cases is higher than the legal minimum wage; the employees have all the rights and duties of an employee. Most employment contracts are open-ended.

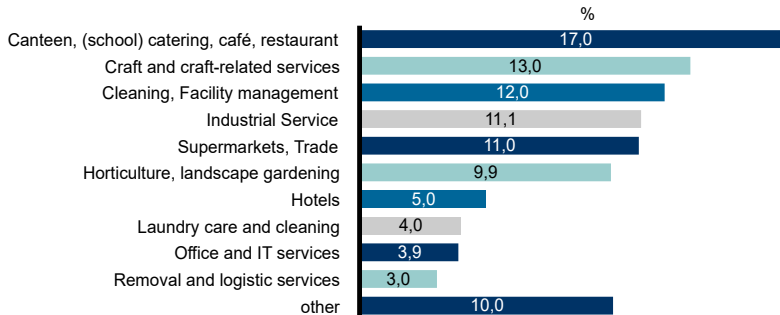
27,727 jobs were created by the end of 2017 according to official statistics from the BIH, 47% of which are for people with severe disabilities. The employees from the target groups employed in inclusive companies are such persons who otherwise have no or very little chance on the labour market due to their disability, but who prove in inclusive companies that they can develop in inclusion-oriented structures at the workplace and can participate in the economic success of their companies.



The inclusive enterprises are “specialists” for inclusive employment of special labour market target groups: 51 % of the people with a disability have mental health problems (29 %) and persons

with learning disabilities (22%), the other 49% have severe physical or sensorial disabilities.

At the end of February 2018, the following nationwide sector distribution resulted; inclusive enterprises exist in all sectors:



FAF Branchenstatistik February 2018, all items in %

Economic efficiency

Inclusive enterprises take part in normal economic life. They cover their costs mainly by selling services and products on the market. Their customers are commercial enterprises, private consumers, municipalities and public institutions and, in some cases, also the shareholders or associated institutions.

The economic situation of "typical" inclusive enterprises is to be illustrated by looking at the results of the monitoring conducted by FAF. In 2018, there were 79 inclusive enterprises in the federal states of Hesse, Saxony and Schleswig-Holstein with 2,637 employees, 1,368 of them with severe disabilities (52%), which generated a total net turnover of EUR 95.9 million, per company an average of EUR 1.2 million. The gross profit (sales minus goods, materials, raw materials etc.) amounted to Euro 58.7 million.

The turnover of the smallest companies amounted to € 200,000, that of the largest companies to over € 3 million; the team consisted of 4 to 5 employees in the smallest companies and over 150 employees in the largest companies (marginal part-time employees and so-called "additional income" employees with disabilities are not counted here).

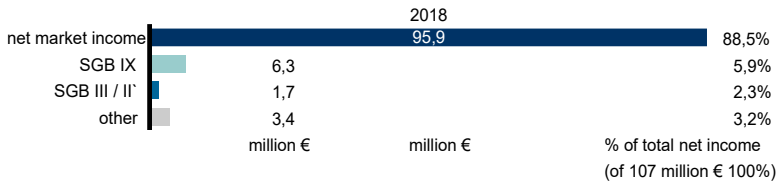
The situation on the general labour market is characterised by competition for orders. Markets and customer requirements are constantly changing, phases of economic success alternate with phases of consolidation. This is completely normal: one third of the integration companies reported losses in 2018, two thirds of the companies closed with balanced or positive annual results. On balance, all integration companies generated after-tax profits of Euro 1.7 million in 2018, which corresponds to an average total net return on sales of 1.82%. The companies' total operating assets (balance sheet total) amounted to EUR 68.5 million, with an equity ratio of around one third, which is just as high as that of comparable private SMEs. Statistics show that almost all new inclusion enterprises survive the first 4 years, in contrast to private business start-ups.

Compensation for disadvantages

All private, commercial and public employers in Germany, and, of course, inclusive enterprises can receive grants for investment for workplaces for people with disability and compensation for reduced performance and special care expenses, if they employ severely disabled people.

The inclusive companies from Hesse, Saxony and Schleswig-Holstein were granted investment and compensation for disadvantages in accordance with the law Social Code Book IX / SchwbAV and integration grants from the Federal Employment Agency in 2018. The companies also received grants from foundations, e.g. Aktion Mensch, European Social Fund funding for training measures, some received municipal support for the employment of special target groups or generated income in the context of participation in municipal or other projects.

The following graph illustrates the relation between the magnitude of market revenues (net, excluding VAT) and other revenues:



SGB II, III, IX is compensation and grants by law

If the revenues on the market are put into relation to the compensation for disadvantages from the Social Code Books II / III / IX and the equalisation levy ordinance as well as other subsidies, it becomes clear that in 2018 95.5 million €, or 88.5% of the total revenues of 107.3 million €, will be generated as net revenues on the market.

Effects and additional benefits – impact from market-oriented inclusive enterprises

Through their participation in economic life, inclusive enterprises have an annual value added of approximately one €1 billion per year. There are other effects:

- Inclusive enterprises improve the situation of individual severely disabled people. Unemployed recipients of state transfer payments become employees with their own income, social integration and career prospects.
- The companies as well as the employees pay wage taxes and social security contributions. Based on the above cautious extrapolation to all nationwide inclusive enterprises, this should amount to between €125 and €175 million per year.
- Promoting vocational participation in inclusive enterprises is cheaper than financing unemployment: An economic study by the Ministry of Labour and Social Affairs in Rhineland-Palatinate in 2005 showed that a single unemployed severely disabled person receiving benefits costs the state approx. €17.8 thousand per year due to transfer payments and reduced income from taxes and contributions. The inclusive employment of these persons in IP's is cheaper.

- In FAF monitoring projects, a "return rate" of the inclusive companies is calculated as standard. In this return rate, the social security- and income tax contributions of all employees are set in relation to public disadvantage compensation and subsidies. The recovery rate of inclusive companies in Hesse, Saxony and Schleswig-Holstein was 206 % for 2018. This means that every € that was "invested" for investment and compensation for disadvantages was "virtually doubled" and repaid to the national economy.
- A recent study by the management consultancy Pricewaterhouse examined the social return on investment of the Frankfurt-based inclusive company "Dialogue Museum". As a result, the DialogueMuseum makes a value contribution of €3.39 for every "euro received", particularly in the functional areas of employment, education, inclusion and tourism.
- PHINEO AG, which was founded by the Bertelsmann Group, Deutsche Börse AG and the Mercator Foundation, examined effective projects in the area of inclusive participation in 2014. Among the projects with high impact potential, 4 inclusive companies in the segment "Work and Employment" were awarded the "Seal of Effectiveness".
- Long-term unemployment not only means a loss of human capital, but also leads to health problems. In its study on Bavarian inclusive enterprises, the FAF proved that the number of inpatient treatments was reduced to half and the duration of inpatient psychiatric treatment to a quarter after people with mental disabilities had taken up work in an inclusive company.
- Inclusive enterprises have proved that it is possible to employ a high proportion of severely disabled people who are particularly affected by the problem, under the conditions of the general labour market and the realities of working life. By specialising in particular target groups, a sustainable period of employment can be achieved (currently confirmed

by the evaluations of the federal labour market programme Job4000 and the Berlin programme SchwoB 2010). A high degree of competence in designing inclusive working conditions has been developed, which can be passed on to other employers.

Effects and additional benefits – impact of FAF's work

As said in the beginning of this article, the Freudenberg Foundation financed a part of the basic equipment and personnel costs of FAF for 4 years. What was achieved with this support?

FAF was one of the first "impact - oriented" consulting firms. FAF passed on its know-how to new types of social enterprises that began to use entrepreneurial methods to solve social problems, generate profits and thus reinvest and finance their growth. Many other consulting firms aiming to create social impacts have emerged in the meantime (examples: Ashoka, Schwab, Phineo, so-called "impact hubs" and co-working spaces ...)

The fact that start-ups are advised before they start their business and their business model is reviewed, means that only a few new companies failed or had to give up their business in the first 5 years. However, good advice also ensured that inadequate concepts were not implemented at all. Investments and subsidies were secured. Today, an inclusive enterprise is not promoted any more if there is no positive start-up report prepared by a consulting firm. Only a few new companies fail, which is why inclusive enterprises have been highly recognised in legislation and funding practice.

The approach to participation and integration of people with various disabilities and social disadvantages into working life has changed. Inclusion is on its way. We can see more and more inclusive enterprises being founded. In Germany, there are more than 800 traditional sheltered workshops for disabled people, which currently employ more than 300,000 people. To date, the owners of these workshops are seeking to create jobs on the general labour market for those of their employees who are eligible for work in inclusive companies and willing to change their status: To become a

worker in an inclusive enterprise. To date, more than half of the sheltered workshop providers operate an inclusive enterprise.

Felicitas Kresimon

Experiences of Integration between Social Cooperatives and Further Relevant Organizations. Promote Connections, Transform and Innovate Systems in Favor of Inclusion.

"The economic and social metamorphoses increasingly neglect the individual needs, especially of people with a high margin of vulnerability and risk of exclusion."⁴³

The first *social cooperatives* in Italy were built up in the early seventies, in the process of deinstitutionalization of the psychiatric hospital in Trieste, city in the north-east of Italy, near today's border with Slovenia. This process, started by the psychiatrist Franco Basaglia, originally from Venice, not only led to the closure of asylums in Italy, but also to the development of innovative strategies for the reintegration of people into the social contexts.

The restitution of freedom, of the rights of citizenship and of dignity to the person, individual subjective and unique, was accompanied by the activation of a wide range of measures, functional to the construction of concrete opportunities for the full exercise of these rights, starting from the more vulnerable. Up to now the development of tools (*individual health budget*) in the areas of sociality, living and work, continue to be considered fundamental for healing and inclusion. In fact, it was than Franco Rotelli - collaborator of Basaglia and engaged promoter of the continuous deinstitutionalization process - who added the theoretical frame to the concrete

⁴³ From the Editorial to *Sconfinamenti*, the journal of Duemilauno Agenzia Sociale: 2019, n. 35, p. 6.

practice of transforming a "Total institution" into a reality of "Social Enterprise", intended in the broader sense of activation and empowerment of the community.

When Basaglia arrived in Trieste, many patients were engaged in "ergotherapy" activities, carrying out in fact heavy work, without obtaining any kind of economic or contractual acknowledgment in return. Consequently, these activities were above all functional to maintaining the institution and much less useful for the "therapy" of the person itself. With a little luck, the patient could have been granted some small privileges, an extra cigarette or one more walk through the park, surrounded by the high walls of Asylum. It is starting from this situation that, following a patient strike, the first Social Cooperative at Trieste was built up in 1974: Cooperativa Lavoratori Uniti Franco Basaglia (CLU). This finally contributed to return the dignity of work to the persons: a salary, a hiring contract, protection and recognition.

During the last 45 years, Italy has experienced an important expansion of Social Cooperatives. Around 14.000 Social Cooperatives are today active in the social, health and educational field (Cooperatives type A), or in the field of Work Inclusion (Cooperatives type B). Today, in the ever changing political, economic and social environment, we are living the challenge (in Italy as in Europe) of creating strategies in social and health services, with a view to identifying new forms of reconciliation between the needs of the individual versus those of the free market.

Social cooperatives, as historical and important actors in creating a social economy system, present themselves through at least three important and distinctive elements:

Distinctive elements of social cooperatives

1. a system of democratic and inclusive governance, which promotes forms of critical thinking and the ability to analyze and respond to needs, which can be extended from the individual to the collective sphere.

If the goal is to build up opportunities of inclusion, of participation and active citizenship, this can only happen within an or-

ganizational context, coherent with these purposes. In fact, the criticism addressed to the total institution in the '70s, insisted in underlining that the simultaneous missions of care and of social control are totally unable to create forms of organization, capable of satisfying both of them. Hence the conviction that only within a system, organized and structured in a democratically and participatory way, these same values can be developed and promoted in favor of both, the individual and of the organization.

Today, in the discussion on Social Enterprise, and more generally around social economic issues, the understandings of - or interests in - social enterprises, are frequently divided between: those who claim that the question of "WHAT" (work in the social field of intervention) is sufficient to be placed in the social enterprise category, leaving aside the aspects that are creating the difference: the "HOW" (model of organization); and those who believe that the transition from a system based purely on economic capital to a system of social economy must focus and renew the "HOW".

2. investment of profit in common objectives. Economic profit is second to the social function

The economic - indispensable - balance of the Cooperative must be pursued according to the possibility of creating social inclusion, employment, personal realization and well-being. In fact, if the Cooperative produces an economic margin, this must be invested into the creation and protection of work and in the realization of new projects, responding to the needs, expressed by the territory. In order to emphasize this aspect, Social Cooperatives have a legislative obligation to prepare an annual Social Report/Balance, an instrument that highlights the identity of the Enterprise, the governance system, management methods, economic performance and added social value.

3. the connection with the territory of birth and belonging and the Social Cooperative as an organizational form of social cohesion and integration.

Social Cooperatives represent an organizational form of social cohesion within a system of community welfare and a territorial dimension close to the citizens, according to a principle of horizontal subsidiarity where the public maintains the role of guarantor of citizenship rights but involves networks of civil society and third sector actors.

One of the related principles is the purpose of mutuality which means that the members of a cooperative set themselves the goal of growing together, supporting each other to achieve something that no one could achieve on its own: better working conditions, better prices for services, lower cost for the purchase of equipment and material. In the cooperatives the person is always at the center and the members are an instrument for community development.

The strong integration of Social Cooperatives in the community promotes their impact on both, individual rights and collective systems.

Different levels of integration

There are three different level of integration:

A) social enterprises by type (A + B)

The integration between Social Cooperatives type A (social, health and educational service providers) and type B (production and work inclusion), leads to the building of virtuous paths, characterized by the construction of highly personalized projects at the center and, through the democratic nature of governance, aimed at strengthening the participation capacities of each individual. They offer a large package of opportunities and consequently of choice, necessary for enhancing the multidimensional size of the individual and our contexts.

B) social enterprises with other actors, public and private, of the territory to build a bottom up approach based on the right to and practice of citizenship

The integration with the public institutions, for example through the *individual health budget*, develops on three different focal points: home, work and sociality, stimulating a wide community and collaboration network aimed at the realization and practice of citizenship and, more generally, of human rights.

Building a system with the characteristics of humanity, personalized and made up of different supports and subjectivities of the people who come into contact with the person in a state of vulnerability, is one of the greatest and most urgent challenges of our time. The achievement of this objective cannot be delegated to single actors or categories, but needs to get in practice the right of involvement of the whole range of actors of our communities, able to express in this way an important potential of innovation and a responsible practice of citizenship.

C) Social enterprises from different geographies in a vast system of networks and actors at European level, aimed at developing projects and approaches, often innovative, to exchange best practices, with a strong intent to promote the idea and practice of a social economy system, transversal to European countries and beyond.

One example is given by Social Firms Europe CEFEC, a strong organization of civil society, which unites and represents social enterprises and umbrella organizations from 26 countries. In its social enterprises, cooperatives and organizations, Social Firms Europe successfully works for the employment and labour inclusion of persons with mental health or disability problems and the background of migration, developing tools and methodologies for the evaluation, capacity building, vocational training and education, job mediation and inclusion of workers with different backgrounds. Another network is represented by REVES, the unique European organization based on partnership between local and regional authorities and territorial social economy organizations. These networks are placed within a broad landscape of European networks and institutions which should connect and support common pathways towards a more inclusive European Community.

To underline our challenge, a quote from the "New Strategy and Council of Europe Action Plan for Social Cohesion" from 2010: *"I 4. This New Social Cohesion Strategy is presented at a time when the meaning of the term "progress" is changing. In the past, it equated with a vision of prosperity, justice and freedom. Today, progress also means protecting society from regressive trends, ensuring the sustainability of social justice in a context of limited material and environmental resources, avoiding irreversible situations and ensuring inter-generational equity. Societal progress calls for a close examination of the social and economic disparities in our societies as well as of the social and environmental costs of current patterns of production and consumption."*

To conclude

Summarizing we can say that Social Cooperatives belong to a system that instead of competing focuses on cooperation tools, as well as on the transition from a pyramidal system to a horizontal system of governance and society, with the attempt to reconcile and balance the centrality and the need of the single individual within collective contexts. These objectives and tools see us moving within complex borders, balancing between actions of promotion and human inclusion, on the one side, and economic sustainability of the system, on the other side. A system which, moreover, has shown, particularly from 2008 onwards, to be capable not only of consolidating itself but also of developing in terms of work, economy and production of innovation. The development of legislative frameworks that favor a widespread system of social economy can only work if there is a political will, a new "Polyethics" on local, national and European level in its support and promotion.

Alessandro La Grassa

The Management of Assets Confiscated from Mafias: Paths and Evolutions in Social Cooperatives Experience in Italy

Premise

My organization, CRESM, was founded in west Sicily in 1973, as an association, by a group of social workers, activists, and experts of local development. We have always worked in the field of local development planning in particular in the south of Italy (Mezzogiorno) and in particular in Sicily and Campania. We started to work in the field of the assets confiscated from mafia, in west Sicily, in 1999 helping a national antimafia association called Libera. In 2014 we decided to run an organic farm in land property confiscated to a mafia boss in Castelvetro (that we called “Fattoria Vitattiva”) and at the same time we transformed into a Social Cooperative (type A and B).

“Hiding hand” at work

When Libera promoted the National Law for the social reuse of those assets (1996), it was considered a big victory of the Italian civil society, but after the approval of the law, it was soon realized that there were very few Local Administrations *eager* to take the responsibility of deciding about the social destination of those assets (usually land properties and houses). So they started, with our support, with a work of animation and sensitization, and finally succeeded at entrusting the first assets in the province of Palermo (Corleone) to some newborn social cooperatives.

At the beginnings, a lot of people thought that those cooperators (usually young people without particular experience) had to be mad to provoke the mafia bosses in their own environment. Now, after 20 years of experience in this field we can say that the menace

of mafia was maybe the lesser problem, in comparison with the problems of bureaucracy, of the bank system and with the difficulties that the social sector faces when it tries to shift towards a more entrepreneurial approach.

The national framework

The Italian State has produced one of the first and complete legislations ranging from the seizure and confiscation of the assets of the mafia, to their re-use for institutional and social purposes and in favor of the local communities. The initial legislation on this sector dates back to 1982 (Rognoni-La Torre Law), and numerous and substantial developments followed.

After 37 years we can say that the legislation was certainly a fundamental fact in the change of social attitudes towards the mafia. The awareness of all those assets seized and confiscated by judges in the whole country has demonstrated very concretely, more than the arrests and convictions inflicted in the numerous trials, the "change of pace" of the State, and has perhaps broken forever the aura of impunity of which the mafia has always fed.

But if from a certain point of view the Italian anti-mafia legislation can be considered an example all over the world, there are still various aspects that have yet to be improved. Here I will deal with two aspects:

- 1) the process that goes from the seizure to the final confiscation (or sometimes to the restitution to the owners) of legal enterprises (but funded or managed by mafia members)
- 2) the experience of the social re-use of the confiscated assets to the mafia.

Problems of the process of confiscation of the enterprises

Regarding the first aspect, we can mention the beginning of *Exit, Voice, and Loyalty* where Hirschman describes his goal of questioning the economist's indifference to the failures of single enterprises (which can be replaced by their competitors). In our case we must instead question the indifference of the State with respect to

the failure of hundreds of enterprises, not for market reasons, but for the scarce efficiency of the judicial and prefecture system when they intervene in the management of these enterprises immediately after their seizure.

There is no need to explain the importance and maybe the priority of working in such a field: it is not only an economic option but above all a symbolic one. But even if we consider it only by the economic point of view, its importance is absolutely evident. Some economic data will help you understand:

- 1) The confiscated assets, at the end of 2017, were 70.805, of these 27.529 were definitive confiscations but not yet entrusted to anyone, and only 7.080 were entrusted to no-profit organizations or other public bodies.⁴⁴
- 2) The confiscated enterprises, at the end of 2017, were 12.430; of these only 294 were entrusted to other enterprises (usually social cooperatives). This means that all the others are controlled and managed by judicial administration or other public administration.⁴⁵
- 3) In the period between 2010 and 2015 only in the province of Trapani (western Sicily) which is only one of the 9 provinces of Sicily, the State confiscated approximately 2,5 billions of euro of assets (which means money, enterprises and properties). To give a term of comparison, in the same period the European Union, through the Structural Funds, invested in the whole Sicily 2,2 billions of euro for the Rural Development (FEASR).⁴⁶

The problems posed by the judicial and prefecture system may seem secondary to the main objective of defeating mafia power,

⁴⁴ Source of data: Camera dei Deputati- *Relazione sulla consistenza, destinazione e utilizzo dei beni sequestrati o confiscati* (2018)

⁴⁵ Source of data: Camera dei Deputati- *Relazione sulla consistenza, destinazione e utilizzo dei beni sequestrati o confiscati* (2018)

⁴⁶ Source of data: CRESM 2017

but it must be considered that in some areas of the country, especially in the South, a very wide interpretation of the so-called "mafia influence" has caused the seizure (and not always the final confiscation) of entire economic sectors (e.g. the building sector) or led under the judicial or prefectural administration, important pieces of territorial economies (such as the one I come from in the Province of Trapani) and, with them, thousands of jobs. Too often negative results followed: more than the 90% of the seized/confiscated enterprises go bankrupt in few years. Obviously it is not a question of renouncing an instrument that has demonstrated its enormous impact on the mafia phenomenon, but of improving the capacity of the State, and in particular of the National Agency for Confiscated Assets (ANBSC), to put confiscated enterprises back on track, creating development and legality where before there was crime and money laundering.

A major debate is taking place on this issue in Italy involving many trade union organizations and Third Sector entities.

The social re-use of confiscated assets

With respect to this second question it must be said that it was a great achievement of the Italian Civil Society as a reaction to the Cosa Nostra (the Sicilian mafia) terrorist strategy. The law that established it was voted unanimously by the Parliament in 1996 after the collection of 1 million signatures throughout Italy.

Since then, thanks to the commitment of the Italian cooperative movement and of national network "Libera, against the mafias", this law has allowed the birth of many social enterprises that, overcoming many difficulties, have often achieved a remarkable entrepreneurial success. Now it is a question not only of reinforcing these experiences, but of improving their social impact, especially in the territories in which they operate. The founding principle of these experiences is the recognition that the confiscated asset is a Common Good of the whole society (as the law does not permit to sell the assets) and, as such, capable of activating dynamics of virtuous involvement of local communities.

In this regard our present remark is that there is an enormous richness that should be better exploited: the general turnover of the principal consortium of social cooperatives managing confiscated assets (“Libera Terra”, formed by 9 cooperatives throughout Italy) is less than 9.000.000 of euros.⁴⁷ This sector could represent an important development in particular in the South of Italy, and increasingly also in the north of Italy (where the mafias are massively investing). But creating social enterprises over the mafia assets is still a very complex (and often complicated) matter. The challenge is in the creation of effective supporting networks around and with these social enterprises, overcoming not only the residual mafia resistance against it, but above all the problems of bureaucracy, of bank credit, and sustainability of those enterprises.

On this issue, as CRESM and within the largest Italian Cooperative Confederation (Confcooperative), we are proposing a systemic project that aims to reaffirm these principles and support all those no-profit organizations who have accepted this challenge.

A last consideration on this approach against the mafia power in Sicily (and yet not everywhere in Italy): it can be considered a real success of the Italian State that the mafia clans are, more and more, deciding to reduce their investments and influence in Sicily. But in many cases they have just shifted their money to other territories (*unintended consequences*) in the North of Italy or Europe (Germany, France, Great Britain, Belgium, etc). The new challenge is now felt as that of the definition of a European approach to the fight against all mafias; at the same time we suggest that also a European approach to the re-use of the confiscated assets would be of enormous interest.

⁴⁷ data source: Libera, *BenelItalia*, 2018

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Police in Stuttgart, where a mafia gang is believed to be operating.

Photograph: Silas Stein/EPA

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Mafia

Mafia gangs move to Germany as business hits hard times in Sicily

Details obtained by the Guardian reveal extent to which Sicilian mafia clans are migrating north after running into financial problems in Italy

Philip Oltermann in Berlin **Lorenzo Tondo** in Palermo

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Thu 29 Jun 2017 01.05 EDT



Tommaso Di Nardo

Social Cooperation, Inclusion, and the Re-use of Assets Confiscated from the Mafias: the case of NCO in Campania

*“We have shown that the impossible becomes possible”
(Franco Basaglia)*

I have been involved for several years in local development, with particular regard to entrepreneurial training in the local area as well as the promotion of social networks. In recent years I have come across very difficult development stories—seen at first as impossible and yet today considered success stories, even models to follow. But what interests me is not so much praising or preaching about a model, but rather analyzing events and how they occurred so as to be able to draw useful lessons for the future and, ultimately, to understand even better how some Hirschmanian ideas can again become useful to us even from a great distance in time and space.

The pioneering role of Basaglia

The re-use of assets confiscated from the mafia, as many before me have noted, has been until today one of the most difficult problems Italy has had to face. And there is no doubt that the fight against the Mafia, the Camorra, and other criminal organizations, and against corruption in general, is one of the most difficult problems still separating Italy from the other main advanced countries. The difficulties are many: they are socio-political, economic, administrative, and socio-cultural. Therefore, the stories we tell, stories that obviously have involved fighting all these obstacles and overcoming them one by one, are emblematic of what can be done if we have the desire and the ability to *be possibilist*.

The story I am about to tell, although it took place mainly in the new millennium, mostly over the last ten years, has its roots in the last century, specifically in the revolutionary movement which after the Second World War gave rise all over the world to a civil, political and cultural battle against asylums, and above all against the idea that people with mental disorders could not be cured.

A very important role was played in this by the Italian psychiatrist Franco Basaglia who, after having directed several mental hospitals in northern Italy, particularly in Gorizia, Parma, and Trieste, was the originator of Law 180 of 1978, which decreed the closure of mental asylums in Italy, confirming a person's right to care and health. However, it still took many years before the patients finally left the asylums and before the new treatment system could be established as part of the national health system. And anyone working in this field knows that even today, more than forty years after the law was passed, the care system is not yet fully functional.

Thanks to Basaglia, therefore, Italy was a pioneer in this field, but despite the success stories, the slow and complex process of change still has a long way to go. In more depressed and less developed areas, pockets continue to exist of criminal-business power that oppose change. To different degrees this phenomenon is present from south to north, and from the poorest to the most developed areas.

The idea that the market is more efficient and effective than the state in the provision of care and assistance services and that therefore the best system involves the "outsourced management" of services has proved to be greatly flawed. This idea is based on the principle that the state certifies the needs, identifies the recipients, allocates the resources and transfers the assistance function to the private individual, who moves and operates within the budget constraints set by the state. In this way, the waste of resources is two-fold. Because not only is the outflow of money from the public to the private sphere encouraged, along with everything that results from it in terms of inefficiencies due not least to corruption, but also be-

cause this mechanism does not value the possible social and economic contribution of the patient, who is put in the position of someone to be simply assisted, and not to be rehabilitated or reintegrated.

But fortunately, over time, some alternative models have been tested and disseminated, even though only partially. These are models that leverage the principle of public-private “co-management” and no longer focus on a private entity of a predominantly business nature—but on the “third sector,” in this case the social cooperative.

The military, judicial and civic reaction of the state to the Camorra crimes

Okay! But what has the closing of mental asylums got to do with the re-use of assets confiscated from the mafia? In the case I am about to describe, the social cooperative made use of both phenomena, and managed, as they say, to “kill two birds with one stone.” It worked effectively for the rehabilitation and reintegration of the disabled and the mentally ill in particular by re-using the assets confiscated from the mafia, or rather, in this specific case, from the Camorra. The story is very precisely localized and is emblematic of stories of social redemption in very difficult, almost impossible contexts, like the one described earlier by Alessandro La Grassa.

Aversa is a small town in the Campanian plain about 30km from Naples, with a current population of around 60 thousand. It lies atop an ancient Etruscan village. It was conquered by the Normans in the year 1000, thus becoming the first Norman county in Italy. It was here in 1813, in an ancient monastery, that Gioacchino Murat established the first civil asylum in Italy, later designated the Saint Mary Magdalene Psychiatric Hospital.

Casal di Principe is an ancient rural village in the Aversa area, inhabited since pre-Roman times by Etruscan people of Campania (known as Osci). It grew enormously after land reclamation was begun in the early twentieth century, and benefited from the occupation of the land by peasants which took place immediately after the First World War. Alongside its agriculture

and pastoralism, famous for Asprinio wine and buffalo mozzarella, criminal organizations developed in Casal di Principe, especially in the seventies. Among these, the '80s saw the rise of the Casalesi clan, one of the most powerful recent Camorra organizations operating in Italy. The town hosted the headquarters of the boss of the clan, the terrible and dreaded "Sandokan" who later inspired the writer Roberto Saviano in his best seller *Gomorra*⁴⁸.

In the eighties, after the earthquake that struck Irpinia and even affected Naples, the Camorra flourished and, in this case, even managed to take over the private health business, which after the closure of the asylum began also to absorb the mentally ill. The world of volunteering and the doctors, especially psychiatrists, were in great difficulty. Despite the Basaglia law and the closing of the asylum the system was blocked.

A new event, however, during the early nineties, was about to change things. And it was the Casalese Camorra itself that caused it. This was the murder of the priest Don Peppe Diana, which distressed the local population and unleashed the struggle against the Camorra. What had seemed impossible up to that moment suddenly changed. If it seemed impossible for Franco Basaglia to close the asylums—and the beautiful, recently republished book that collects the texts of Basaglia's Brazilian Conferences⁴⁹ reports that at a certain point he said, "We have shown that the impossible becomes possible"—to the population of Casal di Principe even the simple thought that it was possible to fight the Camorra seemed utterly out of the question.

Don Peppe Diana was a scout leader and the parish priest of Casal di Principe, and unlike most priests in the area, he had the courage to openly stand against the Camorra. In 1991, along with other priests, he raised his voice by signing an appeal to the Church entitled "For the love of my people," a people undergoing a situation of profound moral, social and economic distress,

⁴⁸ Saviano (2006).

⁴⁹ Basaglia (2018).

oppressed by criminal powers and the barbaric ferocity of the clan, at times almost oblivious and resigned.

It was three years after this appeal, on the morning of March 19, 1994, his name day in fact, that Don Peppe Diana was barbarously murdered as he was about to celebrate mass. The killing sent a violent and unexpected shock through the population, which reacted immediately with outrage and horror. It was for this reason, among others, that the state reorganized itself, along with its magistrates and security forces, already doing battle in Sicily following the killing two years before of the judges Falcone and Borsellino, and found the courage to launch a deadly attack on the clan that officially began in 1998 with the capture of "Sandokan," and ended in 2010 with the close of the "Spartacus" trial.

The reaction of the state was not only military and judicial, but also civil. Part of the population, albeit a minority, was encouraged by the assiduous and heartening presence of the magistrates and security forces and began to organize. After a few years, associations and spontaneous groups working for the civil, moral, social and economic redemption of the territory began to emerge. In 2006 these merged to form the Don Peppe Diana Committee.

The experience of the fight against the mafia undertaken by the state in Sicily in the nineties was in some respects decisive in this story. 1995 saw the birth of the association *Libera. Associazioni, Nomi e Numeri contro le Mafie* (Free. Associations, Names and Numbers against the Mafias), which would lead to the great reform regarding the re-use of confiscated Mafia assets. This opened the possibility of assigning assets free of charge to the local community through voluntary organizations and social cooperatives concerned with social rehabilitation, particularly that of recovering drug addicts.

The NCO consortium

The opportunity of being assigned confiscated assets was then extended to other social cooperatives until it arrived in the *Agro Aversano* area in Campania, where its use also included the rehabilitation and social and economic reintegration of the mentally

ill. This was the origin of the NCO consortium. An acronym that effectively expresses the extraordinary idea of the redemption its protagonists so strongly desire, NCO in fact stands for *New Organized Cooperation* and was coined as an open challenge to the Camorra which years before it had identified itself as the “Nuova Camorra Organizzata” (New Organized Camorra) (also NCO) and had become famous under that same acronym.

Officially established on September 13, 2012, the NCO consortium initially brought together three social cooperatives dedicated mainly to the assistance and rehabilitation of drug addicts, ex-prisoners and the mentally ill. The cooperatives involved are managed by young leaders with great charisma and talent.

Giuliano Ciano is a Catholic educator and volunteer who is passionate about agriculture. He comes from a disadvantaged district of east Naples. In 2004, he opened one of the first social farms in Campania right on the grounds of the former Aversa asylum. The farm immediately took the name “Fuori di Zucca” (Out of Mind) and has grown over the years to become a reference point for NCO. Giuliano was also the first president of the consortium.

Peppe Pagano is a young man from Casal di Principe who was snatched from the Camorra by other volunteers and social educators and became an entrepreneur and social leader, an authentic anti-Camorra genius whose idea was to invent something new by turning the logic of the plan that governs criminal organizations on its head. His intention was to exploit the Camorra in precisely the way the Camorra had been exploiting the local area. First, he created the *Nuova Cucina Organizzata* (New Organized Kitchen) (again NCO in Italian), a pizza restaurant providing work for disabled people, ex-prisoners and people with mental disorders, and following that, the *Pacco alla Camorra* (Package for the Camorra).

Simmaco Perillo started out as a young volunteer and Catholic educator in Sessa Aurunca, another important town in the Campania hinterland founded by ancient Etruscans. After some experience in social cooperation in northern Italy, especially assisting drug addicts, Simmaco returned to his home in the South. Today he manages one of the largest of the assets confiscated from

the Camorra along the Garigliano, a river symbolizing the unification of Italy, where he assists a community of people with mental disorders and where, among other things, he has created the first laboratory in Italy for processing organic products on a confiscated property.

Facciamo un pacco alla Camorra (Let's send a package to the Camorra) is without doubt the most famous and successful project of the NCO Consortium. The project, now ten years old, involves 16 companies including social enterprises and companies that have reported to the authorities not only the rackets, but also criminal associations and committees. It promotes an ethical production chain based on the social activities that arose in places that were once symbols of violence and oppression, but have now been given new life thanks to the collaboration between institutions and the social realities prevalent in the area. The products that make up the package are subjected to strict quality controls, are sold under the single brand "NCO – *Nuovo Commercio Organizzato*" (New Organized Trade) and are produced through the re-use of goods confiscated from the Camorra and of common assets in *Le Terre di don Peppe Diana* (The lands of Don Peppe Diana). Above all these products are the fruit of the labor of disadvantaged people who have thus found a way to be reintegrated into society and the economy.

Some data can summarize the results achieved by the consortium in the field. These are results that are directly and easily measurable. Assessments do not exist regarding the indirect impact of the activities of the Consortium and the anti-Camorra network operating in the area.

Some data on the NCO consortium

80	56	31	8
hectars of land	hectars of confiscated land	hectars of biological land	confiscated goods reused
6	121	96	+23.000
social cooperatives	members	volunteers	annual visitors
3.248.574,8 €	50,69%	49,31%	
aggregate turnover	social activities	productive activities	

Final thoughts

Interesting connections are immediately apparent between the Basaglian movement to free people seen as mentally ill and the economic possibilism of A. Hirschman and E. Colorni. One example is the close connection between theoretical formulation, the practical application of the newly formulated ideas, and the immediate political reflection of the experience. This was in fact what happened with the Italian “Law 180” which closed the mental asylums, and the prototype for what would later be type B social cooperatives—those committed to the employment of disadvantaged subjects. But there is also the perennial and at times obsessive search for conditions that will let us imagine, experiment with, and build possibilities different from those we now know—possibilities considered out of the question up until a certain moment.

The NCO case is especially interesting not only because it demonstrates the extraordinary creative strength of the Basaglian movement, but also because it offers some important lessons in possibilism that are worth exploring and connecting with other similar experiences.

In the first place, it is important to recognize that the Basaglian idea of liberation needs to be backed up. This is an important

lesson because it helps us recognize that the moral and ethical tension that accompanies many social movements can be of enormous benefit if we can help transform it into a tension that is productive, and keep it from lapsing into narrow political visions and platforms typically based on principles of efficiency or economism, which often cannot be translated into concrete reforms.

The NCO case is instead emblematic precisely because the volunteering impulse linked itself to a slow but tenacious process in the direction of entrepreneurship, a process which also leveraged some important concomitant factors that led to a favorable situation for development. Among these, the opportunity to manage assets confiscated from the mafias played an important role. Some examples are a building intended for catering activities, and land destined for agricultural purposes with restructured buildings to be used as laboratories for processing products from organic farming.

This possibility interacted in an extraordinary and singular way with the voluntarist drive and the liberating tension mentioned above, triggering mechanisms that have transformed basic ethical and moral energy into an extraordinary economic and productive propellant with broad social repercussions.

And yet, in the case of NCO these results would very probably not have been achieved if certain other mechanisms had not been activated. Specifically, for example, the civic movement that was born following the killing of a priest by the mafia, or the movement of citizens' committees created to oppose the phenomenon of the Terra dei Fuochi (Land of Fires) in Campania. And even these mechanisms would not have produced positive results if the entire process had not also been encouraged and supported by external assistance (banking foundations, for example), by enlightened public reforms (such as the "Health Budget" for the treatment of people considered mentally ill) and other types of external support such as managerial assistance that favored the drive and the "possibilist" process of becoming entrepreneurial.

In conclusion, the NCO case is an important example of economic and social possibilism. In the Hirschmanian perspective, which here interests us particularly, it is able to show "How one

thing leads to another” or “How an initiative manages to last” and perhaps even “How to pass reforms,” considered pillars of the Colomian and Hirschmanian teachings.

Here it is not possible to illustrate this thesis in detail, but before concluding I would like to focus a bit more attention on one specific point. The main lesson of this story comes in seeing how the need for the social transformation of the volunteer organizations active in the area in fact found expression in a need for the economic transformation required to guarantee the sustainability of the social rehabilitation activities that were being pursued. We are talking, in other words, about these organizations’ need to do business, for themselves but also for those involved in the rehabilitation processes and also, of course, in order to introduce new capital into the area and make the process truly sustainable.

Experience in the field, subsequent research, and the direct testimony of the agents involved have revealed how decisive the support activity recalled earlier actually was, above all the training and personal motivation of the members of the cooperative, beginning with their leaders. This included the meticulous application and development of several Hirschmanian ideas and theories - such as the theory of cognitive dissonance, very useful in the work of loosening mentalities and cultures that are predominantly foreign if not antithetical to business.

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Vincenzo Marino, Vincenzo De Bernardo, Pierpaolo Prandi

Some Findings and Ideas for Development. The Case of the Italian Cooperative Movement. Cooperation and Social Cooperation in Italy: a Short Presentation⁵⁰

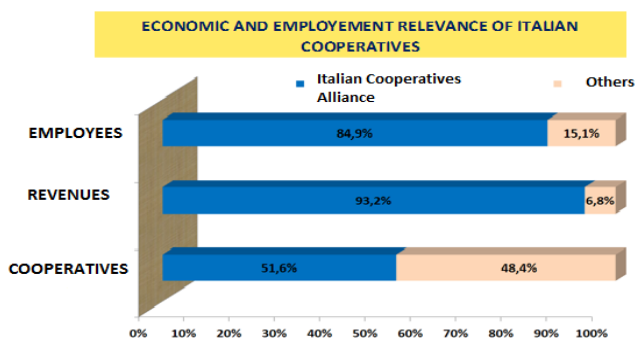
Italian cooperation contributes about 8% to Italian GDP with an impressive and diversified presence in many sectors (Credit, Consumption, Services, Agro-industry and Fishing, Healthcare, Social, Tourism and Cultural Heritage, Housing). The cooperative movement has over 13.5 million members and nearly 1.350 thousands employed. It achieves an aggregate turnover of almost 161 billion euros, of which 8.5 billion from exports. The Italian Cooperatives Alliance⁵¹ represents over 93% of the Italian cooperative movement total revenues and over 84% of employees (for a deeper representation see Annex).

In this context, social and health cooperation includes around 14 thousand cooperatives that provide social and welfare services to over 7 million people. Almost 420,000 people are employed, mostly women, of whom 40,000 are disadvantaged. Cooperatives in the social and health supply chain operate in the field of social assistance and personal services, in particular in social health services (including those with a high specialization in health care), welfare, education and employment for disadvantaged people. Then there are the cooperatives among doctors, mainly linked to the

⁵⁰ Despite authors' responsibilities in Confcooperative, the paper does not illustrate any official position of the Association

⁵¹ Who merge Confcooperative, Lega delle Cooperative ed AGCI.

diffusion of the various forms of associated medicine, and the pharmaceutical cooperatives, active in the intermediate distribution of pharmaceutical and parapharmaceutical products and, in some cases, also active in the direct management of pharmacies (this later sector also includes consumer cooperatives and those between retailers). In this model of new multi-professional, cooperative and integrated welfare, which combines the management of care processes in a logic of continuity, there are also the mutual societies that have over 450 thousand members⁵².



Source: Centro Studi Alleanza delle Cooperative Italiane

The nature of cooperative firm

The ICA (International Cooperative Alliance) defines the principles of cooperatives (www.ica.org):

1. *Voluntary and Open Membership*

Co-operatives are voluntary organizations, open to all per-

⁵² For a deeper insight on the Confcooperative numbers, see Annex.

sons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. *Democratic Member Control*

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. Cooperatives members have equal voting rights (one member, one vote) and co-operatives at other levels are organized in a democratic manner.

3. *Member Economic Participation*

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. *Autonomy and Independence*

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. *Education, Training and Information*

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the public - particularly

young people and opinion leaders - about the nature and benefits of co-operation.

6. *Co-operation among Co-operatives*

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. *Concern for Community*

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Italian economic development is historically characterized by a widespread presence of small and medium-sized enterprises, specialized in some reference sectors (the so-called made in Italy and the linked sectors) with a strong territorial vocation. The Italian experience of industrial districts recalls this territorial dimension and the aspects of competition and cooperation connected with them (see. Becattini e Rullani, 1993)

A specific branch of political economy, which refers to the concept of Civil Economy by Antonio Genovesi (1769, see also Bruni, 2012; Zamagni, 2005), historically links the spread of these development attributes to the peculiar characteristics of Italian civil society. Since the feudal era, and the monastic experience sprouted at that time, the first forms of economic activity were shaped on an entrepreneurial and organizational culture based on the development of networks of relationships at local level (social capital). This favorable environment has created over time specific conditions for the growth of local networks of enterprises, linked by specific relations of competition and cooperation (See *ibidem* Becattini e Rullani). In this context, these authors argue, it is no coincidence that the development of cooperative entrepreneurial formula has found fertile ground, up to receiving a constitutional protection.

Moreover, it would certainly have been an excessive simplification, if not a trivialization, explaining the numbers of coopera-

tion and the cooperative movement in Italy only as result of the peculiar law protection (with connected and decreasing tax advantages over time). As known, the cooperative formula places the person (and his needs) at the center of entrepreneurial action. Cooperatives do not live for a speculative purpose, but to respond to the needs of those who constitute them: working cooperation “to give work”, agricultural cooperation “to value (also transforming it) the product of agricultural small entrepreneurs”, user cooperation “to satisfy the needs of consumer users”.

There are no capital partners participating in the entrepreneurial activity to make an adequate profit with respect to the capital invested. The principle of capita (one head one vote) guarantees that the shareholder weight in the entrepreneurial decisions does not depend on his capital contributions but on his participation.

Cooperatives act their entrepreneurial action, to put it in the words of Zamagni (2005), at the intersection of three ethics:

- The *utilitarian ethics*: because the cooperative must generate utility for its members to answer to their specific interests and needs;
- The *ethical ethics (or “of responsibilities”)*: because the cooperative must be managed like any other form of business, respecting the “rules” of entrepreneurial functioning;
- The *ethics of virtues (or “of love”)*: because the mutualistic exchange between members cannot survive, if the relations between members and their cooperative is not well balanced, by the means of an adequate relational system (endogenous social capital to the cooperative).

Cooperative managers are consequently in charge of a specific competence, focused on the constant research of balancing these three dimensions, which guarantee the success of the venture. It could be objected that this conception of the cooperative enterprise is similar to other companies that must also be adequately managed, respond to the purposes of the members, and focus on the centrality of the person in the relationship with customers, suppliers

and employees. Nonetheless, in the specific of cooperatives, this alchemy takes on specific dimensions:

- due to the presence of a non-profit purpose but mutual, the satisfaction of the needs of the shareholders does not concern the correct remuneration of the invested capital, but the effective capacity of the company to meet member real needs (of work, consumption, product enhancement);
- the value of the relational dimension (which takes the form in the per capita vote and the participation of the members in the entrepreneurial choices) is reversed compared to the capital enterprises. While in the latter it is the result of a conscious managerial strategy aimed at obtaining the maximum involvement of the company's resources, in cooperatives it represents the starting point from which entrepreneurial management behavior originates (see Annex).

A development function

Due to its constitutive characteristics, the cooperative has historically assumed a function of entrepreneurial resolution of the conflict between capital and labor ('800 -'900). More modernly, it is considered an emancipation tool for people who, in a cooperative form, participate precisely in a collective entrepreneurial venture. As seen, cooperatives constitute an important example of high-performance solutions and an alternative to give solutions to people's problems, with respect to capitalist solutions in the strict sense. In particular, the territorial roots and the centrality of the person make social cooperatives a virtuous example of a company at the service of communities⁵³.

⁵³ Due to these characteristics, the cooperative specificity in Italy is the object of constitutional protection, of tax advantages in the taxation of income generated by the mutual exchange, of specific controls aimed at verifying the actual existence of this mutual exchange (cooperative audit). "The Republic recognizes the social function of mutuality cooperation without private speculation. The law promotes and promotes the increase with the most suitable means and ensures, with appropriate controls, the character and purpose" (Costituzione Italiana Art. 45).

The Italian cooperative legislation is very concentrated on the concept of *internal mutuality*, where mutual exchange is the beating heart of the cooperative condition. The mutualistic purpose is declined operationally in the evaluation of the prevalence of exchange relationships between members and cooperative, thus:

- In transfer cooperatives (agribusiness) mutuality is calculated on the value weight of the conferred product by members;
- In workers' cooperatives, is based on the cost of labor produced by members;
- In users' cooperatives, is based on the value of production sold to members.

Specifically in social cooperation, this basic assumption is then strengthened with elements (legislative and regulatory) that open up to the dimension of *external mutuality* (although without reaching a complete standardization on the subject). The provision of the law attributes to social cooperatives the characteristic of cooperatives with prevalent mutuality, in relation to the activity (of public interest) that they carry out in specific sectors / areas (Type A social cooperatives) or with specific modalities (social cooperative of type B). The concept of external mutuality in all the types of cooperatives is in fact just as important. It recalls to the existence of mutual and solidarity exchange between the cooperative and communities and territories in which it operate.

The idea that the entrepreneurial function and the competitive success of the company is to be read with respect to the distributional or extractive dimension of the value generated at a territorial level (Becattini and Rullani, 1993; Porter and Kramer, 2011) is now raising up also among economists. If economic development is inclusive, generative, widespread, it allows the regeneration of tangible and intangible assets that guarantee the consolidation over

time of the lead company itself, as well as the local productive system. In other words, to last over time, entrepreneurial development could be more "horizontal", redistributive, generative (in fact).

Our indicators tell us that, when cooperation orchestrates the double dimension of internal and external mutuality, it is also more competitive, and therefore much more capable of generating employment opportunities (see Annex). On the one hand, in fact, the cooperative (being an initiative of people who join entrepreneurially to satisfy their own needs) distributes value (services, money) to the community. The connection, when it is effective, makes it possible to identify the cooperative as a collector of energy from the territory, that is, the stakeholders, families, young or elderly people, public and private structures. On the other hand, external mutuality can also be the fertilizer of inter-cooperative relationship networks: for instance, the system of mutual support of the social cooperation system, through funding and donations to similar or different subjects of the Third Sector. The network becomes both a "parachute" and a way to support the start up or consolidation of other similar business experiences.

This is also the explanation of the so-called anti-cyclical function of cooperatives. Between 2012 and 2017, employment in social cooperation, for example, increased by + 21.6% (more than 443,000 employed in active social cooperatives). In the same period, the employed in non-social cooperatives fell by 4.1%. Overall, the Italian cooperatives have increased employment by + 4% while the total number of enterprises, in the same period, has registered + 1.2% (ASIA register of ISTAT active private companies in industry and services).

The competitive advantage of social cooperation thus essentially coincides with its ability to operate the lever of both internal and external mutuality. We see that in the Italian context, it would not be possible to develop a social enterprise without having a far wider community of reference than the community of its workers (unless you are a huge company!). The demands of the community, collected through an entrepreneurial carrier (the social cooperative),

are therefore satisfied at a business level and through the services provided.

In this sense, social cooperation has a great potential of "voice" as a remedy, or request, for the construction of certain policies or services, which are not focused necessarily or immediately within company targets in a specific time. The "humus" in which social cooperation develops is profoundly different from the ideal habitat of the profit enterprise. In the first case, we face with a demand for policies, services, initiatives that have a very broad objective, related with the needs of community emancipation. In the second case, it could be just a question of producing employment (a meritorious operation, anyway!) at the most.

Obviously, a competitive advantage can quickly become a rent or even an obstacle, if you burn your reputation with unfair territorial practices. It is therefore a good thing that there is such a high social alert with regard to social cooperation, because it allows us to stop and limit its abuse. To put it in the words of the Hirschman of *Exit, Voice, and Loyalty*, the relationship with the "territorial voice" as a "remedy for the deterioration of the organization" is a crucial issue. Doing business today, in Italy, can no longer mean just retreating into a "productive", merely utilitarian, dimension. That historical dimension, precisely because of the change of the reference context, is a monad that risks remaining isolated and a prisoner of administrative and bureaucratic contexts, as well as social, if not fed by the territorial voice.

Getting ahead collectively

As known, *Getting ahead collectively* (1984) is the book in which Albert Hirschman, among other things, elaborates the concept of transformation and conservation of social energy⁵⁴. The text, in the title, in the introduction and in the review of cases, is also an important encouragement to trust in the possibility that a society, a

⁵⁴However, it is also a text in which the author further refines his micro-macro and trespassing work methods, which he finds in a more in-depth dimensioning in *Development Projects Observed, Journeys toward Progress* and *Exit, Voice, and Loyalty*.

community, a group can progress "collectively" ... even reacting to adverse conditions and attacks (from nature and from mankind)⁵⁵.

It is no coincidence that many of the in-depth experiences in the text (with a sabbatical year spent entirely in Latin America in search of new discoveries in the field of "basic development") are indeed cooperative experiences. In this sense, in addition to the beneficial encouraging effect for those involved in cooperation, that text is also, in some way, a source of inspiration. It leads us to verify whether and how the cooperative movement itself can strengthen its capacity to become a collector and catalyst of social energies (dormant or dispersed) and to direct them to the development of communities, territories, and societies even in a hostile environment.

In this sense, the book can be "a source of inspiration". The change of perspective inherent in work, does not appear secondary in a historical moment like the present one in which the evolution of financial capitalism is as powerful and invasive as to raise the doubt that the real economy, communities, local development are residual of a world destined to disappear. Moreover, precisely, social energy is preserved, transformed and in certain conditions can become an "incremental capacity".

Today in Italy, the demand that comes from people is very complex and varied. It is not just a question of "goods" or even just "services". Probably the real question of people is freedom. Not in the liberal political sense of the term, nor in the individualistic sense of wanting to do what you want. Probably the real question of development at the base of everything is to be put in a position to decide one's own destiny, to have a life perspective that everyone can

⁵⁵ Starting from Adam Smith's statement "the desire to improve our conditions comes with us from the womb and never leaves us until we go to the grave," Hirschman presents the text as a commentary with examples and illustrations. A commentary that has a specific peculiarity, while in Smith's point of view everything always refers to motivation and individual action, the text highlights the existence of "the same objective ... they involve collective initiatives ...".

build. It is therefore a strong demand for leadership and "self-referencing" (which can then be applied to the demand for birth, work, home, care, education, security, etc.)

In this context, the same social objects of cooperation and social cooperation should be aimed at responding to the emerging or latent needs of today's citizen who lives between his own isolation and a public administration that is not capable of providing even the most basic services for the community. Therefore, this is our thesis, a new space of cooperative entrepreneurial generation opens up, of catalyzing social energies to find new answers to new needs.

Alfred Marshall in 1889 had already identified this potential - which incidentally appears particularly assonant with the Hirschman of *The Strategy of Economic Development*: "...the cooperative enterprise is successful because it tends to economize on the efforts required to achieve certain set goals and using a large wasted product. In the history of the world, there has been a wasted product more important than all the others, so that it can be defined as the wasted product. Now what is this wasted product? It is the highest skill of so many members of the working classes; the unexpressed, underused, atrophied and wasted abilities to do better jobs, which due to lack of opportunities have ended up in nothing"⁵⁶.

On top of that, the cooperative tool can hold other surprises in terms of the emancipation of people and the real democratization of society. A cooperative is in fact a tool for members to participate in the choices of the company. The cooperative certainly arises from the individual needs of the members, but at the same time as they "get together" to run the business, a new process starts - that in the capitalist profit-making enterprise is incidental (if not explicitly wanted by the entrepreneur capitalist): that of sharing entrepreneurial choices. In fact, in many cases of new and small cooperatives the growth of the company corresponds to the growth of entrepreneurial skills of the associates.

⁵⁶ Marshall, *Inaugural address to the 21st Congress of Co-operators*, Ipswich - 10th June 1889

In the corporate rules, the sovereignty of the member is realized through the central and founding role of the assembly, a place of maximum sharing of strategic decisions. Through a direct expression of the shareholders and an active participation of the assembly, the cooperative becomes a place for the exercise of a collective entrepreneurship. This is also evident in structured cooperatives, where, despite the predominant attribution of direction and coordination powers to the Board of Directors, there is never the possibility of a single director.

On the other hand, it is equally true that the company formula is not in itself a guarantee of full involvement if the strategic delegation to the Board is "blank", if the shareholder is not interested in decisions, if the (for the time) cooperative's leadership does not play a role of continuous involvement of the members. If the cooperative energy is not compressed within the limits of the ritual convocation of the assembly for the approval of the budget, but unfolds through a continuous involvement of social choices, a transparent action, a pedagogical function ... then the cooperation becomes (within limits) incremental capacity.

This note places the responsibility of those who exercise the entrepreneurial function (Chairman and Board of Directors) on a different level. In addition to having the managerial responsibilities typical of entrepreneurial leadership, these people also have the responsibility to build an environment conducive to development and the emancipation of people. Cooperative leadership thus becomes both an entrepreneurial tool and a development catalyst of the social structure⁵⁷.

⁵⁷ The authoritative New Webster Encyclopedic Dictionary (Avenel Books, 1984) defines LEADER as "one that leads or conducts" and, if we then pass to the numerous meanings of the verb TO LEAD, we read, among other things:

"... to guide by the hand; *to guide or conduct by showing the way*; to direct; to conduct, as a chief or commander; to head; to direct and govern; to proceeds; to hold the first place in rank or dignity among; *to show the method of attaining an object*; to direct, as in an investigation; to draw; to entice (attract, seduce), to allure ... "(italics added). However, in a cooperative, there is further enrichment because the cooperative leader in his action must systematically think about the involvement and the emancipation of the members. It must also be, in some way, a "coach"; or work for entrepreneurial

Finally, this specific ability, connected with the underlying reasoning aimed at combining internal and external mutuality of the cooperative, attributes to it a typical social function and the potential responsibility to be an actor in territorial development. The cases illustrated in this session by Tommaso Di Nardo and Alessandro La Grassa on properties confiscated from organized crime are very important examples, and at the end confirmations of the Hirschmanian discoveries of *Getting ahead collectively*, of how the cooperative formula can be an important tool for the basic development of entire communities also "in terra hostilis"⁵⁸.

Representing the cooperative enterprises

These considerations also attribute a new and wider task to the organizations representing the cooperative enterprises. Traditionally positioned in the assistance, protection, representation and supervision functions of the sector, these organizations find themselves having to regenerate an explicit generative and promotion function. This implies the need to combine the protection of the interests of the existing cooperatives with the objectives of growth of the cooperative movement and its ability to reshape its answers to the needs of people and territories. Some strands of activity already outline this trend (just to give examples of some efforts in Confcooperative):

and cooperative self-leadership of members. In organizing "The way and the method", he or she sets up mechanisms, stratagems, but also "forcing" and tactics aimed at combining the cooperative's entrepreneurial development with the development of the abilities and skills of its members.

⁵⁸ This is obviously not a simple strategy. In fact, in these places the desired change implies: "...a precise discontinuity, a priority universe in the scale of values transmitted from generation to generation ... it is a question of putting investment before rent, the assumption of responsibility in search of power, selection based on competence to that based on belonging, equity to egalitarianism"(see Marini, 1999). Faced with these obstacles and because of the failures they can incur, supporters of possible change may seem "Pathetic and naive". However they act, and by acting they learn from mistakes and from the resistances with which they contract. In this way, they grow by cultivating a specific "reformongering ability".

- Development of the Third Sector and the Social Economy in Italy, which constitutes a very interesting perimeter in terms of cooperative promotion and new social enterprises: between 2011 and 2017 (ISTAT Census data) the non-profit institutions have grown 11% with a total of 5 million volunteers (+ 16.2%) and 780,000 employees (+ 15.8%);
- Birth and development (we are now at several hundreds) of a new form of cooperative with mixed mutuality - so-called "community cooperatives" - that are born in difficult territories, characterized by strong institutional and social rarefaction (the Internal Areas of the country or degraded metropolitan environments) that incorporate a multi-sectoral dimension (which allows economic sustainability) and a relationship between the cooperative and the territory marked by a constant osmosis between internal and external mutuality;
- Potential linked with entrepreneurial management of assets confiscated from organized crime and returned to the community, hovering between the risk of being sucked into the networks of negative relationships of the local environment and the possibility of generating a reversal of purpose that triggers change;
- Activation of user cooperatives at the territorial level that - starting from the experiences of the GAS (Gruppi di acquisto solidale, groups for solidary buying) and the collective purchase of energy consumption - begins to spread again as a form of the most efficient solution of the market for the consumption needs of citizens (also in the direction of eco-sustainable consumption);
- Spread of social agriculture, or social cooperatives in the agricultural field, which increasingly combine agricultural activity with the themes of work integration in terms of sustainability and respect for the environment;
- Development of "inhabitants' cooperatives" that aim at extending the experience of building cooperatives towards an expansion of the cooperative entrepreneurial mission, no

- longer concentrated solely on the economic advantage of the member who has to buy a home, but aimed at structuring economic and social services (social housing);
- Development of complex networks of social-health cooperatives that integrate pharmaceutical cooperatives, medical cooperatives, social-health assistance cooperatives, mutual societies, focusing on the needs of the person and trying to offer a range of integrated services that allow people to "live better" and better manage their health needs;
 - Scenarios of technological innovation that open new unexplored fields to the possibilities of cooperation through virtual platforms and networks that could be the object of specific cooperative entrepreneurial initiatives.

Thus, there exists in these and other sectors a social energy in movement. It exists despite the strength of financial capitalism, war of duties and international competitions. People organize themselves, sometimes - and then not so rarely - collectively, to find answers to their needs. It is up to the cooperative movement to work to catalyze this "energy in becoming..."

ANNEX: Numbers and values of Confcooperative

Within the Italian cooperative movement, Confcooperative is active in all economic sectors, both traditional and innovative. It represents, protects and assists, at 31 December 2018, an entrepreneurial "fabric" consisting of 17,917 members. 92.5% of the associates are basic cooperatives, 3.3% cooperative consortia and the remaining 4.2% other company types. Individual members of cooperatives are 3,202,765. Among them 40.5% of the total are women.

Employed (including self-employed) are 519,605. Almost 54% of them are also members of the cooperative where they work. While 67.9% owns permanent contract. Employment is predominantly "pink": 60.7% of employees, in fact, are women. Women's cooperatives (those in which the majority of members are women) represent 34.3% of the total number of active members. Finally, 9.4% of the total employment comes from countries outside the EU.

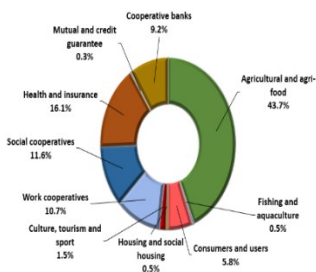
The Confcooperative System achieves an aggregate turnover of over 66 billion Euro (6.2 billion from foreign markets). A significant weight is attributable to the agricultural and agri-food sector, which represents 43.7% of the total.

CONFCOOPERATIVE MEMBERS (2018) - ESTIMATION*

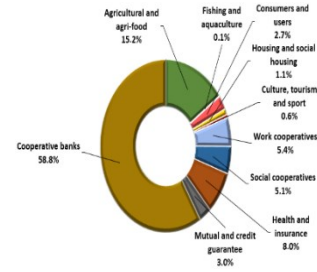
Sectors	Members	Individual members of cooperatives	Employees	Aggregate turnover (Milion Euros)
Agricultural and agri-food	3.004	423.100	68.750	28.900
Fishing and aquaculture	370	6.900	4.480	315
Consumers and users	631	362.500	8.035	3.850
Housing and social housing	1.155	71.500	485	335
Culture, tourism and sport	1.193	138.600	18.510	990
Work cooperatives	4.550	187.200	130.320	7.100
Social cooperatives	6.257	228.000	234.500	7.650
Health and insurance	387	140.000	18.325	10.650
Mutual and credit guarantee	92	351.800	1.700	195
Cooperative banks	278	1.293.165	34.500	6.079
CONFCOOPERATIVE	17.917	3.202.765	519.605	66.064

Source: Centro Studi Confcooperative – Fondosviluppo: “Confcooperative: i dati di sistema (2018)”, Studi e Ricerche n.85, April 2019c

AGGREGATE TURNOVER
-%-



CAPITALIZATION
-%-

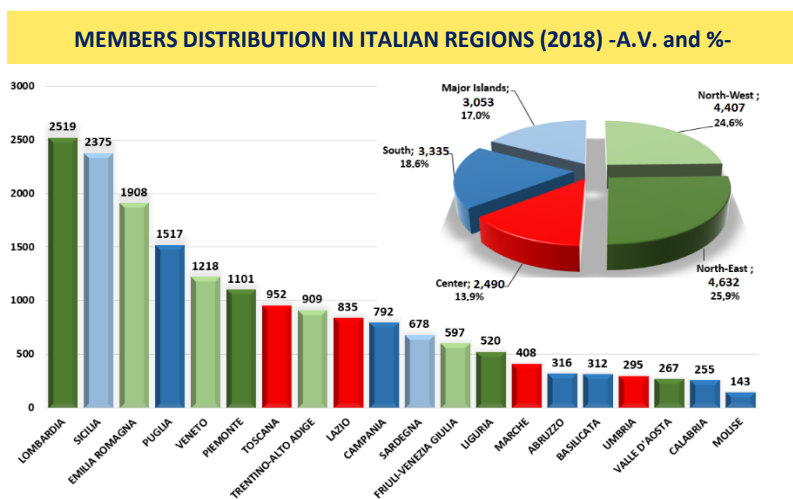


Source: Centro Studi Confcooperative – Fondosviluppo: “Confcooperative: i dati di sistema (2018)”, Studi e Ricerche n.85, April 2019c

In terms of capitalization, the majority weight refers to the “Cooperative credit” sector, with over 58.8% of the total aggregated capitalization produced by the Confcooperative system as a whole (over € 33 billion).

35.4% of the members are social cooperatives, 29.1% of work cooperatives, 9.8% of agricultural product transfer cooperatives, 7.7% of user cooperatives and 17.9% % from other types.

Confcooperative is present in a widespread and rooted way throughout the national territory. The majority of the members (50.5%) is located in the Northern regions (4,632 adherents in the Northeast and 4,407 in the North-West). 13.9% refers to the Center (2,490 associated) and 35.6% to the South (3,335 adherents to the South and 3,053 to the two major Islands).



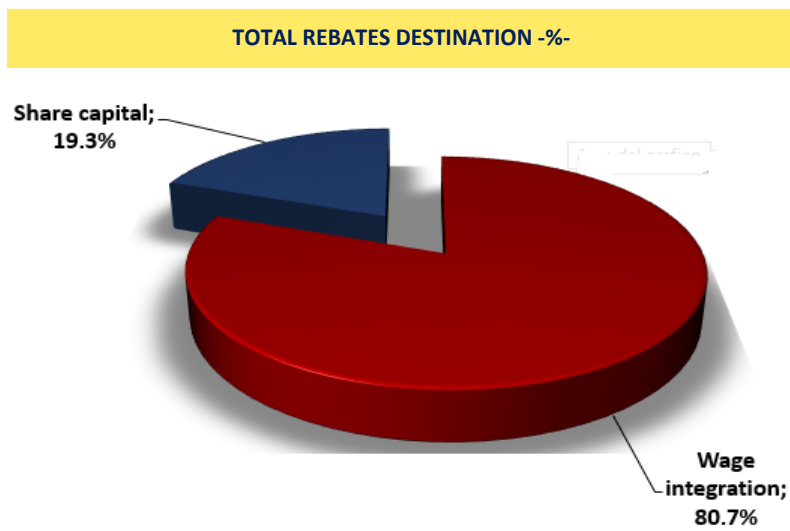
Source: Centro Studi Confcooperative – Fondosviluppo: “Confcooperative: i dati di sistema (2018)”, Studi e Ricerche n.85, April 2019c

Confcooperative - Federsolidarietà counts 6,359 members in all socio-health and educational sectors and in many entrepreneurial areas, activating work integration paths.

There are 228,000 individual members of cooperatives, of which over 26,000 are volunteers. Employed are 234,500, equal to approximately 55.8% of the total employed in social cooperatives

active in Italy. With reference to the economic weight, the Federsolidarity System achieves an aggregate turnover amounting to € 7,650 million.

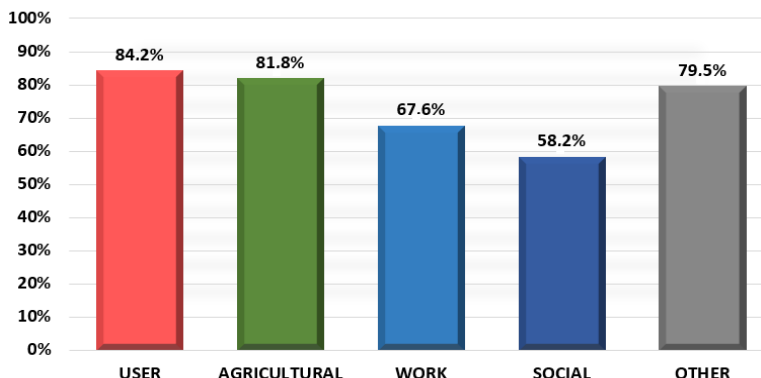
In the Confcooperative associates, the mutual management is certified by a wide recourse to the rebate tool to the members: in the last two years, 80.7% of the total rebates has been destined to wage integration, while the remaining 19,3% was allocated to the strengthening of the cooperative, or to a free increase in the share capital.



Source: Centro Studi Confcooperative – Fondosviluppo: “Confcooperative: i dati di sistema (2018)”, Studi e Ricerche n.85, April 2019c

In our cooperatives, the respect (of the requirement) of mutualistic prevalence, achieved by working largely with the partners, guarantees the enhancement of the members. The average level of mutualistic prevalence reaches 84.2% in the cooperation of users (activities in favor of the shareholders); it stands at 81.8% in the cooperation for the conferral of agricultural products; it goes to 67.6% in work cooperation (work performance of members), it stands at 58.2% in social cooperation and, finally, it stands at 79.5% in all other cooperatives.

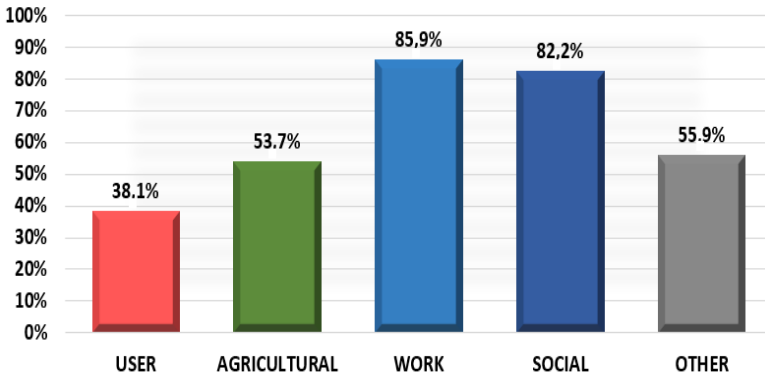
THE AVERAGE LEVEL OF MUTUALISTIC PREVALENCE -%-



Source: Centro Studi Confcooperative – Fondosviluppo: “Confcooperative: i dati di sistema (2018)”, Studi e Ricerche n.85, April 2019c

As regards the effective participation of members in the life of cooperatives through the assemblies, in the last two years, in the context of work cooperation in 85.9% of the companies, the participation of the members in the assemblies has exceeded 50%. In social cooperation, the participation has exceeded 50% of those entitled in 82.2% of the cooperatives. In the agricultural cooperatives stood at 53.7% of the companies, in the field of user cooperation the share of cooperatives drops to 38.1% and in the other cooperatives the share of companies with a shareholding of more than 50%, it stood at 55.9%

**THE EFFECTIVE PARTECIPATION OF MEMBERS IN THE LIFE OF
COOPERATERS THROUGH ASSEMBLIES -%-**



Source: Centro Studi Confcooperative – Fondosviluppo: “Confcooperative: i dati di sistema (2018)”, *Studi e Ricerche* n.85, April, 2019c

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PART II

Un-Official and Official Europe

Eugenio Colorni and Albert Hirschman developed a (combined) federalist point of view on Europe and worked hard to make it work in practice and, in various circumstances, were faithful to it. From that interesting outlook, are we in the position of reconsidering and addressing at least a part of our current European predicaments? The answer of this section (on ex-communist countries, EU cohesion policies, territorial crises, downward mobility) is indeed piece-meal, preliminary and tentative. But is not negative.

Marek Skovajsa

Reactionary and Progressive Rhetoric in Post-communist Transformation: a Note on Translating Hirschman's Ideas into a Different Context

In his book *The Rhetoric of Reaction* (1991), Albert O. Hirschman has provided a critical account of the stereotypical figures of thought which both the Right and the Left in liberal democratic societies take recourse to when fighting for or against a policy or reform. Hirschman's analysis covers 200 years of Western history, but it keeps almost completely silent on Eastern Europe. The exclusive focus on the West has a simple explanation in Hirschman's original intention to write this book as a "tract" against Reaganite conservatives of the 1980s (Hirschman 1993a: 292-293). But none the less, it is worth noting that the book, even though it acknowledges in passing the revolutions of 1989 in Eastern Europe, says nothing about the occurrence of the same rhetorical figures in the political discourse of newly post-communist countries of the East or in the communist regimes that had preceded them.

In this short paper I propose to show the lines along which Hirschman's analysis of political rhetoric can be extended to post-communist transformations. In fact, while perhaps its author had no intention of looking for the same types of rhetoric he identified in his book outside of its original historical context, the application of the Hirschmanian typology on communist and post-communist political discourse not only provides a proof of its extraordinary productivity, but it also generates new insights and modifications to the original scheme.

Hirschman was certainly no friend of communism, but he seems to have been, throughout his long academic career, reluctant

to apply his analytical acumen to the societies of the former Soviet bloc. The best-known among the very few exceptions is his article on the collapse of the communist regime in East Germany which was written when the Soviet bloc no longer existed (Hirschman 1993b). One can assume that, as a thinker deeply committed to the idea of social progress, he found it of little intellectual and political use to deal with the realities of the Eastern bloc, where the materialization of progressive ideals grossly misfired.

The lack of enthusiasm on the part of Western Left to openly criticize communist systems was noted by Tony Judt:

“‘Anti-Communism’, whatever its real or imputed motives, suffered the grievous handicap of appearing to challenge the shape of History and Progress, to miss the ‘bigger picture’, to deny the essential contiguity binding the democratic welfare state (however inadequate) to Communism’s collectivist project (however tainted).” (Judt 2005: 560)

This might be a fitting description of a certain type of Western progressive intellectuals, but it does not hold for Hirschman whose sense of the complexity of social world prevented him from embracing any simple scheme of historical development. Far from being a silent intellectual accomplice of communism, Hirschman, even though he did not take upon himself a critical analysis of really existing socialism, has forged in his works powerful tools for such a task. His book on rhetoric, completed with the benefit of hindsight after 1989, is no exception. By virtue of its being a study of the rhetoric of Western democracies, it is well suited to serve as an instrument for the study of post-communist transformation for which Western democracy, capitalism and welfare state were the objectives to be attained.

The rhetoric of reaction, its inversion (progressive rhetoric) and its opposite (the non-rhetorical)

Hirschman has notoriously distinguished three figures of

the reactionary rhetoric: *perversity* (P): “good actions have bad consequences”; *futility* (F): “good actions have no effect”; *jeopardy* (J): “good actions put in peril the outcomes of earlier good actions” (Hirschman 1991: 11-12, 43-45, 84-86, 167). These figures of political argument can be presented in an abstract and generalized form, but Hirschman makes no claim to their being historical universals. Hirschman was interested only in the most common rhetorical devices that are employed in the political debates concerning legal, political or social and economic reforms in the West approximately since the French Revolution (following T.H. Marshall’s tripartite scheme of the gradual extension of civil, political and social rights). Because these arguments served to discredit policy or purposeful political action, they were reactionary. Because these policies or reforms were of progressive nature (civil and human rights, universal suffrage, welfare state), the reactionary arguments were raised against them mainly by the conservatives. As his analysis develops, Hirschman comes to the insight that rhetoric is made ample use of not only by the reaction, but also by the reform party (chapter 6 of his book). Each figure of the reactionary/conservative rhetoric has its counterpart in the persuasive devices used by the partisans of progressive political reforms (which for the lack of term “actionary” he has to call progressive rhetoric). These are the three formulas of the progressive rhetoric that can be understood as inverse forms of the respective reactionary figure: the *desperate predicament* thesis (P⁻¹): “our situation is so bad that action is imperative whatever it may cost”; the *history-on-our-side* thesis (F⁻¹): “if we do good things, we will succeed because we act in accordance with fundamental social laws”; and two inverse variants of the jeopardy argument (J⁻¹): the *mutual support* thesis: “this good action will strengthen and receive support from the outcomes of a previous good action” and the *imminent danger* thesis: “we need to take action immediately to save some of our earlier accomplishments” (Hirschman 1991: chapter 6, 167).

Raymond Boudon has criticized Hirschman for taking a very narrow view of the domain of political rhetoric. According to Boudon, there is an abundance of rhetorical figures of various forms

in political discourse and there are even more basic rhetorical devices than Hirschman's troika. Boudon gives the examples of "The good produces the good" and "The bad produces the bad" (Boudon 1992: 89). I think that Boudon's observations are correct, but they do not cause any harm (except rhetorically) to Hirschman's analysis. His book is dedicated to identifying the most common rhetorical devices that are employed in the political debates concerning legal, political or social and economic reform. It wasn't Hirschman's intention to catalog the entire registry of the rhetorical figures that are used in politics. Bourdon might be right that the "A produces A" arguments are the most basic ones, but the three rhetorical figures picked by Hirschman are simply those that adequately characterize much of the rhetoric of the conflict about policies to be implemented. They are also better suited to describe the dialectics of unintended effects of intentional action in society than the "A produces A" type of argument.

Hirschman's interest in rhetoric and his rather unrestrained use of the term in the book on the rhetoric of reaction might make it seem that he considers all political discourse as rhetorical. But this interpretation, which would place him in the vicinity of postmodern and poststructuralist authors, would be wrong. Hirschman had no difficulty in agreeing with Boudon and other critics of his book that one needs to uphold the distinction between the cognitive and the rhetorical aspect of political discourse (Boudon 1992: 90, 94; Dunn 1991; Hirschman 1992: 97-98). The arguments made by the participants in political debates are not only rhetorically effective or not, but also valid or invalid, based on true claims or not. But Hirschman is mainly interested in those arguments that are persuasive while being invalid or leading to untrue conclusions.⁵⁹ Any observer of politics will find many arguments of this sort, even though it is less

⁵⁹ John Dunn, on the contrary, believed that the initial impulse behind Hirschman's inquiry into the reactionary arguments was not only his „resentment at their persuasive power“, but also the „well-grounded suspicion of the analytical cogency of very many of their recent applications“ (Dunn 1991: 520). I have found little evidence of the latter in *The Rhetoric of Reaction*.

certain that different observers will arrive at anything close to a consensus regarding which arguments are merely rhetorical and which are valid and conducive to true conclusions. It seems that some of the most effective rhetorical arguments are those that generate true conclusions in some historical situations, even though they lead to false conclusions in most others. To identify the suspicious arguments, Hirschman suggests to look in the first place at those that are invoked very often, in an almost automatic fashion and in widely different situations:

“... the mere finding that reform proposals have indeed been attacked with the help of one (or several) of my typical ‘rhetorical’ arguments by no means constitutes in and of itself a refutation of what is being argued. To be sure, when the identical argument (say the perversity thesis) is shown to be used time and again to assault a wide variety of policies or policy proposals, there arises a suspicion that it is resorted to as an automatic response or cliché and is unlikely to be equally pertinent in all cases.” (Hirschman 1993a: 297)

To sum up:

- Hirschman analyses only that part of political discourse that is concerned with supporting or opposing progressive reforms;
- he does not presuppose, in the manner of poststructuralist theories of politics, that all politics is discourse or that all discourse is rhetoric;
- he is far from saying that every argument that corresponds to one of his rhetorical formulas is invalid; to the contrary, he admits the possibility that in some historical situations the arguments can be correct.

The discourse of post-communist transformation

Let me turn to the object of analysis, the rhetoric of post-communist reform. In analogy to Hirschman’s use of the term, the

exploration of this rhetoric should be limited to that part of political discourse in the countries undergoing post-communist transformation that is concerned with reform and reform policies in the areas of civil and human rights, political rights and social citizenship. The discourse of reform was produced by a variety of actors: politicians, advisors, journalists, academics, lobbyists, public intellectuals, citizens and others. It may be assumed that different groups are not identical in their use of rhetorical devices. But even though Hirschman, due to the focus of his study on reform, did favour those actors that are most centrally involved in reform projects or in opposing such projects (reform politicians and their advisors, specialist commentators in the media, spokespersons for interest groups), he did not think it was necessary to distinguish between various types of actors. All of them are participants in one ongoing process of public debate about reform. I would argue for the same encompassing approach regarding actors to be applied when exploring the reform discourse of post-communist transformation.

A specific difficulty is presented by the group of academic analysts of the transformation processes. Is their scholarly output of so minuscule cognitive value that it can be adequately analysed using Hirschman's six rhetorical figures? If it is acknowledged that this is not an adequate way of proceeding, should the discourse they produce be included in the object of study of the rhetoric of transformation or not?

There can be little doubt that social sciences played a prominent part in supplying the terms for the debate about diverging policy options in the post-communist countries. The question that arises here is whether the academic study of transformation was no less rhetorical than the political debate among politicians, journalists and citizens. Béla Greskovits, one of the most original Eastern European analysts of transformation, criticized this academic field for being dominated by unreflected visions and preconceptions of their producers rather than by the spirit of a rigorous scientific analysis (Greskovits 2002). This was not far from saying that transformation studies were to a large degree an exercise in rhetoric. But this view seems to be overly pessimistic. No doubt that rhetoric has a

permanent presence in the social scientific efforts to understand social reality. Yet, the considerable cognitive aspirations of social sciences, including transformation studies, should not be underestimated even if they still remain a by far unfinished project. After all, Greskovits was ready to admit that the lack of analytical commitment in the research on post-communist societies was in no small measure attributable to a factor external to social science, the intrusion of personal political ambitions (Greskovits 2002: 239-240).

The academics should thus be included among the producers of the discourse of transformation (in the sense outlined above) to the extent that they became voices in the political and broader public debate about reform paths as opposed to being participants in the purely scholarly forms of the exchange of ideas. This said, one has to be aware of the fact that the boundary between social scientific knowledge and political discourse is a porous one.

Towards a Hirschmanian analysis of the rhetoric of post-communist transformation

In this final section my aim is to sketch out the challenges which an analysis of the rhetoric of post-communist transformation proceeding along Hirschmanian lines has to confront. I can see two such challenges:

- (1) the duplicitous and unstable meaning of the key terms “reactionary” and “progressive” that is specific for the post-communist situation and
- (2) the need to make the analysis sensitive to the historical sequence capitalism – communism – post-communism which is very different from, and provides less grounds for optimistic historical visions, than the Marshallian succession of the three types of citizenship to which Hirschman pegged his inquiry.

(ad 1) It should be emphasised that the situation in Eastern Europe after the end of communism was deeply dissimilar from the

situation following the previous historical turning points. The difference between the future-looking revolutions of the past and the backward-looking (or perhaps, more accurately, *next door-looking*) systemic change following the collapse of state socialist regimes in the year 1989 was aptly expressed by Jürgen Habermas in his concept of a “rectifying revolution” (Habermas 1990). The two kinds of revolution differ fundamentally in what type of future they project. As Claus Offe observed, whereas the protagonists of the bourgeois and socialist revolutions “were daringly sailing uncharted seas” towards an unknown end point, the revolutionaries of 1989 knew “very well and from empirical evidence where they want(ed) to go” (Offe 2002: 250-251). The rectifying revolutions in the former communist countries did not aspire to creating a new type of social organisation, rather to the contrary, their two mutually related objectives were (1) to undo the remainders of the preceding failed attempt to create something genuinely new, namely a socialist society, and (2) to imitate, as well as to be admitted into the company of, their more successful former competitors in the liberal democratic and capitalist West.

In post-communist societies, the meanings of “reactionary” and “progressive” became more ambivalent than is the case in the Western countries which have been following a relatively straightforward trajectory from feudal autocracy to bourgeois liberalism and to social democracy. The confusion of terms begins from the fact that the communist power elite in most Soviet dominated countries was divided into the “conservative” hardliners and “progressive” reformists. If there was any “reaction” in the communist-dominated societies, it consisted of the subterranean leftovers of an almost completely eradicated pre-communist political scene and, increasingly so as the collapse of the system approached, of the unofficial opposition which was in terms of political allegiances a very diverse group that provided a temporary shelter to everyone from ousted communists to neoliberals and nationalists. There is no way of aligning these divisions with the categories “reactionaries”, “progressives” and “conservatives” common in Western democracies which Hirschman’s analysis takes for granted. After the collapse of the

communist systems in 1989, the old linguistic usage mostly disappeared, but the new divisions were no less confusing. Who was to legitimately boast the label of “progressives” in the new era: the advocates of the capitalist reconstruction, who looked back with sympathy to the pre-communist historical stage or the partisans of the now defunct communist regime? Who were to be called “conservatives”: those hoping for the return of the communist *ancien régime*, those who preached that the country must go back to its pre-communist traditions, or the admirers of Thatcherism? And who were the “reactionaries”: the communist party sympathisers who resented post-communist democratization and transition to capitalism, or the social democrats mounting feeble defences against neoliberal reforms? As the political and economic system was in movement, so was the conceptual grid whose function it is to identify principal political divisions and make them visible.

In a recent paper, Offe has described progress as “the difference between conditions as they are and some (assumedly collectively preferable) conditions as they could and should be created through political reform.” (Offe 2019: 243) This is an excellent definition for the normal times, but it cannot be applied without some surprises to the unsettled times following upon a rectifying revolution. In 1991, the champions of neoliberal reform Leszek Balcerowicz and Václav Klaus would count as progressives, for they spearheaded efforts to create new conditions of political and economic life via reforms that enjoyed the support of a vast portion of the population in their respective countries. By mid 1990s or by the end of that decade at the latest, both Balcerowicz and Klaus turned into conservative defenders of their reforms against a surging wave of criticism.

One can still use Hirschman’s typology of rhetorical figures to analyse the discourse of post-communist reform, but the labels “reactionary” and “conservative” should be better avoided in this rapidly changing and complex context. The safer alternative is to refer to the respective types of political arguments as either “anti-reform” (“reactionary” in Hirschman’s sense) or “pro-reform” (“progressive”). What is, of course, lost in the process is the substantive

connection of Hirschman's analysis to the Marshallian tripartite scheme of social progress.

(ad 2) What if one attempts to replace the Marshallian scheme civil – political – social citizenship which fulfils the function of the historical supporting structure for Hirschman's inquiry into the rhetoric of reaction with the more apposite sequence, speaking about Central and Eastern Europe, of capitalism – communism – post-communism (post-communist capitalism)? To ask such a question is not to say that the two sequences are equivalent in analytical, political or moral terms or that they are of the same global historical relevance. The obvious objection against this proposal is that the latter scheme is of limited intrinsic analytical value as all it does is to list the successive social formations in existence. But its advantage is that it brings to the foreground the cyclic aspect of the 20th century history of post-communist countries, which the study of their political rhetoric needs to reflect on even if it is to continue to take Marshall's sequence for its principal historical reference. The formidable problem that this fact poses for it is that it has to deal not only with the progression, but also with the varying degrees of regression of the three forms of citizenship at different historical moments. And this means: there is no ordered sequence of more and more demanding citizen rights expanding one after the other as in British history, but, from a certain point onwards, the three forms of citizenship develop simultaneously, even if not necessarily from the same starting level and in the same direction. It has happened quite often that the expansion and solidification of one or two forms of citizenship was accompanied by the decline of the third one or vice versa (for instance, civil and political rights were severely limited under communism, whereas social rights arguably expanded; the inverse occurred in the post-communist period).

If societies become a chaos of progressive and regressive motifs, then Hirschman's type of analysis of the reactionary and progressive rhetoric can become more challenging to carry out with success, but nothing precludes its feasibility in principle, perhaps except for some forms of the jeopardy argument that require a

particular progressive reform to have been accomplished previously.

Conclusion

My aim in this paper was to do some preparatory conceptual work for the application of a Hirschman-style analysis of the reactionary and progressive rhetoric to the discourse of post-communist political, economic and social reforms. One of the marks of inventive social science is that its concepts can be taken out of their original context and proved useful for a better understanding of the phenomena arising in very different social settings.⁶⁰ I have argued that the post-communist transformation is a rather unfriendly empirical field for the study of policy-related rhetorical figures along Hirschmanian lines as one of the characteristics of the post-communist discourse is the destabilization and ambivalence of the concepts “reactionary” and “progressive”. Another difficulty made explicit in this paper is that the history of the establishment and collapse of communist regimes in Central and Eastern Europe does not chime well with the progressive narrative of the ever expanding forms of citizenship which is the underlying historical rationale for Hirschman’s analysis.

But these observations do not lead to the conclusion that Hirschman’s inquiry into the rhetoric of reaction and progressive reform in the democratic capitalist countries of the West cannot be attempted again in the different case of post-communist societies of Central and Eastern Europe. Their purpose, rather, is to warn against a mechanical and context-blind reuse of Hirschman’s ideas, a warning which can claim to be in line with the spirit of his work.

⁶⁰ Hirschman’s typology of rhetorical figures can be made productive use of in the study of a broad variety of policy debates. Marianne Egger de Campo, for example, has found out that all three reactionary arguments were at work in the Austrian debate about the legalization of low-cost migrant care work for the elderly (Egger de Campo 2018).

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Samantha Ashenden and Andreas Hess

The Acceleration of Exit, Voice, and Loyalty – Catalonia and Scotland

Most observers of the contemporary Catalan and Scottish independence movements have used notions of nationalism of one sort or another in order to explain the movements' current demands, as well as the reactions against these.⁶¹ While we don't deny that irredentism, nationalist traditions and sentiment form part of the history of both independence movements and politics in Catalonia and in Scotland, we argue that these in themselves hardly explain the recent acceleration of exit, voice, and loyalty in the two cases. At the same time, we argue against explanatory models that introduce overly generalised causes or variables such as globalisation, neoliberalism, identity crises, and/or the discontent against them.

Constellations of exit, voice, and loyalty

As an alternative we suggest returning to Hirschman's discussion of *Exit, Voice, and Loyalty*. Hirschman (1970) suggested that his own discipline, economics, and others such as politics and sociology, might be enriched through the juxtaposition of notions of, on one hand, public voice and, on the other, (predominantly private) exit. He took issue in particular with the idea that man is nothing but a self-interested, advantage-seeking, free-riding *homo economicus* and with the argument that economic and other benefits were mainly due to the workings of the invisible hand of the market, in which politics guaranteed the parameters but otherwise rarely interfered. Against such simplistic models he argued that it is actually "loyalty (that) holds exit at bay and activates voice" (Hirschman,

⁶¹ For Scotland see, for example, Harvie 1998 and Colley 2014 and for Catalonia Elias and Mees 2017 and Minder 2017. For both Scotland and Catalonia see Elliott 2018.

1970: 78). This insight, Hirschman concluded, was not just of consequence for economics but applied to political institutions and processes well.

Hirschman pushes us to look at how collectivities are forged and can be re-forged through political processes. His lens enables us to bring into view the ways in which economic questions can quicken into problems of political identity and vice versa, and to examine how divisible conflicts – arising over resources – can generate non-divisible conflicts – arising over questions of identity – if they are repressed (Hirschman 1995: 244).

Hirschman's analysis showed that the answer to political stability and social peace lay to a significant extent in the successful 'alchemy of mixing' exit, voice, and loyalty (Adelman 2013: 442). We wager that exit, voice, and loyalty should be construed as a constellation of concepts that together can illuminate conflicts concerning the formation, maintenance and disaggregation of political communities. Exit, voice, and loyalty form a dynamic and often conflictual triad. Inverting Hirschman's original formulation, one might say that voice sustains loyalty and holds exit at bay: loyalty, the one noun of the three concepts, is sustained by voice and can be undermined by lack of voice to the point of exit.

Some of the essays that Hirschman wrote after the original publication of *Exit, Voice, and Loyalty* showed that many more constellations of these vectors can be thought of than originally envisaged.⁶² The applicability of the conceptual triad partly relies on its intelligent and flexible use in different contexts. Thus, Hirschman found that questions of the state and/or supranational organisations like the EU complicated but also enhanced our understanding of *Exit, Voice, and Loyalty* considerably (Hirschman 1981: 211-84). One of the most productive enrichments of his own concepts can be found in Hirschman's essay on the GDR's demise. This essay argued in opposition to what he had argued originally – namely that exit and voice are opposed; instead, in the case of the GDR it had actually

⁶² See, for example the work of Stein Rokkan (2000) and his use of Hirschmanian concepts for comparative purposes.

been the exit of masses of people that had triggered voice on the part of those who had remained – the successful outcome of which was that the ensuing protest led first to a crisis in terms of loyalty to the GDR's political regime, then to its slow demise and finally to its complete disappearance. In the process, loyalty to a political regime became defined not as something unconditional but as something that was co-existential and linked to the possibility of voice being heard. While this analysis re-confirmed Hirschman's original thesis concerning the importance of exit, voice, and loyalty, it showed that specific circumstances alter the pattern in which the variables play out.

Acceleration and resonance

Accordingly, we hypothesise that there might be more than one way in which the option for exit can become a precondition for voice, and that the timing and momentum of events might be crucial in this context. In order to develop our observations it is useful to refer to Hartmut Rosa's discussion of acceleration and resonance. Rosa observes that in order to perceive processes as accelerated, there must have been either some sense of a lull or perhaps even a freeze in terms of development (Rosa 2005: 86f). Another scenario could also be possible, namely 'historical overdosing' in which too many things happen all at once or in quick succession (ibid: 88). In Rosa's discussion of acceleration and its possible impacts we find additional tools that help refine and qualify our analysis: for example, an examination of how social acceleration works in different spheres (economically, culturally and socio-politically) and how these spheres and different acceleration processes interact with each other to form powerful synthetic forces with potentially enormous impact (243ff).

Rosa also discusses viable solutions for those who are caught in the force of acceleration. He is not of the view that the solution consists in slowing down or even halting some processes entirely (although such alternatives are not excluded *per se*); rather, he makes a convincing case for resonance, that is, translated into Hirschmanian terms, meaningful voice and meaningful forms of

loyalty (Rosa 2016) that prevent exit from happening. This, however, presupposes freedom from major political turmoil and, related to that, some sense of synchronicity and balance.

To sum up, resonance, embeddedness, loyalty and meaningful voice to a certain degree condition and support each other. It follows from this that if loyalty comes to mean stagnation and crisis, the stifling of effective voice, then some form of exit strategy becomes the precondition for meaningful, resonant voice. It is this latter scenario that we see at work in the cases of Catalonia's and Scotland's recent accelerated drives for independence.

The demand for independence in Catalonia

There is not space here fully to account for the processes that led up to current demands for independence in our two cases. Instead, in what follows we offer some observations on the ways in which these demands have recently accelerated.⁶³

In Spain, Franco's death in 1975 led to the *transición*. The 1978 constitution prescribed that Spain was a unitary state, but with autonomous regions. Article 2 of the constitution simultaneously recognises the right of 'regions and nationalities' to autonomy and declares the 'indissoluble unity of the Spanish nation'. Within this Catalonia is designated an 'historic nationality', yet in practice a tension remains whereby the central government retains the right to interpret this constitutional right as it sees fit. Throughout much of the 1980s and 1990s trade-offs between the political forces in Catalonia and the central government in Madrid helped to maintain what retrospectively resembles a delicate balance, including some devolution of tax and judicial powers, as well as recognition of and support for the Catalan language, undergirded in 2006 by a new statute explicitly describing Catalonia as a 'nation'. This period, from 1978 to the late 2000s, might be described as a period in which the gradual growth of voice kept exit at bay.

⁶³ A longer, as yet unpublished, version of this paper discusses the individual cases more fully.

This changed decisively in 2010, when the Spanish Supreme Court ruled that the agreement between the Generalitat de Catalonia and Madrid, that had granted Catalonia limited devolved powers, was unconstitutional. This, combined with economic grievances about net transfer of funds from wealthy Catalonia to the rest of Spain, produced an increase in support for greater independence; in this process we see an acceleration in which divisible and indivisible conflicts catalyse to take demands for independence to a new pitch, and divisible conflicts are transformed into non-divisible ones.⁶⁴

In the Catalan elections of November 2012 parties supporting more radical devolution or independence gained a majority of 59% of the vote (87 of the 135 seats). In November 2014 under Artur Mas, President of the Generalitat, an informal referendum returned a decision for independence amongst a majority of those voting, but was condemned by the Spanish government for exacerbating tensions and lacking democratic validity.

The process continued to quicken when Carlos Puigdemont took over from Mas and a majority of the Catalan parliament voted in favour of a referendum on independence. Not all parties agreed on the referendum: opposition parties within Catalonia called for a boycott and the Spanish government and courts declared it illegal. The EU sided with the Spanish government and Supreme Court in declaring the referendum unconstitutional, however the EU also reminded the Rajoy government in Madrid to seek a political solution, a suggestion that was ignored. The referendum that was held on 2nd October 2017 was attended by violence as the Guardia Civil attempted to prevent voters from participating. In the end approximately 43% of all those eligible voted; out of those 91% opted for independence. According to the Catalan government,

⁶⁴ For more elaborate accounts of the Catalan case see Dowling 2005, Elias and Mees 2017, Minder 2017, Encarnación 2017 and Elliott 2018. For a critique of Elliott see Hess 2019. For an earlier attempt of explaining specific Catalan patterns and peculiarities see Vives Vicens (2012).

another 770.000 citizens could not vote or their votes be counted due to 'obstruction'.

The aftermath of the referendum saw a legal and political wrangle of a kind previously unseen in modern Spanish politics. In the wake of the event it seemed as if the meanings of exit, voice, and loyalty had been radically altered. On one hand, for the *soberanistas* and independentists, exit had in effect become a precondition for voice; it only needed the proof of Madrid's reaction on the day to confirm their hypothesis. On the other hand according to those opposed to Catalan independence not all voices had been sufficiently heard, not before, during, or after the referendum. For Madrid, both the process and the referendum results demonstrated that loyalty had been questioned and even perhaps undermined by uncontrollable and irresponsible leaders and party formations, and that its rule was no longer fully legally assured if not for the Madrid government's own actions.

In the ensuing chaos Puigdemont and his coalition first declared victory in the referendum and then, in a hastily gathered special session of the Catalan Parliament a few days later, symbolically declared an independent Catalonia, yet without turning that unilateral declaration into practice. For the *independentistas*, the possibility of voice had been achieved through pursuing exit from the Spanish state, albeit that no answer seemed available concerning how it could be carried into meaningful practice since the full wrath and 'enforced loyalty' through political and legal means of the Spanish state was now awaiting them.

Fallout from the attempted 'voice through exit' strategy continues to be felt. The Madrid government first threatened and then applied article 155 of the Spanish Constitution. This allowed the state to suspend the autonomous government and parliament and rule the Generalitat directly until fresh elections could be held. At the same time all Catalan politicians who had a meaningful role in the planning and organisation of the independence referendum faced arrest or prosecution of some sort or another. New accusations now reached beyond those activities and, after the referendum's outcome and unilateral declaration of independence, even included

treason. Among the leading politicians who faced these serious charges were Oriol Junqueras, leader of the ERC and deputy leader of the Govern, and Jordi Sanchez, President of the Catalan Parliament, who were both arrested following the event. In October 2019 both were convicted, the former of sedition and misuse of public funds, the latter of sedition; Junqueras was sentenced to 13 years in prison, and Sanchez to 9 years. Catalonia's first minister Puigdemont and other members of the deposed coalition government currently remain outside Spain, most prominently Puigdemont in Belgium.⁶⁵

While the key protagonists were held in jail awaiting trial, the situation became more polarised. There were strikes and mass demonstrations, and the new elections in December 2018 did not produce the result that Madrid had hoped for.⁶⁶ The pro-independence parties again won most of the seats and it was, at least in theory, now in its power to form a government. However, the formation of a new Catalan government continued to prove complicated, if not impossible, not least due to the legal fact of the arrest and exile of a considerable number of major players. As of February 2020 (the moment of writing) changes in the Madrid government and the new coalition between the PSOE and Podemos, who in turn depend on votes from Catalonia and other autonomous regions to remain in power, may open new opportunities for compromise, though this is not yet clear.

Expressed in Hirschmanian terms, in the Catalan case the voice that sought resonance through the pursuance of exit appeared to be weakened, first by the thinly-based majority on which its radical pronouncements rested, and secondly by Madrid's wrath, which expressed itself in a mixture of legalism let loose and incompetent politics that relied entirely on insisting that the rule of law must be obeyed. In the meantime, Europe continues to be, in the last instance and despite its rhetorical support of European regions,

⁶⁵ <http://www.lavanguardia.com/politica/20171030/432477166692/gobierno-155-intervencion-catalunya-consellers-mossos.html>

⁶⁶ <http://www.lavanguardia.com/elecciones/elecciones-catalanas-2017/>

a union based on nation states. We will come back to this constellation in the final section of the paper since it throws a light both on what is likely to happen next and on the future relations between aspiring regions, stateless nations and independence movements on one hand and the existing European nation states, the European Union and its ground rules on the other hand. But first let's take a brief look at Scotland.

The demand for independence in Scotland

Unlike Catalonia, which had no free choice whether to join first Castile and later Spain, Scotland was neither forced nor acquired but instead volunteered to join the United Kingdom in 1707⁶⁷. Over the next three centuries or so choice and meaningful voice, or the capacity for Scotland to achieve resonance within the bigger union, would undergo several challenges and even crises, but having joined the union Scotland also enjoyed significant advantages and benefits. Scotland's loyalty allowed for her voice to be heard and this kept exit at bay, just as Hirschman would have put it. This lasted until the model on which the UK's parliamentary sovereignty rested came under question and Scotland and its voters no longer felt that they were treated as equals and, consequently, demanded to be able to exit from the union.

Scotland has not seen the violent clashes and authoritarian and *dirigiste* threats which have marked Catalonia's past and present; however, the past two decades have seen a marked acceleration of demands for exit. The decades prior to the devolution of powers to the Scottish parliament under the Scotland Act 1998 saw a considerable number of Scottish voters gain the impression that they had become mere pawns in the power politics of both the Conservative and the Labour Parties. What emerged first was a struggle for voice and meaningful resonance and representation, followed by the acceleration of demands for exit when these were not achieved.

⁶⁷ For Scotland and its long search for independence see Harvie 1998, Devine 2000 and 2016, Colley 2014 and Elliott 2018. For an alternative account of Scottish uniqueness see Ascherson 2002.

In particular, through the 1980s and 90s unemployment and eighteen years of Conservative government left their mark, with protest crystallising in the face of controversial tax policies such as the poll tax, introduced in Scotland in 1989 prior to its introduction in 1990 in the rest of the UK. This change to tax policy, contested across the UK, galvanised the Scottish public and brought devolution solidly back onto the political agenda; once again, we see a process whereby divisible conflicts can quicken into non-divisible ones. Devolution was a manifesto commitment of the incoming New Labour government in 1997, resulting in the new Holyrood Parliament in 1999.

In the period that followed the establishment of the devolved parliament the SNP turned itself into a modern party, opening up possibilities in terms of relations with the EU, the development of oil and gas industry, tourism and 'Glentec', and pluralising the notion of Scottish identity to include migrants as well as opening its ranks to women. The SNP soon became the second party in Scotland, after Labour. In 2011 it gained a majority of 69 seats over Labour's 37 (Conservatives gained 15, Liberal Democrats 3 and other parties 3 seats). The SNP's Alex Salmond had won the elections promising a further push for Scottish independence; early in 2013 he asked for a referendum, and David Cameron, the British Prime Minister, agreed.

Following an 18 month campaign in September 2014 Scottish voters were asked 'Do you agree that Scotland should be an independent country?' In Scotland itself a wide-ranging mobilisation of people and opinions happened, mainly spurred on by the 'Yes' campaign's raised hope for social change. However, while civil society activities became increasingly important, it is also true that such mobilisation never reached the levels of mass street support later seen in Catalonia. The latter fact can perhaps be explained by the observation that in contrast to Madrid, London had agreed on a referendum; it had not tried to block it. Also important was that the 'No' campaign managed to evoke fear – of cuts in pensions, prospects of a pending economic crisis (oil and gas reserves were not going to last forever), Scotland's small population and the question

of sufficient size and sustainability, the worrying question of a possible forced exit from Europe before a re-entry and so on. Yet, despite some heated arguments along the lines just suggested, the Scottish referendum and the populace that supported it on both sides conducted a very civil campaign. The 85% voter turnout made this a meaningful decision.

The campaign for independence lost the vote with 45%, 55% of voters opting to remain in the union. Yet most of the administrative and political problems identified by those arguing for independence had not gone away. Having lost the referendum, Alex Salmond stood down from leadership of the SNP in September 2014. He was replaced by Nicola Sturgeon. The referendum defeat did not lead to loss of support for the SNP; rather pro-independence parties have seen a surge in membership. Scottish voters, so it seemed, continued to distrust Westminster and the government. Promises about more meaningful devolution of powers –a ‘voice’ that would resonate in other words –made by the ‘No’ politicians including the Conservative government, particularly in the final weeks of the referendum campaign, seemed soon to have been put on hold or to be simply forgotten, not least because they were occluded by new Westminster elections in May 2015.

The UK general election result of 2015 left little hope for a resolution of the tensions between London and Edinburgh.⁶⁸ If anything, it led to even greater polarisation not just in terms of party arithmetic and the minority/majority constellation alluded to before, but also in what was to follow from it in terms of David Cameron’s promise of a referendum on EU membership. To the detriment of Labour, led by Ed Miliband, and the Conservative coalition partner, the Lib Dems, the Conservatives won the election with an overall majority. The exception remained Scotland where the SNP under Sturgeon won and reduced all the other parties almost to insignificance.

⁶⁸ <https://www.theguardian.com/politics/ng-interactive/2015/may/07/live-uk-election-results-in-full>

It was only in the next Scottish elections that the SNP's forward march was halted. Their overall majority shrunk to a simple majority.⁶⁹ However, the SNP still managed to rally enough support for their government and return to power in Holyrood. The British EU referendum, which took place in the following year and which aroused at least as much passion as had the Scottish referendum, again confirmed a split if not a different political landscape and political culture in Scotland as compared with the rest of the UK: Scotland voted overwhelmingly for the UK to remain in the EU.⁷⁰ Serious tensions continue between Edinburgh and London, and as the UK as a whole leaves the EU, the case for Scotland having a meaningful voice and the right more convincingly to determine its own affairs democratically is likely to flare up again; it has already been tabled by the SNP. While a second independence referendum is not immediately in sight the case for an 'exit from Brexit' will surely be made by Scotland.

Non-divisive conflicts beyond nationalism

What does our brief account of the recent politics of Catalonia and Scotland tell us about how Hirschman's concepts exit, voice, and loyalty may be useful in analysing political struggles in the present?

Both the UK and Spain have seen the development of so-called 'majority-minorities'; that is, in both contexts there has been a growth of parties and movements that are majorities within their regions, and yet minorities within the national state. These, though often framed as 'nationalist' movements, are movements for independence: Scotland and Catalonia have become 'permanent minorities' within larger political entities. The acceleration of the political processes described above is in part about the transition from con-

⁶⁹ [http://www.parliament.scot/ResearchBriefingsAndFactsheets/S5/SB_16-34 Election_2016.pdf](http://www.parliament.scot/ResearchBriefingsAndFactsheets/S5/SB_16-34_Election_2016.pdf)

⁷⁰ <https://www.theguardian.com/politics/ng-interactive/2016/jun/23/eu-referendum-live-results-and-analysis>

ceptions of the conflicts as divisible to their designation as indivisible questions of identity. Hirschman's way of framing the issues does not reify distinctions between divisible and non-divisible conflicts, and as such it enables us to attend to non-divisible conflicts without essentialising these, to get behind or beyond nationalism as explanation.

The perspicacity of our use of Hirschman's concepts, and additional borrowing of the terms acceleration and resonance from Rosa, enables us to examine the processual character of claims to sovereignty. Legitimate sovereignty involves some form of the effective representation – resonant voice – of people and/or their representatives within the polity. In return, loyalty is sustained and exit held at bay. But this raises the questions: who are the people, and who can speak for them legitimately? This brings us back to the matter of how to characterise the demands for independence that have recently catalysed in Catalonia and in Scotland, and their respective relations both to the national states of which they are part, and to the EU.

The EU, in particular, has played an important role in recent events.⁷¹ The EU is a union of nation states, each of which has a distinct identity that is recognised in the treaty framework of the Union. This generates tensions: commitment to democracy and human rights are core to the EU's normative agenda, but so is respect specifically for national identities, and with regard to issues fundamental to public policy, nation states are given wide margins of appreciation.⁷²

In the face of challenges from below to existing nation states the EU is a conservative force. Its emphasis on keeping nation states in place may then produce polarisation at the sub-state level, as seen recently in Catalonia and Scotland. This polarisation means that the middle ground is eroded: as we have seen, there was no option for

⁷¹ For historical-sociological accounts in which nationalism and national identity are but just one aspect of the story (and therefore more in line with what is proposed in this short piece) see Rokkan 2000 and Hroch 2015.

⁷² See Offe and Preuss 2016.

'devo max' in the referendum on Scottish independence, and devolution has been staunchly resisted in Spain. Polarisation reduces the space of politics in favour of violence and coercively applied law. This may then be added to by specific events and uncontrollable aspects (e.g. media coverage and social media commentary), which in turn produces more politics in the form of accelerated and radicalised demands for independence.

It is important in this context to stress that both Spain and the UK were late entrants to the EU. The UK joined the then EEC (European Economic Community) in 1973; Spain joined in 1986. For Spain, EU accession came only 8 years after the ratification of the Spanish constitution. Late membership shows: both Catalonia and Scotland have seen their own parliaments late, but in both cases this has been checked and qualified not only by the EU but also by the unitary character of the national states of which the devolved parliaments are part. Spain is a unitary state whose constitution defines it as 'one and indivisible', so that while there are autonomous communities there is an asymmetric decentralisation of competencies, and Madrid retains the power to intervene in the autonomy of the provinces. In the UK sovereignty is also unitary, as central government in Westminster can abrogate the acts of devolved parliaments and/or limit their powers.

We are of course very close to the events that have been under discussion in this paper. We do not know how the demands for independence in Catalonia and Scotland will play out. But the rhetoric of rupture is part of the political process; none of the extant nation states of the EU is without history. And when the middle ground of existing political formations is eroded, rupture, i.e. exit, seems to be more likely. Politics, and the interplay of exit, voice, and loyalty it implies, would seem to be irreducible.

Having conducted our argument using Hirschman's concepts of exit, voice, and loyalty, and their acceleration, we would finally like to observe the acuity of the way Hirschman teaches us to think about political, or what he terms 'non-divisible' conflicts. He encourages us to be open to issues of political identity formation

without essentialising these; this is what we have tried to do in this paper.

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Tito Bianchi

Development Projects Observed Today in EU Cohesion Policy

I think it is in order to start with a short biographical note about myself, which is meant to put my talk in context, and hopefully provide a rationale for the questions I am asking myself here. I am a development economist trained under the influence of Hirschman's work, first in Naples where Luca Meldolesi was teaching in the early 1990s, and later on during my postgraduate studies at MIT in Boston with Judith Tendler. Currently I work for the Italian Government at the Department of Cohesion policies. In this field of regional development policies within the EU, my thematic specialties are local economic development and SMEs. However, I am not overly specialized: I am also involved in Monitoring, Evaluation and Learning from projects and programs. Given my studies and the intellectual tradition I have been raised in, I have become familiar with Hirschman's most important contributions to development economics and development theory. This talk represents an attempt to relate them to some aspects of the development policies I am involved in, in my daily work.

Hirschman and Development Projects Observed

In his seminal piece *Development Projects Observed*, Hirschman introduced several notions which complicate the schematic view of development projects prevailing during his time; a view which - I am arguing here today - is still largely dominant in our times at least in the policy field I work in. If Hirschman's ideas were to be taken seriously, they would in several ways influence how local projects are thought of within development policies, and the way they are concretely designed and assessed ex ante. The concepts I am referring to are widely known: the principle of the

Hiding Hand; the concepts of Latitude for performance, Uncertainty and Unintended Consequences. The Hiding Hand refers to the limits to human capacity to anticipate the consequences of planned development efforts. Unintended consequences, in Hirschman's description of the project cycle, are always underestimated at the time of project appraisal. In his view, projects and the institutions responsible for them should give a high importance to everything that happens during implementation, and keep their attention high for the opportunities which arise during this phase but cannot be foreseen in the planning phase.

Looking at the policy processes I deal with in my work, I ask myself: to what extent have Hirschman's ideas about development projects been absorbed by current European local development policy and practice (i.e. in their planning, funding, and implementation)? Do they influence the work that is done on projects in the Italian or EU context?

If I had to give away the answer right at the beginning, and conclude my speech here, that answer would be: no, they influence it very little.

EU Cohesion policy and Integrated Territorial Development

Even though I don't have time today to describe these policies at any length, I just want to mention the broad fields of policy practice I have in mind.

At the European level I am referring mainly to that branch of Cohesion policy today defined as Integrated Territorial Development. In this policy field, Cohesion tries to regulate within a single framework the ways in which countries fund and implement local development projects, i.e. projects addressing the needs of sub-regional areas, that are designed with a certain degree of involvement of local public and private agents. This set of rules is largely borrowed by the rural development field in which, through the so called Leader Initiative, this method of intervention was first experimented at the European scale. The institutional platform regulating local economic development within Cohesion policy, is established

at the EU level by the regulations valid for the seven-year programming period. Currently a new set of such rules valid for the period 2021-27 have been proposed by the EU Commission and is being negotiated with the EU parliament and Council, which cover Integrated territorial development in articles 23-27 of the Common Provisions Regulation.

The second, more domestic, field of intervention, currently very prominent in the public debate in Italy, is that of policy for marginal, peripheral areas. In the current programming period Italy is producing a big effort to implement a National Strategy for Inner Areas (SNAI) whose general objective is to redress the negative demographic trend that characterizes these territories (outmigration and consequent vicious circle of declining services to local residents). The Italian strategy is itself largely funded by EU Cohesion funds, is implemented by means of place-based local strategies and projects which require to be identified, approved, and funded in cooperation between three levels of government – central, regional and local.

Within Cohesion policy – the most important internal economic development policy both in Italy and at the EU level - not only are these concepts ignored. The very attitude to policy design that Hirschman's approach evokes, modest and open to uncertainty and adjustment, is not to be found in this strand of policy. The approach to local development remains fundamentally based on the idea of preparing comprehensive strategy documents whose preparation precedes implementation in a rigid logical sequence, and whose 'program theory' rationally connects goals and results. This logical framework at the project level still permeates the way local development is conceived in the context of EU Cohesion policy at the Italian and at the EU levels alike. Such a sequential process informs the implementation of the much celebrated Strategy for Italian Inner Areas. EU regulations extending the Leader approach to other thematic domains such as infrastructure and social investments under Integrated territorial development, also follow the same blueprint approach.

Still pursuing conformity and integration

The same concepts and guidelines that Hirschman considered detrimental to the projects' effectiveness are still to be found largely unchanged in European policy. EU and national rules exert pressure on development agents in the direction of project **conformity**, thus fundamentally discouraging adaptation to local or thematic specificity of methods and sequences. The ambition to anticipate problems and control the process of implementation is pursued by putting a high value on **integration** of different thematic approaches into comprehensive plans and strategies.

As a consequence of this approach, overly optimistic in terms of forecasting capacity, and oblivious of the complexities of implementation, in most of the cases policy analysts looking retrospectively at past experience tend to consider it less than satisfactory, and judge the actual effectiveness of projects short of their expectations. The preparation period for projects observed in practice is too long. While consultation and participation of local agents to project design is in part responsible for this long gestation of projects, the public attention that this phase receives at the expense of implementation does not reflect the relative importance of the two. The EU and national rules are quite rigid and overly detailed, considered the wide variability of the situations they wish to cover. They do not provide for simple ways to adjust project execution to changing situations on the ground, or unexpected scenarios. The policy framework treats real world events as a deviance from the correct foreseen path, and this provides little opportunities for learning.

I ask to be forgiven if, for reasons of time, in dealing with this topic here I overlook some exceptions and embrace a broad and long policy experience within a general and simplistic view. I could summarize the national discourse around local development projects as a tale of unmet expectations. Policy analysts are recursively heard to be stating that "Things didn't go as planned", because such and such circumstances were not adequately taken into account at the onset, and therefore recommending that projects should be more

“integrated” across policy domains. Policy initiatives are periodically launched which entail the design of new local strategies and projects. The few who embrace a longer historical time horizon in their development policy vision implicitly argue that “this time around things will work as planned”: why would that be? In a word, the failure to acknowledge the way development processes work in practice, so brilliantly illustrated by Hirschman in 1967, determines unnecessary cycles of enthusiasm and disappointment, and makes development work at the local level more costly and difficult.

Let’s give possibilism a chance

Possibilism, we all know very well, requires policy analysts to be open to the potential real world avenues that can bring about positive social outcomes. By converse, this talk has been so far quite pessimistic, by describing a policy making world in which the method does not evolve, and capacity to design and implement project does not improve over the decades. For this reason, in order not be guilty of the same ills I am denouncing, I wish to end this talk on a more positive note asking myself, what does it imply to look at this state of affairs, whose flaws I have described, with a possibilist attitude?

The way I see it, the starting point is to acknowledge that these policy constraints have a *raison d’etre*. Large policy frameworks/organizations (such as the European Commission or the Italian authorities in charge of Cohesion policy) like standards. They dislike risks and uncertainties because acknowledging them questions their capacity to tackle our societal challengers, and thus their very existence. Development projects are part of wider programs or policies that need to be narrated to the public in a stylized way as a uniform set of rules, effective causal effects, and desirable outcomes. Whilst many agents involved in policy implementation are aware of the intricacies of policy deployment on the ground, and ready to accept them, the general public is not considered prepared to confront complexity.

Related to this, there is one even more compelling reason for policy institutions to adopt approaches and attitudes that appear

closed, and blind to the unraveling of real world events. Generalized, stylized, and apparently comprehensive policy frameworks perform a positive function that consists in aligning the expectations of all agents involved. Local economic development, even more than other strands of public policy, requires several different groups of individuals and institutions to cooperate towards a shared objective, guided by a common understanding of a series of events that will happen in the future, and a shared strategy that links such events to the desired results. The same stylized narrative that serves the purpose of justifying the existence of the policy filière of local development, establishes a climate of certainty that may arguably induce the different agents to play by the agreed script.

Understanding this set of conditions represents the first necessary step to take, if we wish to identify possible ways to intervene within a system that would otherwise look unchangeable. Possibilism asks us to look at the policy context not as straitjacket, but as framework that may enable action. While the forces of conformity look powerful, they cannot stop projects and local agents on the ground from finding creative solutions to the problems they face. The world of implementation, Hirschman has taught us, does not conform to the institutional mandate or to whatever policy narrative. Therefore, the job of possibilist policy analysts is to look for exceptions and bring them to the attention of the interested public, the task of practitioners is to pursue them. The possibilities for an advancement of development policy theory and practice are already there, in the events that happen under our eyes.

Alessandro Balducci

Trespassing and Possibilism: two Keywords to Orientate in the Current Crisis⁷³

In this paper, I would like to use the Hirschmanian concepts of “trespassing” and “possibilism” in order to interpret the current situation of territorial and environmental crisis and to understand what are the possible ways out.

Not only we assist to the degradation of the natural environment, for which an international reflection has led to identify a number of sectors that produce the degradation: from power generation, to heavy industry, to transport and mobility, to the way in which we construct the buildings; but we are experiencing also a territorial crisis that is dealt with only with remedies that are not able to understand and attack its causes. For territorial crisis I intend the production of radical territorial inequalities within cities and between cities and territories “that don’t matter”, the extension of cities in wider and wider areas, the breaking of traditional linkages based upon proximity, which is creating loneliness and disorientation, the difficulties of the traditional urban welfare system and of the forms of government. We could say in synthesis, the breaking of the relation between *urbs* and *civitas*.

Following the teaching of Hirschman, it is only going beyond the traditional boundaries of disciplines and sectors that we

⁷³ This paper is a re-elaboration of a text presented as a key-note speech at the AESOP Conference in Venice, July 2019, which has been published in *Disp, The Planning Journal*, vol 55(2019) with the title “Territory, economy, society and Institutions in transition”.

can understand the problems that cities and territories are experiencing. We have abundant studies that separately analyse transformations of the territory, the economy, society, and institutions, but far fewer studies that allow us to **consider the relationships** between the profound processes of change that affect each of these systems, and their mutual influences.

I will approach this issue by trying to understand the directions of causal relationships and how we can intervene to attack the reasons of the crisis.

The urban economy facing the new digital infrastructure

Looking at the urban economy we can see a profound transformation of the economic base of cities. I remember that many urban plans in the '70s in Milan, as in London and in many other cities, tried everything to prevent the abandonment of the industrial areas that had been developed in semi-central areas in the preceding period for reasons of accessibility and labour concentration. The traditional infrastructure – roads and trains - had placed manufacturing production in the cities and the new infrastructure based on digitalisation made it possible to abandon them. Cities today, thanks to the development of infrastructure networks, are mainly service centres, the nodes of economic globalization processes. However, the manufacturing that has abandoned cities as a place of production has not abandoned them as a primary source in the development of companies, which continue to produce goods in increasing measure.

Pierre Veltz in his book *La société hyper-industrielle* (2017) explains how the impression of the dematerialization of the economy is basically groundless, how world manufacturing production has continued to increase (in 2010 it was one and half times that of 1990, says Veltz), and how cities are the centres of government for world production, which has become increasingly articulated in a series of segmented processes, thanks to the development of telematic infrastructure.

The manufacturing sector, thanks also to the robotization of a large part of the work once performed manually, is increasingly

similar to the service sector⁷⁴. Veltz argues that contemporary industry develops thanks to two main systems:

- first, infrastructure, with harbours and airports, but also underwater optical fibres, satellites, electricity networks, computer networks, server farms, the cloud, and shared software, which form a capillary and gigantic network. Compared to the infrastructure of the past, which simply connected the companies from the outside, it now envelops them and penetrates into every production or exchange operation.
- Second, the data, ideas, information, and knowledge that feed modern production and are partly crystallized in machines and infrastructure, but also circulate freely, in universities, in interpersonal meetings, in cafes, and in city squares (ibid, pp.61-62).

It is at the intersection of these two dimensions that transformations are produced and this happens in the city which is often the main place of this intersection.

“The management, the administration, the production and the distribution departments are each at a different location. Although those different locations may be in the same region, they are often in different places, or even countries” (Bertolini 2012).

⁷⁴The Technocentre Renault in Guyancourt, Paris region, hosts 10,000 engineers and technicians, while their largest production plant in Douai employs fewer than 5,000 workers (ibid., p.17). The same applies to BMW in Munich, where 15,000 engineers and technicians are now working in the historic production centre, and the ever-fewer labourers have been replaced by automatic manufacturing processes. (3) Infrastructure also includes network nodes: railway stations, ports, airports, bus stations, subways, service stations for refuelling or eating on the go, public transport stops, waste incinerators, refineries and energy production plants, server farms, data rooms, and computing centres.

Another profound transformation in the economy which is linked to the pervasive penetration of digital infrastructure is represented by the so called “platform economy”, which has exploded in recent decades. Nick Srnicek (2017) in his book *Platform Capitalism* illustrates the logic and the rules of this new economic sector which applies not only to the transformation of commerce, with the rapid spread of e-commerce and giants such as Amazon exploding in just a few years; not only to the manufacturing industry, with large multinational companies such as General Electric engaged in the development of automation hardware and software. But also in other spheres:

- the platforms that make research tools available and facilitate the development of social relations draw their profit from advertising. Google, Facebook, and Instagram have these characteristics, and 90% of their revenues derive from advertising and selling data. The search for data leads them to make increasingly useful services available (such as Google Earth, Google Maps, and all the innovations of Facebook) and their compensation for this is the acquisition of an ever-increasing amount of data on preferences, movements, and products purchased, all to be used for personalized advertising purposes.
- The cloud platforms, which provide storage and calculation capabilities through a network of data centres that draw a new geography of networks. When defining their service structure, these operators look at cities as large groups of potential users. Srnicek underlines how Amazon-web now outperforms the original e-commerce sector of Amazon in terms of revenue.
- The so-called product platforms that have transformed products into services for rent. This is the case of Zipcar, Car2go, Enjoy, and all other transport sharing systems, such as bike sharing.
- The so-called lean-platforms that provide services to which they don’t actually have access: Airbnb, Uber, Deliveroo,

Booking, Expedia, etc. These companies, too, have achieved very rapid and widespread market penetration, basing their success on the relationship between supply and demand but at the same time on the collection of data that can be used to analyse and induce behaviour.

Airbnb, the world's largest home rental company, does not own a home, Srnicek observes, just as Uber, the largest taxi company in the world, does not own a car. Srnicek argues that what unites the different forms of the *platform economy* is their reliance on the same raw material: data, collected and exchanged in large quantities, especially in cities.

We must recognise that these new economic sectors have been able to rapidly develop, with all their disruptive innovation, based on the existence of a new system of infrastructure conceived and developed by the public sector: Internet and the World Wide Web, as Mariana Mazzucato (2011) observes. Without the large public investments behind that extensive infrastructure, none of these disruptive innovations could have developed.

Finally we have to consider the dramatic increase in the mobility of capital and its free circulation which started in the mid-1970s and gained serious momentum from the 1980s onwards, paving the way for the process of the financialisation of the economy (see, for instance, Krippner 2011). This process is the outcome of a combination of factors both deliberately pursued and context-related: from strong deregulation and the spread of market-oriented policies to important technological innovations, from ever more sophisticated financial engineering (e.g. through derivatives, credit deposit swaps or collateralised debt obligations) that is beyond the control of national or supra-national institutions, to changes in monetary exchange systems (Krippner 2011)

Growing tensions in urban societies

Even the society of reference has changed rapidly and profoundly in recent decades. Changes in the economy involve a change in the social composition of cities. In the past, cities had a

higher average income than their surrounding areas, and cities also had the smallest internal income differences. But the situation has been reversed in the last twenty years, partly due to the strong income growth of certain groups, linked to the globalization of the economy, and at the same time the impoverishment of other groups, who remain in the city thanks to the protection offered by public or low-cost housing in peripheral areas, despite strong tension in the housing market.

This polarization is also the result of the erosion of the middle class, which had been the most stable component of western societies in the previous period. The middle-class crisis can be traced to three main phenomena: (i) the gap between high and low-skilled jobs, linked to technological innovation; (ii) the change in family structures, linked to demographic changes; (iii) the overall reduction of the welfare state and of public forms of control and moderation of emerging inequalities in the labour market.

Cities in the global north are also experiencing a demographic decline with aging, and reduction in the average family size. The effect is a profound change in the demand for services: fewer schools and services for young families, more services for an urban population of many singles and elderly people. More pressures on infrastructure. More individuals rather than groups.

The reduction in the average family size, with a majority of units consisting of only one or two people, has a significant influence on social fragmentation and the slackening of parental and community networks.

The explosion of the problem of migration from the countries of the Global South, as a result of local wars and climate change, is also somehow supported by new infrastructure, which allows a worldwide circulation of information about the opportunity to escape from misery and difficulties and exacerbates the problems of polarization and increasing inequality, directing a poor population without resources to the main centres, because only cities can offer job and survival opportunities. A phenomenon which is another factor in the crisis of local services, with the system put under pressure by new and unprecedented requests for assistance.

The extension of the city, the consequent explosion of mobility, and the logic of the collective transport which serve only areas where there is high demand, raises also the issue of the social exclusion of the population that for various reasons has no access to car ownership (elders, young, immigrants).

The physical environment, the last ring in the chain

How does the city space react to changes in the economy and society? We have first to consider the growing importance of infrastructure which is probably one of the most significant changes, not only transforming the economy and society, but also affecting the physical space of cities and territories. Infrastructure is roads, railways, undergrounds, trams, buses, aqueducts, as well as security camera, public lighting, electric, telephone, satellite, GPS, wireless, and computer networks, but also traffic and pollution detection systems, waste disposal and waste water treatment plants, and gas and oil networks.

It is a mixture of visible and invisible things. "Infrastructure, in other words, consists of all of those objects that allow human beings, cars and trucks and boats and planes, water, sewage and other waste, oil, electricity, radio signals, information, and the like to flow from one place to another, to become mobile, to circulate." (Amin & Thrift, 2017, p. 47). Infrastructure is hardware and software.

Each component of infrastructure has been subject to processes of change and increased potentials. To cite just a few: different forms of road-pricing, high speed trains, new control systems to put more metro and trams on the same lines, bus electrification, privatisation of energy, gas and water management, closure of power plants that use fossil fuels in favour of renewable energy generation, diffusion of sensors, CCTV cameras and satellite observations to monitor security, traffic, pollution, land-use transformation, etc. All these innovation processes have transformed the urban functioning and the urban environment creating sophisticated management systems.

A first change that connects socio-economic transformations with modifications of the space is therefore the growing importance of the interconnection systems that support the behaviour of actors in space.

A second effect of socio-economic transformation supported by infrastructure is the enlargement of the city in the territory, to the point of incorporating a dense network of centres that once had relatively autonomous lives. Milan, for example, has become the centre of a “mega-city-region” as defined by Peter Hall (Hall & Pain, 2006), for which the very concept of the metropolis is inadequate. It is a dense network of cities whose heart embraces at least 10 provinces belonging to three different regions (with Piacenza in Emilia and Novara in Piedmont), encompassing medium-large centres such as Bergamo, Lecco, Como, Varese, Lodi, and Pavia that have both their own attractive capacity and live in a close relationship with the capital, from which they also receive shares of the outgoing resident population.

All the *in-between* territories are densifying. We can see in this process the results of a spatial adaptation to the described changes:

- on the one hand, the fragmentation of production processes of the new industrialization, which distributes throughout the territory research centres, various departments and directorates, sub-contractors, and production sites held together by technological networks, and no longer sharing the same physical space;
- on the other hand, the settlement strategies of ever smaller families looking for affordable housing in suburban contexts that guarantee a good quality of life.

These phenomena affect all the big Italian cities (Balducci, Fedeli, Curci 2017) and many other large European cities as well (Hall & Pain 2006).

Land consumption, filling of interstitial spaces, and congestion of access roads to the main centres of the urban region are all

the result of a myriad of individual choices based on network systems. What links the relationships between elements dispersed throughout the territory is in fact physical and virtual infrastructure, which facilitate mobility while also reducing the sense of exclusion associated with living far from the main centre.

Social platforms make it possible to maintain relationships even at a distance, but at the same time they encourage movement. The images of the graphs of Facebook, Twitter and Instagram resemble extraordinarily the satellite images of cities, which have expanded beyond their traditional boundaries and spread into the territory. This is a sign that distance communications support the expansion of the city and multiply the reasons for movement.

On the other hand, sharing platforms for cars, bicycles, *vespas*, and even scooters accentuate the polarization between the dense central city, where the distribution and recovery of vehicles is easy, and external areas that are excluded from the service. These platforms tend to reinforce the distance between central areas, where the offer of services becomes complex and diversified, and peripheral or external areas, which must rely mainly on individual and public road transport.

Other changes linked to the new platforms produce reactions from and even destruction of traditional urban organization: e-commerce threatens both traditional forms of trade and modern distribution, Airbnb produces profound distortions of the rental market in attractive cities, Uber puts traditional taxi companies out of business, just as Booking, Expedia, and Trip Advisor do travel agencies, and Deliveroo traditional home delivery systems.

A third change of the physical city is the emerging obsolescence of many structures that are no longer functional to developing economic or social needs: industrial plants, hospitals, barracks, cinemas, schools, universities, office buildings, shopping centres, artisan warehouses, stadiums, sports facilities, residential complexes, farmhouses, power plants, railway yards, secondary railway lines, and historic hamlets. The rapid changes leave public and private artefacts on the ground that struggle to find a new function. This is

particularly difficult if the abandoned buildings or areas are in the periphery where no developer is interested in taking the initiative.

Another phenomenon, which, although not urban, we must keep in our framework for the adaptation of physical space in response to processes of change of the economy and society: what happens in the territories that "do not count", to use the definition of Rodriguez-Pose (2018). These are the internal areas, the areas in contraction, where adaptation to rapid changes in the economy and society (which continue to concentrate resources and investments in big cities) and ineffective policies have caused a dramatic loss of meaning, leaving in their wake abandoned buildings, villages, warehouses, and service structures that have lost their very reason for existing, such as schools, hospitals, and other institutions. These are the territories that, today, take their revenge by voting for Brexit, for Trump, and against the governments that have forgotten their existence.

Finally there is one last important topic that falls within the passive transformation of physical space when adapting to economic and social change, particularly in cities: the environment. More specifically, the progressive compromising of the environment and the climate change that now threatens living conditions on the planet, starting with the poorest populations most exposed to the connected risks. This silent and progressive change modifies the very nature of the soil, the air we breathe, our relationship with water, and the balance of the ecosystem in general. It is perhaps the system that has passively suffered the use and abuse of natural resources the most, caused by economic development that has not taken care of waste, and that has accumulated dross, trash, and emissions to the point of reaching the extreme situation that now endangers our very survival in some areas of the planet.

It is important to notice that all these processes of change of the physical space must be interpreted. According to Neil Brenner and Christian Schmid (Brenner and Schmid 2015, Brenner 2014) we are not facing what is called the "urban age" with the progressive absorption of rural population in cities, but instead a process of de-

velopment of the capitalist economy that has progressively integrated the entire planet into the urban, and we would make a mistake focusing our attention only on what we call the city. They interpret the deep transformation with the category of the planetary urbanization. Implosions and explosion concentrated and extended forms of urbanisation and all intermediate forms of settlement in marginal areas belong to “the urban” today. This change of perspective is important: it would not be a transfer of population from the rural to the urban, but a progressive urban colonization of the entire space.

The phenomena of extension and increased autonomy of infrastructure systems, enlargement of the city, obsolescence of traditional structures, abandonment of marginal territories, and environmental decay are therefore all connected. They are all the result of an ungoverned transformation. These phenomena profoundly modify the character of the *urbs* and overwhelm its traditional reflection in *civitas*. They overwhelm it through destabilization, thus opening it up to the search for a new balance.

The crisis of the *civitas* is also linked to growing social inequality, which is produced not only by differences in private wealth, but also by unequal access to a series of common goods such as health, sports, and cultural services, transport networks, the environment, quality of space, and places of socialization (Secchi, 2013).

Institutions: a difficult adaptation

Also institutions are challenged by the complex processes of change in the different domains. First of all, one can observe the resistance to change posed by the administrative boundaries, which have failed to adapt to the changing socio-economic shape of the city. It is said that we are trying to govern the city and society of the 21st century with the governments of the 20th century and borders of the 19th century.

Infrastructure, in relation to this have been a laboratory for the redefinition of administrative boundaries, creating horizontal and trans-scalar partnerships which produce “fuzzy boundaries”

instrumental to their development. Borders are therefore the first element of tension.

Furthermore infrastructure and its systems of government, have become progressively more and more autonomous with respect to traditional forms of urban government. The digitalization of management systems has meant that infrastructure has become an accumulator of knowledge, that takes decisions and invades the traditional decision making processes of institutions, scaling up from local government arena – the smart city market - to national and international politics as it is demonstrated by the controversy about the introduction of the 5G network and the choice of whether to entrust its management to a Chinese company or exclude them for geopolitical reasons, or that about the creation of a Silk Road from China to the West which is another infrastructural project.

Moreover, there is another front of resistance, perhaps the most important: the great difficulty that institutions have in abandoning the idea of central control as their paradigm of action.

And this is despite the abundant evidence that control capacity in the networks we have described progressively declines as the number of governing or acting subjects increases. Indeed, the plurality of human and non-human subjects that cause changes to the city are not only non-reducible but constitute the very essence of the urban, as suggested by Amin and Thrift.

A possibilist approach to territorial regeneration

Adopting the posture of trespassing we can observe that in the last 30 years physical space, the environment and the institutions have been overwhelmed by the speed of change in the economy, whether they have had a passive role or have actively resisted, and that the problem today when developing effective policies is the need to rethink these relationships to build a new balance.

The question I would like to ask is whether, in light of the many negative effects of this passive adaptation, it is not possible to identify inverse reactions, feedback from the city and the space that can prompt innovations in society and the economy, and feedback from institutions that can help these processes. The environmental

crisis, the growing inequalities, the very rapid urbanization of increasingly large population masses, the abandonment of entire internal areas and the revolts of their populations, the migration crisis, the compromising of the territory in many parts of the world: these all seem to be signs of a model of development that produces unsustainability, injustice and suffering, inviting us to redirect our attention to the physical space, the only "platform" that we must necessarily share and from which we cannot escape. In this perspective it is necessary to understand how the space could trigger processes of territorial regeneration, capable in turn of reducing or eliminating the social and environmental costs that the current development model has generated.

In the situation of extreme complexity that I have tried to describe the Hirschmanian idea of possibilism can guide our exploration. As Lepenies (2008:448) says,

"Hirschman advocates an escape from the 'straightjacket constructs' of policies grounded in generalizations, universal laws and fixed sequences by searching instead for the uniqueness or unique features of a given situation. This would then allow the identification of possible 'avenues of escape'. He calls this approach 'possibilism'. It is based on the belief that change within any given setting is possible, but that identifying agents of change requires a propensity to search for hidden rationalities or interpretations of local settings which at first sight might be counter-intuitive".

In Hirschman's own words, possibilism is "an approach to the social world that would stress the unique rather than the general, the unexpected rather than the expected, and the possible rather than the probable. For the fundamental bent of my writings has been to widen the limits of what is or what is perceived to be possible, be it at the cost of lowering our ability, real or imaginary, to discern the probable". (Hirschman, 1971: 28).

We can therefore focus our attention to what is marginal to see if there is a potential to begin a new regeneration path. The peripheries of urban regions are dotted with artefacts and buildings that have lost their function and value, although their owners have difficulty accepting this. These buildings, offices, residences, and industrial warehouses could be used by locally active social networks for temporary or permanent activities, which until yesterday were seen only as threats to the interests of property enhancement. Indeed, we are now beginning to see obvious examples that the opposite is true: it is only by connecting with the interventions of local social networks that processes of real value creation can be triggered (Calderini & Venturi, 2018).

Perhaps the most recent and clearest example of this in Italy has been offered by Mr Mimmo Lucano, the mayor of Riace, a small town in Calabria. Faced with a town that has been progressively depopulated and contains an abundance of abandoned buildings, the mayor decided to invest in the essential renovation of buildings to welcome immigrants and asylum seekers, thus tackling two problems that are relevant for the community and the country: the progressive impoverishment of the small Calabrian centre with just over 2000 inhabitants, and the integration of migrants. This intervention was started by an institution, triggered by the physical space, and is capable of both dealing with the deterioration of the local community, and creating a new economy for the territory through the reactivation of small businesses and artisan activities that had been gradually disappearing.

On a more fragmented level, there are numerous examples of transforming abandoned or underused buildings into cultural centres, service centres, leisure spaces, and spaces for coworking, crafts, and new forms of urban manufacturing. A summary term to define them is "community hub", because their main purpose is to trigger processes of social cohesion. There are famous experiments that began with disused spaces located in big cities⁷⁵, such as the

⁷⁵ This review of cases was indicated to me by Claudio Calvaresi, who has done a great deal of work on the topic of community hubs.

Case di Quartiere in Turin, a network of eight community centres in as many areas of the city⁷⁶; or Via Baltea 3, also in Turin, a former printing house used as a space for work and welfare, promoted by the SuMisura social cooperative ⁷⁷(4); BASE in Milan, a centre of culture and creativity in the former Ansaldo area owned by the municipality of Milan ⁷⁸; the Serre dei Giardini Margherita in Bologna, which is a coworking, nursery, event space, and community garden ⁷⁹; the Quartieri Spagnoli Foundation, which promotes new employment paths and is based in the former Istituto Montecalvario ⁸⁰; the many grassroots initiatives throughout Naples (Laino, 2018); and the Cre.Zi Plus project at the Zisa cultural sites in Palermo, which defines itself as a "place of training, sharing, culture, business, work, and free time" ⁸¹.

There are also examples in minor poles of the Padana city region: the Casa di Quartiere system, Lab 121, the Orto Zero social bar in Alessandria ⁸², and the reuse of an abandoned warehouse as a space for performance art and civic participation in Modena ⁸³. In the small towns of the South, we find examples like the pioneering Laboratorio Urbano in the former Fadda of San Vito dei Normanni ⁸⁴; in the inner areas of the centre, examples such as the CasermArcheologica, centre of artistic production and "place of possible utopias" in Sansepolcro ⁸⁵; and in the North, such as in Val Cavallina, a

⁷⁶ <http://www.retecasedelquartiere.org/>

⁷⁷ <http://www.viabaltea.it/>

⁷⁸ <http://base.milano.it/>

⁷⁹ <https://leserre.kilowatt.bo.it/>

⁸⁰ <https://www.foqusnapoli.it/>

⁸¹ <https://www.creziplus.it/>

⁸² <http://www.ortozero cafe.com/>

⁸³ <http://ovestlab.it/>

⁸⁴ <http://www.exfadda.it/>

⁸⁵ <http://www.casermarcheologica.it/>

community cooperative recovers spaces and environments for training, social agriculture, responsible tourism, and environmental education ⁸⁶.

These are initiatives that begin with the availability of space, or the willingness of administrations to reuse an abandoned building ⁸⁷. In some cases, they even begin with spontaneous occupations. All these initiatives use networks as tools for gathering energy and structuring processes.

Another interesting case is the treatment of illegal construction in southern (Italian) regions. The destruction of the territory resulting from the spread of unauthorized building can be seen as the effect of the economic and social changes that have been unleashed on the territory. A lack of consideration of the value of the public good (the landscape) is combined with precarious economic conditions and the value attributed to the private ownership of a home or vacation houses. The inattention of public institutions and the repetition of amnesties, which offer implicit encouragement of unauthorised building, have led to the destruction of the landscape in many valuable coastal and urban areas. Today it turns out the value of the houses is extremely low, in some cases lower than the costs linked to obtaining regularisation, and the living conditions in "unauthorized territories" are plagued by lack of access to sewers, roads, and other services. Illegal construction damages tourism and makes the territory fragile, insecure, and inhospitable (Curci, Formato & Zanfi, 2017)⁸⁸. Of the 71,450 demolition orders issued between 2004 and 2018 only a small percentage (19.6%) were carried out.

⁸⁶ <http://www.innesto.org/>

⁸⁷ Several case reviews are available: a recent publication collects several at the European level (Patti, Polyák, eds, 2017); over 200 social innovation experiments in the Milan area have been mapped by the "Signals of the future" project (<http://segnalidifuturo.org/>); datasheets related to reactivated spaces in Italy are available in Avanzi et al., 2016.

⁸⁸ A concept which I have reprised and applied to planning together with Raine Mantysalo (Balducci & Mantysalo, 2013).

It is possible to restore dignity to the space through rehabilitation, beginning with demolition programs. This dignity can reconstruct the attractiveness of the areas from a landscape perspective and open a path towards territorial reclamation, restoring value to these settlements. Some interesting experiments in this respect have occurred in Puglia.

In Amsterdam, one of the most planned cities in the world, against the backdrop of the financial crisis, which slowed down traditional development, a number of experimental interventions have flourished, starting with the reuse of abandoned industrial sites (Pepe 2018). The most famous is probably the NDSM operation in an area of abandoned shipyards on the other side of the main canal facing Amsterdam Central. As a result of an innovative form of agreement between the municipality and the association Kinetisch Noord, the area has become an important new cultural and artistic hub for the city of Amsterdam, with more than 250 organisations self-managing spaces inside the big warehouse. Remaining on the north bank of the canal, another extremely interesting operation is that of the area called De Ceugel. De Ceugel became one of the first experiments, under the municipal guidance of the district planning office, with the aim of activating a place-making process that could benefit the entire neighbourhood. The area of about 5000 sq metres, a former shipyard site, is heavily polluted and the process of reusing the site goes hand in hand with an innovative experiment involving phytoremediation. The tender for a 10-year free loan launched in 2012 was won by a local association led by architects and young associations. It was inaugurated in 2014 and now hosts 25 activities in floating houses.

This same approach has been adopted even in more structured and ambitious policies, organized by local governments, such as the case of "Réinventer Paris", a project that has made 23 publicly owned unused or underused sites available (areas and buildings), requesting the construction of partnerships between local networks, developers, and managing subjects, and selected based on their ability to produce urban innovation in the fields of social housing, new

jobs, and community development (Cottino, 2017). This project, begun in 2014 and still in progress, was relaunched by the C40 network and implemented in many other cities, including Milan.

Another example is the Italian National Strategy of Internal Areas (SNAI), an actual central government policy. Launched in 2012 by the then Minister for Territorial Cohesion, Fabrizio Barca, the Strategy seeks to curb depopulation and marginalization in the internal territories of Italy, where 23% of the population resides and which occupies 60% of the national territory. These are areas far from the main services where the SNAI seeks to help local subjects and social networks that are open to innovation exit the vicious circle of marginality, through a structured approach to enhancing territorial assets. This is a complex operation that also starts at the nexus of territory, networks, and support policies.

The stone rejected by the builders has become the corner-stone

This complex of small and large, current and potential initiatives can be viewed as a set of isolated cases or as the anticipation of emerging transformative practices that could open a new perspective.

Following the teaching of Hirschman and looking for a medium range theory for interpreting these situations what can we understand from these multiple cases at different scales:

1. they start from the margin, from what has been neglected in the current development model; abandoned buildings, inner areas that the market is not able to re-use or re-vitalize;
2. the protagonists are actors that in the past were considered disturbers of the normal processes of re-development, from citizens associations to NGOs;
3. these actors demand affordable housing, space for local services and local business, community centers: things that in the past had been considered only costs, but that now are among the few functions that can give a chance to re-start a development process in a situation of abandonment;

4. a growing debate about cases like these is defining some of these actors "city-makers" (Calvaresi 2018), subjects who are often active in difficult contexts, promoters of social innovation experiments in the fields of services, living, work and mobility;
5. in doing so they are also working to reconstruct new forms of social cohesion in situations in which this is lost due to the processes that I have tried to describe;
6. these actions are frequently supported by bank and non profit foundations;
7. they demand a renewed role of the public actor that instead of trying to exercise an impossible level of control, try to use the widespread intelligence of society, supporting and promoting the joint action of already mobilized actors to solve specific problems of urban and territorial regeneration.

One could say that these are episodes of innovation that, exploiting different circumstances, become more structured practices; and in turn, if they are able to consolidate, may to "travel" in different environments - as Patsy Healey says - aspire to change the *governance culture* (Healey, 2012). If we observe their development, we discover that these episodes use infrastructure and platforms in the opposite direction as that of hierarchy and centralization, which are typical of the dominant forms of the platform economy.

It could be said in this regard, per Galison (1997), that infrastructure is a *Trading Zone*⁸⁹: a zone of exchange where potentially adversarial interpretations of re-concentration and decentralization intersect. They are the space of flows in which public and private actors and human and non-human subjects move, and whose competitive interaction determines the development direction for cities and territories. In the process of scaling up today's network infrastructure is the vehicle that will transform single episodes of innovation into more far-reaching socio-cultural and economic changes.

⁸⁹ Curci, Formato and Zanfi (2017: 7) speak of a public-private "competition of guilt".

Cities, seen as they really are - complex sociotechnical systems whose generative force can progressively subtract decision-making power from citizens - are also open to forms of interconnection between groups that can increase decision-making power from below.

A possibilist approach within this framework would need to rely on a strengthened role of the public, a renewed concept of planning, far from central control and based on a collaborative, strategic, and inclusive approach able to design development opportunities with the help of many different knowledge communities, thus enhancing them, connecting them in a network, and amplifying their potential to use socio-technical systems to expand opportunities and benefits for citizens (Amin & Thrift, 2017). With reference to the relationship between economy, society, space, and institutions, a broad and promising field of research opens up: the comparative investigation of the conditions in which the physical space and institutions can trigger initiatives capable of tackling the problems produced by transformations of the economy and society, in different urban and non-urban European contexts.

The cases mentioned above, when considered through the lens of possibilism, also demonstrate a potential reconstruction of the connection between *urbs* and *civitas* in the extended city and in the areas in contraction, contradicting the millenarian dogma that views this link as irreparably broken. It is worth noticing that the most recent book by Bruno Latour *Down to Earth* (2018) proposing the concept of "terrestrial" seems to open in this same direction. The *terrestrial* is a place to construct new relationships between territorial rootedness and planetary dynamics, between care for one's own living environment and awareness of its ecosystemic links. This relationship contrasts with the dichotomy between localism and globalism that has characterized the previous phase and has led to increased inequality, fear, and selfishness.

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Elena Saraceno

Understanding Downward Social Mobility in Developed Countries

1. The problem

Middle class downward social mobility in developed economies, observed since the early 1970s, has not been properly understood so far. It needs to be looked at in a comprehensive way, as one of the most important processes influencing modern living, with its causes, linkages, consequences and differences, rather than from individual disciplinary perspectives.

I will argue that downward social mobility of the middle class is a new research subject: we don't have experience in dealing with it, simply because it has never happened before in such a massive way. It is not just a question of growing income inequality: it's the social, economic, territorial and political construction that developed with the industrial revolution in the late Eighteenth century that is changing in substantial and unexpected ways. A large middle class was one of its major achievements, and its decline cannot be understood only in terms of shifts in the structure of income or employment, with no further consequence. I will hold that deindustrialisation in developed countries has been its main driver; even if in the literature its connection to downward mobility is rare. The growth of the service sector has not been able to reproduce the growth, affluence, sense of progress and opportunities that manufacturing offered during industrialisation.

It has also proved difficult to come to terms with social decline because of its politically undesirable character. No one will win an election explaining that generalized downward mobility is what should be expected in the future, while it was easy to win elections promising actions that allowed people to get out of poverty, since

real processes were in fact generating spontaneously such opportunities. It is probably this difficulty that explains the growing use of emotional and demagogic arguments in politics, which are instrumental in getting around reality, but in a way they confirm the inability to deal openly with the problem. Downward social mobility of the middle class may well turn out to be a temporary feature or just a question of adjustment, but it is legitimate in any case to look at the problem as a new process, which requires some new thinking about its functioning and consequences on other dimensions of modern living. On the other hand, if it turns out to be a more long-lasting feature of developed countries, it is highly likely that it will change substantially the features of modernity as we have known them in the past, adding an unexpected 'stage' of development.

Throughout this paper I will focus on the downward mobility of the middle class. There are two reasons for this: one is that it is a new phenomenon that is having important consequences for our lives and work in the future; the other is related to what is happening to the working class. The origins of today's middle class may be found, some generations ago, in rural peasant and farming communities; more recently, in the first generation of industrial workers, whose children studied and moved up the social ladder. Current processes of downward mobility are particularly relevant not only on how this is affecting the middle class, but also in its consequences for the upward mobility expectations and opportunities available for today's working classes, competing for jobs with the downwardly mobile.

In the following section I will consider the main shortcomings of current approaches to downward social mobility through the study of rising income inequalities and social mobility, arguing that these approaches have given an indirect understanding of the problem without focusing explicitly and directly on downward social mobility, even when evidence of its existence was found (sections 2 and 3). In the remaining sections I will try to assemble what we know so far about downward social mobility of the middle class in developed countries (section 4). I will then link these findings to the wider factors that may explain it –in my opinion the most relevant

has been deindustrialisation- together with globalisation and technological change (section 5) and to its consequences: the expansion of services, slow growth, changes in employment and wages, in the demand for education, in what the welfare state could offer, on democratic arrangements, on developing countries (section 6). The main objective of this short note is to argue in favour of a much more comprehensive understanding of the mutually supportive effects between these factors, which should inform, in my opinion, both the way in which individual aspects of mobility are analysed as well as what policies and politics can do about them.

2. Rising inequalities don't tell the whole story

Economists have indirectly addressed downward social mobility in terms of growing inequality of incomes, finding a 'hollowing of the middle' in available data and suggesting higher taxation, redistributive policies and balanced budgets as a response. Data on income is most often used for quantifying inequalities, using the share of income that different groups have, calculated with the Gini coefficient ⁹⁰ and compared over different years and different countries (Atkinson, 2015; Stiglitz, 2012; OECD, 2011, 2008; Milanovic, 2007). The result of these studies, even accounting for differences in the way income groups are defined, clearly indicates that there has been an increase in income inequality since the late Seventies, in high-income countries, measured by the growing share of income earned at the top of the scale, and a decrease of the share in the middle and low income portions of the scale. For example, Atkinson finds that in the United States, "the share of the top 1 per cent now receives close to one-fifth of total gross income- meaning that, on average, they have twenty times their proportionate share" whilst in the early 1970's the top 1 per cent received 'only' 7 to 8 times more. For the UK, in the same period, the share of the top 1 per cent went from 5 times more their proportionate share to 15

⁹⁰ The Gini coefficient is the most widely used measure of inequality, ranging the dispersion of income between 0 –all incomes are equal, no inequality-, and 1 – all income is held by one, maximum inequality-.

times more (Atkinson, 2015, p.19). Similar findings of growing inequality are shown for all developed countries, of old and recent industrialisation: the US, Western Europe and some of the Asian countries. Besides the moral outrage for the concentration of income and wealth at the top, it should be kept in mind that it is not the first time in history that the rich get richer.

It is good to note the high interest of this data in giving a quantitative measure of inequality trends and, indirectly, for having brought back to the attention of economists that the distribution of income matters, and may be influencing other important dimensions such as continued economic growth, productivity or intergenerational mobility. However, it is also good to be aware of the limitations of income inequality for understanding downward mobility.

- First, income structures give us relative measures at one point in time: when we compare these distributions over time, we don't know whether the composition of the different income aggregates has changed –in other words, whether the rich are the same or are different, or whether part of the middle or low income group has moved up or down-. In order to account for this, we would need longitudinal studies of the same cohorts over time: this is possible with some of the available data⁹¹ but is not frequently used and data in this case are more difficult to obtain and costly to collect.
- Second, inequality studies so far have focused on the two extremes of the income structure, the top and the bottom, while middle-income aggregates, usually associated with the middle class, have rarely been the object of specific study. The concept of class is more complex and involves other aspects than income (a good exception is the study of Gornick and Jäntti, 2013, see also below).

⁹¹ An example of this approach may be found in Gornick J. And Jäntti M., (2013) within the Luxembourg Income Study (LIS) and the Luxemburg Wealth Study (LWS).

- Third, any link between income data and other possibly relevant explanatory factors or variables, such as technological change, economic growth, conditions of employment, is difficult to establish without strong assumptions, the use of econometric models without really knowing the subject matter, estimates of correlations and regressions which may give some ideas about relationships –for example between inequality and growth (IMF, 2015)-, which is better than nothing. But it is not clear that the correlations found correspond to what is actually happening in the real world in different places, since little or no fieldwork has been done on how growing inequalities are functioning. If current economic theories have not been able to anticipate them, it is doubtful that they can be used to explain them.
- Fourth, disposable income is just one component of the resources available to households; wealth is another important component, in the form of assets like housing, pension funds, portfolios, as well as debt, which allow to assess more precisely household's net worth. Harmonized data matching income and wealth are more difficult to obtain at cross-national level, and there is some evidence that inequality of income does not always imply inequality of wealth (see footnote 2 below and Sierminska, Brandolini and Smeeding, 2006).

The analysis of comparable income data for developed countries has been important in pinpointing recent changes in the income structure of developed countries, and quantifying them. However, little attention has been given to the “hollowing middle” which is the really new and unexpected process emerging from these findings. In my view income is a good indicator of inequality, of when and where it has taken place. But this information is not able to explain why it has happened because of the limitations just mentioned. The “hollowing middle” evokes downward mobility, and begs the question of what factors have caused it. I argue below

that the main driver of downward mobility has been deindustrialisation, which has been going on for a longer period of time than for growing income inequality. Very few inequality analysts however, have linked growing income inequality with the process of deindustrialisation.

3. What moved the social elevator up in the past?

We will try now to understand better the link between deindustrialisation and downward mobility. Sociology developed as a discipline in the Nineteenth Century, at a time when industrialisation and urbanisation were creating the conditions for massive upward mobility in relation to previous agrarian economies. Studies in upward mobility have been numerous and extensive. They described the characteristics of the rising middle class –the white-collar worker and the skilled blue-collar worker-, as the result of new forms of production, the organisation of factory work, with its new forms of management, technicians, clerical work, and the invention of careers, climbing progressively in a hierarchy in the course of life, requiring a better education for moving up. Factories were located in cities, where people from rural areas moved to, becoming also consumption centres, the places where upward mobility materialised.

These changes in the production of goods, of living and working place, were closely associated with others, linked to other dimensions of modern life, such as the consolidation of the nuclear family around a bread-winner receiving a salary, the ambition of owning a house in a residential neighbourhood, the satisfaction of new needs through greater consumption of goods and services on the market. The mutually supportive effects of all these socio-economic dimensions justified the perception that this was a systemic change, an Industrial Revolution, as it was called, affecting all aspects of life. Such changes were studied by economists, sociologists, historians, political scientists, with different methodologies, mainly based on observation, statistics and fieldwork, in the specific places where they were occurring, in big and small cities, in factories, in depopulating rural areas. Nobody ever doubted that the process of

industrialisation and urbanisation explained upward mobility and the formation of a large middle class, more affluent and capable of spending its earned income in precisely those goods that manufacturing produced. Higher incomes were linked to occupational changes –from farming to industrial work- and territorial mobility – from rural to urban areas.

Industrialisation started in the UK in the 1760s and then spread to the US and Western Europe during Nineteenth and first half of the Twentieth Century, and later, after the Second World War, expanded further to some non-Western nations (Japan, South Korea, Taiwan). With some variations in each case, the story about upward social mobility and the formation of a large middle class, as a result of industrialisation repeated itself over and over again.

Differences observed in moving upwards were mostly attributed to differences in individual effort and merit, but the opportunities were out there to be taken. Such mobility could take place in the life of an individual (intra-generational mobility) as well as from one generation to the next: in this case children achieved higher positions in employment and income in relation to their parents (inter-generational mobility). Both types of mobility were studied, mostly by sociologists, and took place gradually and successfully for quite a long period of time.

The understanding that came from upward mobility studies has been extremely useful: first, it was often codified and used by developers and politicians to support industrialisation in countries and contexts where it had not taken place. Second, this approach has also been useful in linking mobility with a specific sector of the economy –industry-, which income data does not allow. Third, upward mobility was seen as the main factor explaining changes in lifestyles, consumption, education, a general sense of progress and optimism about the future. Downward social mobility, considered as a non-frequent possibility, was mostly attributed to individual inadequacy, lack of skills or to the inability of a company to stay on the market due to technological change. It was an exception, due to individual characteristics, which did not question the opportunities for generalized upward mobility for society as a whole. From this

view, the problem of individual downward mobility was addressed either by retraining workers or employees, or by favouring moving to another place where labour demand was stronger.

The shortcoming of the sociological approach to downward mobility is that the effort that was invested in the past in studying upward mobility as a comprehensive, multi-dimensional, widespread process has not been replicated for downward mobility. Recent work has focused on why the social elevator has stopped and what needs to be done to make it move up again (OECD, 2018; Major and Machin, 2018; Newman, 1999). This is of course perfectly legitimate and desirable, but it doesn't address the issue of the causes and consequences of downward mobility per se. Most organisations and institutions, like the OECD, IMF, World Bank, which have recently produced reports on inequality, are aware that this is a negative outcome, dangerous for democracy and the stability or modern society, but suggest as a response the traditional tools of redistributive policies, higher taxation at the top, public investments in welfare services and better education.

The mayor contribution of sociology to the study of social mobility is a description of upward mobility with all its multiple related dimensions, interpreting its development and expansion as the direct consequence of the industrialisation process. It has also consistently used occupational positions and status together with income as a measure of mobility, which, in my opinion are a better proxy of social class. The concept of social mobility opened the possibility of looking into downward social mobility, with the limitation of seeing it as an exception rather than the rule. But this rich experience has not been used as a reference for understanding the full implications of downward mobility, its functioning and connections to other dimensions, and has failed to establish an explicit causal linkage with deindustrialisation.

4. Assembling what we know about downward mobility

I have argued above that rising income inequality is an indicator of the hollowing of the middle portion of the income structure, over time and in advanced economies, but is unable to explain

the reason of such change per se, or tell us which economic sectors or types of employment are responsible for that inequality. On the other hand the social sciences have in the past explained very well how upward mobility of the middle class took place, its direct link with industrialisation, and how this changed substantially the functioning of all aspects of life, defining what we call modernity.

In the late Sixties and early Seventies, downward mobility became more widespread and massive, attracting the attention of researchers. For example, in the US “between 1981 and 1986, nearly 5.1 million workers... were let go... this is a particular kind of job loss, one owing to the disappearance of the job itself through plant closures, insufficient work, or the abolition of a position or shift...; ten years later, however, the numbers did not look more encouraging, between 1991 and 1994, 5.2 million ‘long tenured’ workers were displaced... Manufacturing workers still experience displacement at a higher rate than workers in other industries” (Newman, 1999, p.24).

In the case of Great Britain, which was the first country to industrialise in the second half of the Eighteenth Century, a decline in manufacturing employment – an indicator of deindustrialisation - started in the mid 1960’s, and quickly fell from 40% of total employment to less than 10 per cent today (Source: UK Office of National Statistics). As indicated above for the UK, the early ‘70s is the period when income data started to show a ‘hollowing of the middle’ that has persisted until today.

The time sequence however seems well established. First came deindustrialisation, in the 1950s in the US and in the 1960s in the UK, measured as a progressive decline in employment in the manufacturing sector, also visible, but with less intensity, in real manufacturing output. In the following decades this new process spread to other advanced economies, including more recently industrialised countries, and has never reversed itself (Rodrick, 2015). Curiously, studies of deindustrialisation never considered growing inequality of income as a related issue. Then came inequality studies, most of them appearing after the 2008 financial crisis, recon-

structuring the evolution of income inequality over time, but only occasionally mentioning the loss of jobs in manufacturing, and then as one of many possible factors.

An interesting theory developed to understand this process, stating that the shift in manufacturing activities from old industrial countries to recent ones was to be expected, a 'natural' evolution, since industry grew until it reached a level of maturity, and then gradually delocalised to less developed countries. The term post-industrial society was used to classify these advanced economies, and the observed expansion of the service sector was interpreted as an indicator of continued economic growth. It did not question the sustainability of the industrial middle class and the modern world that had developed around it. As a matter of fact it was presented as a progress in development, that would simply substitute manufacturing employment with service sector employment, without affecting opportunities for upward mobility, on the contrary, enhancing them. From this perspective economic sectors were no longer relevant to analyse, and growth figures and incomes were used for the economy as a whole, without further distinctions, forgetting about the importance that had been given to industry as the key driver of development until then.

This optimistic view of post-industrial society, as no longer depending on manufacturing probably explains the missing link in the perception of analysts, between deindustrialisation and downward social mobility. Its continued ability to generate growth has not materialized, and rising income inequalities indicate that inequalities are still rising with its hollowing effect on middle incomes. We know however that deindustrialisation came first and downward mobility of the middle class came some time afterwards, and affected all of the advanced economies (or post-industrial societies). Both processes have not reversed anywhere until today.

Some figures of deindustrialisation for the US and the UK have been mentioned above. Data on downward mobility is given in quite different ways but are consistent in their results. For example, in a US study realised by the University of Michigan, to study whether the middle class was more likely to move up or down the

income ladder, it was found that “during the 1970s, middle class adults faced equal chances of moving up or down...During the 1980s, however, their probability of falling from middle to lower income increased...” (cited by Newman, 1999, p.22). Another way of measuring downward mobility is through job displacement as indicated above, and the time it takes to find another job. In this case, age matters: “almost half of older, but still working age, adults who lose their jobs... experience long term unemployment or leave the labour force” in the US in the 1980s, while young workers are more likely to experience job loss in the first place (op.cit. p.26). Relative wage decline is still another way in which downward mobility occurs: again in the US in the 1980’s almost 30 per cent of those who were re-employed after losing their job suffered earning losses that exceeded 20 per cent; ten years later those in this condition went up to 34 per cent (op.cit, p.28). Comparing different cohorts by birth, in Norway, France, Italy and the United States, Chauvel found that the cohort born between 1945 and 1950 had much higher chances of moving upwards than in any of the later cohorts, with significant differences between countries in terms how economic difficulties arising from periods of crisis are distributed among cohorts: Norway emerging as the country more stable in doing this across cohorts through welfare measures, while France shows the highest instability (Chauvel, 2013). Intergenerational mobility between fathers and sons, measured through income, wealth or occupational status, shows, as in the study of cohorts, that a significant proportion of sons not only are not able to maintain the middle class position attained by their fathers, but are moving down in relation to them, and this has increased gradually from the 1970s onward, with significant differences between countries.

What we know so far about downward mobility, using diverse definitions of middle class, of income groups, different sources and methods of analysis, non-matching time periods for cross-country comparisons, have quite relevant similarities in their results. First, there is a common finding that there is downward social mobility in advanced economies, noticeable since the 1970s: ris-

ing inequalities in income, quantified and harmonised across countries, have been the main tool used to reach such result. Second, there is no agreement in the literature about the causes of rising inequalities, attributed to a wide range of factors, suggested as associated factors but not demonstrated. Third, there is no agreement on the expected duration of rising inequalities or downward mobility: some authors look at it as a temporary problem, focusing on how the social elevator can be made to go up again, others as a serious problem, that has already lasted for over 40 years, exploring differences among countries in dealing with it.

5. Causes of downward mobility: deindustrialisation, globalisation and technological change

In the previous sections I argued that deindustrialisation has been the main driver of current downward social mobility of the middle class, and this also explains rising income inequalities. This is just a hypothesis at this stage, one that will need further empirical research in order to be sufficiently convincing and robust. It is the experience of how the upward mobility of the middle class worked in the past, as a result of industrialisation, that suggests its key role in downward mobility today, reversing many of its dimensions.

Other causes, mentioned in the literature, appear to have reinforced middle class downward social mobility: globalisation and technological change. Neither one contradicts the relevance attributed here to deindustrialisation, and have mutually reinforced each other.

Globalisation is closely connected to deindustrialisation of advanced economies for two important reasons. One is delocalisation of enterprises: the disappearance of industries and manufacturing jobs in developed areas was accompanied by the relocation of those same industries in developing countries. The reason usually given for this out migration is the high cost of labour and the power achieved by unions in old industrial countries, on the one hand, and the perceived opportunity of serving the growing markets of developing countries, especially in the first phase of industrialisation, when consumption grows fast and labour costs less. This process

was perceived as a positive one for everybody: affluence produced an increase in the demand for services in advanced economies, where upward mobility had reduced the ranks of available workers, and immigration from other countries was called in to fill the gaps, but raising issues of urban congestion and integration of newcomers, which were not easy and costly. Delocalisation of manufacturing helped outsourcing those problems as well. For developing countries, this foreign investment was precious to kick start a process of development for which local actors were not prepared, could solve in part problems of poverty, and trained workers in industrial jobs, providing opportunities for upward mobility and better conditions of living.

The other reason that links deindustrialisation with globalisation is that the goods produced in delocalised factories of developing countries were also exported to the rich markets of developed countries. This increased significantly international trade and extended geographically value chains and individual 'filières'. This transformation was seen both as a positive and a negative outcome. On the one hand the inequality problems and downward mobility of advanced economies were in fact being 'compensated' by the rising incomes and upward mobility of developing countries, thus reducing world disparities (Milanovic, 2019), on the other, developed countries found themselves with growing internal problems of social unrest and discontent, with lower financial resources available, and unable to control the situation at national level.

Technological change, and more precisely information technology, contributed significantly to increase the impact of deindustrialisation on the middle class of advanced economies. Information and communication technology (ICT) has played an ambiguous role, connected also with globalisation. While the delocalisation of manufacturing had mostly affected factories and the working class, relatively saving white collar workers, ICT affected much more work in services and employees – for example by reducing secretarial work - and had a strong impact on middle class job opportunities, especially of women. ICT also facilitated globalisation by improving enormously the circulation of information and exchanges between

different places of production and consumption of goods and services at world scale. The positive side of this technological change is that it has given rise to a new sector of activity, which has improved the diffusion of information and knowledge, has created new jobs and possibilities of work for many.

Deindustrialisation, which started first, has been reinforced by globalisation and technological change, which came later, mutually supporting each other. This meant that the impact of these factors on downward social mobility in developed countries was also reinforced. Its consequences, which were ignored or effaced for some time, have become extremely visible and troublesome, especially after the 2008 financial crisis.

6. Consequences: many, in all dimensions of modern life

The consequences of downward social mobility are many, and - just as upward mobility in first phases of industrialisation - are noticeable in all dimensions of modern life: social, economic, political, territorial. I will refer very schematically to them, only to illustrate the kind of issues that are being challenged by the new reality we find ourselves in.

Slow economic growth and low productivity have been closely related to downward mobility, both intra-generational and intergenerational. When the bottom of the income structure enlarges, the rich get richer and more concentrated, while the middle class shrinks, in other words, when inequality grows, studies have found that economic growth slows down. The structural changes in income and sectors of activity that have been mentioned above, reduce the likelihood that the poor will be able to get out of poverty, either by investing in education and new skills or by moving to another place where opportunities might be better. The working class and the middle class become defensive of its achievements, becoming rigid in allowing entry into their class - for example in relation to migrants being allowed to come in - seeing no possibility of moving further up. Research has found that more egalitarian and mobile societies have been better able to produce higher levels of innova-

tion and economic growth, than countries with high levels of inequality and immobility (Gornick and Jäntti, 2013). Research has also confirmed that the negative impact of inequality on growth is higher the lower intergenerational mobility is (IMF, 2019).

The role of education in achieving upward mobility has also been questioned in its capacity to influence positively the chances of moving upward. In fact, higher and better education alone has been found to have increasingly limited effects on upwards social mobility, no longer providing a competitive edge, not so much because of lack of adequate skills or irrelevance of its contents, but rather because it no longer guarantees that adequate jobs will be there to reward the investment (Goldthorpe, 2016). On the other hand many studies still indicate education and re-skilling as the main solution to downward mobility (OECD, 2018; Major and Machin, 2018)

The territorial consequences of downward mobility are quite significant as well, between rural and urban areas, and between developed and developing countries. During the 1980s and 1990s a vast literature on de-urbanization and rural renaissance flourished, maintaining that a new kind of industrial development, diffused also in rural areas and small cities, based on small and medium enterprises, specialised clusters, was in fact replacing the decline of large industries, closing or delocalising (Becattini, 2004; Piore and Sabel, 1984). The diversification of economic activities in rural areas, including manufacturing industries, the attraction of rural amenities and landscapes, a new interest for living in the countryside as an alternative to congested and expensive urban housing, endogenous development, the significant decline in traditional rural depopulation, surprised many analysts. The OECD summed up these unexpected changes in a popular book, with the name of “The New Rural Paradigm”, (OECD, 2006) which influenced agricultural and rural policies in developed countries.

Taking into account what has been said above about deindustrialisation and downward mobility, the studies in diffused industrialization and diversified rural development from the 1980s onwards, could be read in a different perspective. One would be that

during the process of deindustrialisation, some enterprises delocalised first to rural areas and later on migrated to other countries, offering more attractive settlement conditions. This reading would be possible if delocalisation consisted mainly of enterprises moving from one place to another. However the story of diffused industrialisation and clusters, based on field research, found that most rural enterprises were the result of endogenous entrepreneurship, not of external investments. Another possible reading would be that rural industrialisation reflected the downsizing of manufacturing to a smaller scale, responding to the changing demand for manufactured products in advanced economies. But this is just a possibility to be explored further.

It should be also considered that large scale urbanisation stopped in the 1980's in advanced countries, with some cities losing population (counter-urbanisation), which is consistent with what has been said about rural areas. There is however a quite different and negative view about small and medium cities and rural decline in France. Here deindustrialisation and downward social mobility have been interpreted as the emergence of a new territorial cleavage between the part of the middle class which has remained affluent and well integrated in the globalised economy, lives in a few big cities (Paris, London, Berlin), gentrified former working class neighbourhoods, adopting new informal lifestyles on one side of the cleavage, and on the other those who have fallen outside this new system, the fallen middle classes, an angry working class, dying small cities, farmers unable to cope with international prices. This part of society is the one who is discontent, votes for populist candidates and has supported the revolt of the '*gilets jaunes*' during the last year (Guilluy, 2018, 2019). The same view has been applied to explain the success of Brexit, and other national movements challenging the belief that all classes had something to gain from development and growth.

The socio-economic changes that have been brought about by deindustrialisation and downward mobility in developed countries have also had consequences on the relation between developed and developing countries. Deindustrialisation of post-industrial

economies has affected the opportunities for industrialisation of developing countries by what has been called premature deindustrialisation. This means that some countries “run out of industrialisation opportunities sooner and at much lower levels of income compared to the experience of early industrialisers”. Asian countries have been able to escape from this pattern, but most Latin American countries have been significantly affected by it (Rodrick, 2015).

The welfare state has also suffered in substantial ways from the diminished ability of the economy for generating sufficient financial resources for maintaining it, at a time when downward mobility would have needed an expansion of health, education, pensions and unemployment allowances, together with new taxation rationales and enhanced redistributive policies. As mentioned above, this expansion has not happened, although important differences between countries have been found in dealing with changes in welfare services, both because slow growth and financial crisis did not provide sufficient financial resources, and because an emerging ideology of austerity and balanced budgets was adopted by most advanced economies. The consequence of these limitations ended up in a reduced capacity of the state to provide public services.

Finally, there is a consequence of downward social mobility about which we know very little: how consumption patterns of the middle class have changed when moving down the social ladder. We know a lot about how consumption and lifestyles changed during upward mobility: there was an eagerness to forget about previous poor conditions, to adopt and copy the tastes and buy the goods that matched the achieved higher status of the new social condition. But downward social mobility does not consist of just reversing those changes. Downwardly mobile people don't want to go down the social ladder, they deny the new reality, they try to maintain the appearance of what they can no longer afford, they are angry at policymakers for not addressing their needs, they change traditional voting patterns, and much more. This is a huge new area of research with important implications for future consumption patterns and political allegiances.

7. Conclusions

The subject matter of this contribution touches many different aspects and dimensions of downward social mobility of the middle class in developed countries. The intention was precisely not to narrow the scope but to try to assemble together the puzzle and look for the relationships between the different pieces in order to have a comprehensive and coherent picture. I am aware that it needs much more work, but moves in the right direction.

Downward social mobility of the middle class is changing our lives and work, and also that of our children: it deserves attention and an open mind capable of moving without disciplinary constraints, explore possibilities. It is a new subject, with many aspects that are likely to be difficult to accept, not desirable.

Deindustrialisation has been given in this contribution a key role in the understanding of downward mobility, because it had been underestimated in the literature, and because it provides a narrative that helps to understand its causes and consequences, giving some order to its different features. However, it should be clear that I am not arguing in favour of re-industrialisation. Whatever will be the future of manufacturing in advanced and developing economies is a very open question, which should be answered considering the environmental damage that industrialisation has been responsible for. It may turn out to be a possibility that gives a positive sense to individual actions and policymaking in this new situation.

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Luca Meldolesi

A Brief Outline of the Colorni-Hirschman View of Europe

The following points refer to a few key events in the lives and work of Eugenio Colorni and Albert Hirschman that I consider particularly telling for understanding their combined point of view on Europe.⁹²

1 – Eugenio and Albert came from “good families” of Jewish origin. They were very courageous and had (and continued to develop) great reflective and intellectual abilities. But they also had different characters: Eugenio was exuberant and iconoclastic; Albert reserved and prudent. As I said, they met in Berlin shortly before the rise of Hitler. Various vicissitudes followed. Albert studied economics in Paris and London while Eugenio took up his job as a secondary school teacher in Trieste. After briefly taking part in the Spanish civil war, Albert decided to join Ursula and Eugenio (now married). He earned his BA in economics at Trieste University and started a career as an economic journalist specializing in the Italian economy. For Eugenio and Albert 1937-38 in Trieste was a season of vibrant intellectual exchange—a sort of permanent brain-storming—during which their ideas on Europe started to take shape.

Eugenio had joined the (clandestine) Socialist Party and (with Ursula) developed a double life—official and underground. Opposition to the European nationalisms that were preparing for war spontaneously led Colorni and his friends (Albert included) to ponder possible European alternatives, and to question how these

⁹² This note draws particularly on my *L'ultimo Hirschman e l'Europa* (2014) and my editing of ‘political Colorni’ (2016, 2017, 2018) and of Colorni-Spinelli 2018—texts that are now being published in English (Bordighera Press, New York: see Colorni 2019a, 2019b). Thanks are due to IWM for its generous hospitality (March 2019).

related to the activities of their daily lives. Moreover, since Europe was at the time the main center of the world economy, the interest of the group in positive continental developments looked *prima facie* wholly compatible with traditional internationalism—meaning that the transformation of Europe would set off an upheaval in the system as a whole....

Colorni and the European Federation

2 – But suddenly, Mussolini’s anti-Jewish laws and policies changed all that. While Albert escaped the police by chance, Eugenio was incarcerated and then confined on the island of Ventotene. There, he had time to read, study, write, and correspond with Ursula. Although suffering bouts of depression, he worked hard on important biographical and theoretical essays. He studied psychology, physics and math extensively in support of his project on the methodology of science and antropo-morphism. And he started an ultimately successful legal battle to be reunited with his family. Therefore, Ursula became a crucial link with antifascist friends on the continent.

Following his own program, Eugenio kept some distance from the other confined antifascists and their endless discussions. But he and Ursula developed a close friendship with two new Ventotene arrivals: Altiero Spinelli and Ernesto Rossi. This quartet became inseparable in a day-to-day life centered on cultural and political discussions.

Hitler’s “blitzkrieg” was rapidly uprooting traditional elites in many European countries. From that development and a study of the federalist literature⁹³ (partly provided by Luigi Einaudi through Ernesto Rossi, who had been a student of his) the proposal emerged for a United States of Europe. Raised by Altiero and Ernesto, this perspective was immediately endorsed by Eugenio and Ursula. Hence in 1941, Spinelli and Rossi started writing the “Ventotene Manifesto,” which was later revised to take account of subsequent

⁹³ Among them: Junius [Luigi Einaudi] 1920; Robbins 1932, 1934, 1937, 1940; Gobetti 1924; Meinecke 1930; Wicksteed 1933; Cattaneo 1942.

discussions and the evolution of the war. Its final version, introduced and edited by Eugenio, came out only in January 1944 when, aided by Leone Ginzburg, Colorni published it clandestinely in Rome (together with two essays by Spinelli) in a “bellissimo libretto” entitled *Problemi della federazione europea* [Problems of the European Federation].

A landmark (along with other texts) at the origin of the whole post-war European experience, this document is also an important contribution to an understanding of Eugenio’s point of view on Europe, particularly if one connects it to other writings of the time—like the correspondence between Eugenio and Altiero of May-July 1943;⁹⁴ and the *Unità Europea* n. 2 edited in Rome by Colorni just after the fall of Mussolini (July 25th 1943).⁹⁵

3 – The growth of Ursula and Eugenio’s family, with the arrival of a second and then a third daughter, was a contributing factor in convincing the fascist authorities that, for family reasons, Colorni should be shifted off Ventotene to somewhere in the Peninsula. Therefore Eugenio, still under confinement, was moved to Melfi – a small town in Basilicata – where he continued his studies and writings while quietly establishing connections with local (and national) antifascists. Here he resolved some personal problems (separation from Ursula included) and prepared to embark on his clandestine activities in Rome.

Before leaving, however, he wrote a long and important letter to Altiero Spinelli,⁹⁶ which represents the very birth of political

⁹⁴ This correspondence was published for the first time by Piero Graglia in Spinelli 1993. But its importance for understanding Colorni’s viewpoint became clear to me only in editing the publication of his political writings: see n. 92 above.

⁹⁵ Colorni 2018, p. 136-46.

⁹⁶ Colorni May 1943, now in Colorni 2019b, p. 151-62. See box below. An abridged version of the same letter “ready for publication” is probably of July 1943. Actually, while heading the federalist movement in Rome, Eugenio wanted to publish this letter together with the rest of the correspondence with Altiero in a pamphlet under the title “L’attuazione pratica dell’unità europea. Una discussione fra federalisti” [“The Practical Application of the European Unity. A Discussion among Federalists”] or

dualism within the emerging Italian federalist movement. The letter started with some “reasons for dissatisfaction” (which later became “points of disagreement”) with Spinelli’s actions over the previous two years.⁹⁷ Colorni accused him of “action fever” (on the one hand) and of “intellectual inertia” (on the other) vis-à-vis important political developments, and of “ideology” regarding the society to be built which de facto overshadowed the indispensable, careful and fruitful perception of the present. In both instances – Eugenio suggested – Altiero had let his desires prevail over the cool assessment of actual facts⁹⁸.

Letter of Colorni to Spinelli, Melfi, May 1943

[...] *The victorious nations of the last war tried to dominate the defeated states through territorial mutilation, military restrictions, economic and financial burdens. But they were not remotely concerned with influencing domestic politics. Germany, Austria, Turkey, Greece, and Italy were left in the grip of their own internal upheavals, ‘free’, as it was put at the time, ‘to choose the regime they thought suitable’. [...].*

Now I don’t know how the winners will treat the losers at the end of this war. But one thing I do know for sure: this time they will not make the mistake of staying out of domestic politics. Intentions are very clear on this point, and not a day passes when these are not reaffirmed by all parties involved. They want to depose fascist regimes once and for all and will not allow the resurgence of nationalism, chauvinism, etc. [...]

“Quali forze operano oggi nel senso dell’unità europea?” [“Which Forces Work Today for the European Unity?”] (Colorni 2018, p. 107, 126 and 132-3). This project, however, did not materialize.

⁹⁷ Apparently, Eugenio thought that this introductory part should not be published (see n. 5), probably because he considered it too personal.

⁹⁸ Colorni 2019b, p. 156. Indeed, the great difference between the outcomes of the two wars was correctly analyzed. But at the same time, Eugenio had no idea of the dominant role that the US was going to play in the post-war era, nor of the fact that Europe would lose its central role in the forthcoming world economic and political setting.

This time we are in the presence of two very powerful state organizations that present themselves as paladins of the two basic ideologies contending for the European field. Fighting for one of these ideologies will mean, not only implicitly but in the general consciousness of the people, fighting in favour of the corresponding power. The communism-democracy antithesis has gradually transformed itself into a Russia-England antithesis. [...]

The two winning states, each the arbiter of a piece of our continent, have two paths open to them. One is a policy of housekeeping, of internal reconstruction, reinforcing the ruling class, repaying their own people for their sacrifices during the war by improving their economic conditions and promoting their psychological position as 'winners'; keeping the countries in their own sphere of influence in a state of economic and military semi-subjugation, covertly sabotaging any real revolutionary effort they might make, any attempt to clean house to make way for renewal. Or, there is the other path: joining together with the vanquished, constituting with them a true and deeply-rooted unity; absorbing their lifeblood and civilizing forces; reconstructing together, sharing power with their ruling classes and letting them participate in leading the new unity being created; and facing the other half of Europe as a compact, aggressive bloc, endowed with an immensely strong power of popular attraction.

The two winners will oscillate continually between these two extremes. From a purely nationalistic point of view, the first option would represent a reinforcement of nationalist structures and would safeguard them against yesterday's enemies; but the second would allow very active and independent policy choices vis-a-vis the other winner, which would be prevented from extending its tentacles into the first winner's sphere of influence to try to break it up and win it over.

Even imperialist aims, broadly intended, might be advanced for either of the two victorious powers by a European policy. But certainly a decisive element in determining the choice is the concrete situation that is created in the countries within their spheres of influence. We can be sure, for example, that whatever the desire for peace and

domestic tranquillity among the Russian leadership at the end of the war, they cannot remain indifferent if, as is likely, a serious revolutionary movement breaks out in nearby Germany. [...] In short, it is in the power of the peoples of Europe to force the winning powers to come out of their nationalistic shell and to set in motion, even in spite of themselves, a policy of European unification. They will be able to create in Europe de facto states that the winners, in their own interests, cannot ignore. They can see to it that the situation breaks in one direction or the other. This is the high card in their hands. [...].

The energetic political activities that Eugenio undertook thereafter should also be considered a consequence of this conviction.

European Federalism and the Roman Resistance

4 – In Rome, Colorni was helped by federalist friends. He reunited and directed the federalist group in the capital and started preparing an edition of *Unità Europea*, a monthly federalist newspaper. Some of the articles sent from Ventotene that he intended to include brought him to realize that his point of view and that of Spinelli-Rossi could coexist within the same movement. From then on, therefore, he left to Altiero and Ernesto the overall direction of the movement, loyally contributing to it but focusing his own initiatives on the Roman Resistance. In the days following the fall of Mussolini (July 25th.) the federalist group distributed leaflets in the capital that (for the first time in the Italian Resistance) called on people to struggle openly against the fascists and Nazis. Two federalists were caught, while Eugenio and others escaped. Then Colorni published *Unità Europea* with an extraordinary editorial “Unanimity” centered around the catch-phrase “Peace, out with the Nazis, liberty!”⁹⁹. A group of young Jewish federalists that he organized failed to jell, and he therefore turned to the young socialists. Working with them in the fall 1943, he embarked on an extraordinary military, political and pedagogical experience that occupied many months.

⁹⁹ Colorni 2019a, p. 93.

At this point Eugenio wanted to have the Ventotene Manifesto published in Rome as a booklet. Not only would its sales contribute financially to the federalist movement, but it would also be useful in teaching his hundreds of young socialist friends, for whom he had already become “the spiritual and political guide”¹⁰⁰. The well-known “three points” of Colorni’s “Introduction” to the Manifesto should also be read from this point of view: explaining how traditional internationalism does not by itself guarantee the unification of Europe; why a federalist movement is indispensable as a means of overcoming the national boundaries of public life; and what opportunities are created by the war. “While the ideal of a European federation, the precursor to a global federation,” Eugenio wrote, “may have seemed a distant utopia until a few years ago, it now appears, at the end of this war, to be an achievable goal.”¹⁰¹

For Colorni, “the ideal of a European federation” was indeed “the precursor to a global federation” —because (as already hinted at) Europe, in his view, was the center of the world system and it was supposed that it would remain so. But of course this was only an illusion. Certainly Albert Hirschman realized this, after his exploits in Marseille as assistant to Varian Fry and his fortunate arrival in California¹⁰². For this reason his first book, *National Power and the Structure of Foreign Trade*, written in 1941-42 and published in 1945, though suggested to him by the observation of trade statistics between Germany and some Balkan states, in fact has a significantly *universalist* flavor. Actually, in phase after phase of his long and creative life he dealt with (alternatively and/or contemporaneously) general and regional responsibilities – European ones included.

Hirschman’s work for Europe

5 – “I never stopped working for Europe,” Albert used to

¹⁰⁰ Luisa Villani Usellini, June 1944: Colorni 2018, p. 59-60 e n. 92.

¹⁰¹ Colorni 2019a, p. 102.

¹⁰² Unfortunately, the Federalist Movement in Europe did not effectively undertake the re-working that this simple recognition required.

say. I understand: both directly and indirectly, he worked to foster European unity as well as to live in “a better world” as a whole. And I am often stunned to realize how much of Colorni Hirschman transfused into his activities. Let us rapidly recall some instances of this.

During the Marshall Plan, Albert had a task—“follow events in France and Italy” (and wrote “his first Hirschmanian articles” according to Pier Francesco Asso and Marcello de Cecco¹⁰³); he then worked on intra-European payment plans; finally, amid oscillations in US policy, he settled successfully on the pro-European, State Department side, as against the anti-European Treasury¹⁰⁴. He wrote two essays – one on a European Monetary Authority and the other one on a European Common Market¹⁰⁵ – that anticipated by a great deal what would later take place.

The success of the Marshall Plan in Europe created the illusory expectation that something analogous could be tried on a much larger scale to tackle the problem of the underdeveloped areas of the world. Hirschman read the widespread perception as *an opportunity*. Therefore, he agreed to run the planning commission in Colombia and, as is well-known, became one of the most important “pioneers” in economic development¹⁰⁶. Moreover, in writing his quintessential book on “possibilism,” *Journeys toward Progress*, he told me, he also had in mind his sister Ursula and Altiero Spinelli (her second husband)¹⁰⁷. Actually, working with the Italian center-left government, Ursula and Altiero at the time became “possibilists” and performed important functions in the building of Europe in the 1960s...

¹⁰³ M. de Cecco and P. F. Asso 1987.

¹⁰⁴ Hirschman 1998, Ch. 2.

¹⁰⁵ These two key articles have been published in Italian (Hirschman 1990) but not in English - yet.

¹⁰⁶ Hirschman 1984.

¹⁰⁷ Differences in forms and characters excluded, one may notice here that the tactical behavior used by Albert vis-à-vis Ursula and Altiero looks analogous to the one used by Colorni with Spinelli and Rossi (mentioned previously). Hirschman clarified his dissent regarding the political activities of his relatives, but, at the same time, he kept the door open to possible positive developments. Albert even helped Altiero in the financing of a new Roman “Istituto di Affari Internazionali”...

At the end of that decade, Albert left behind his 18-year nearly-exclusive interest in development and Latin America to turn to more general themes. In 1979 he applied some of his findings to the European construction in an important article, first presented at the European Institute in Florence,¹⁰⁸ which was highly critical of the well-known relationship by which economic advancements carry political ones along with them.

That lesson, however, was not assimilated by the pro-European elites, who continued to follow the old road. Thus it was that, later on, Jacques Delors prepared “top-down” the euro and, after the fall of the Berlin Wall, the project was implemented. But unfortunately its expected political effect – the European Federation – did not come about!

Too much emphasis was given to the economic side of the matter, Hirschman said in an interview in the French Press in 1995.¹⁰⁹ The cultural side had been undervalued. Albert’s rising interest in Europe in the ‘80s and ‘90s of the last century can also be seen in this light. He wanted to make a social science contribution to mutual understanding among Europeans.

To my mind, a simple conclusion follows: key points concerning Europe and the world proposed by Eugenio Colorni in his time, enriched by the creative, multi-faceted and surprising intellectual experience of Albert Hirschman, represent the best theoretical fit for understanding the post-war era. More than that: *mutatis mutandis* they can also be “an ideal inspiration” for analysis and for proposals vis-à-vis the future—i. e., for the newly divided world (and Europe) that the present century is entering into. That is to say, they can be the starting point of a new passion for a possibilist wave that we all have to unleash.

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Possible World Outlooks

If we make a great memory leap back to the conditions of the war and the post-war period, we get an idea of the huge change that has taken place in the world and we can bring into focus the Colorni-Hirschman problem we still face—that of bringing to bear a series of possibilist imbalances, even seemingly incredible ones (small and large, local and general), which at the technological, cultural, political and social level will invert negative trends, encourage in actors of every kind the civilizing impulse (spontaneous and cultivated), create hope and perspective, facilitate progress, draw the interest of others, and thus begin to master and gradually tame the dangerous tendencies of the times in which we live.

Ilene Gabel

The Current Economic and Political Outlook through a Hirschmanian Lens¹¹⁰

The economics profession and the evolving democratic crisis

This conference on Albert Hirschman focusing on his articulation of and commitment to possibilism is an important tonic for the soul at the historical conjuncture in which we find ourselves. As we all know, colleagues across the social sciences have drawn usefully on Keynes, Marx, and perhaps especially on Polanyi to make sense of the dismal present conjuncture. I'd like to add one more theorist to the conversation about the present moment, and that's of course Hirschman.

Trespassing into Hirschman's intellectual terrain offers a fresh and useful lens to make sense of the role of the economics profession in the transformations associated with the evolving democratic crisis. As everyone here knows Hirschman worked across a broad range of fields and his thinking broke the mold in many ways. He was open to the ideas of the most heterodox thinkers—for instance, he wrote favorably of Althusserian overdetermination. He also shared with Hayek (and others such as Popper) an appreciation of the complexity of our social world, the limits to its intelligibility, and relatedly rejected expert hubris and social engineering. Hirschman also shared with Keynes (and Knight) a deep appreciation of ineradicable fundamental uncertainty. In all of this Hirschman conceived of the economics

¹¹⁰ Remarks drawn from Ilene Gabel, *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence* (The MIT Press, 2017) and "Reflections on the Economics Profession, the Neoliberal Conjuncture, and the Emerging Democratic Crisis: An Analysis in the Spirit of Albert O. Hirschman," *Forum for Social Economics, Papers and Proceedings from the ASSA 2018 conference*, 2018, 47(2), 173-83, <https://doi.org/10.1080/07360932.2018.1451761>.

profession in ways that are at odds with professional norms. The cultivated ignorance of much of the economics profession puts its legitimacy at peril and has imperiled societies across the globe.

My recent book, *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence* (The MIT Press, 2017), takes a broader lens than I will take in my remarks today. In the book I use Hirschman's work as a lens through which we can understand the transformations that are now unfolding across the global financial architecture. I argue that the fracturing of global neoliberalism has generated substantial incoherence in global financial governance architecture and developmental finance. In the book I work hard to demonstrate that what I term the "productive incoherence" is to be understood in part as a good thing for developing countries.

I'd like to home in today on one matter. And that is how Hirschman would have us theorize the culpability of the economics profession in the anti-democratic impulses taking root in so many parts of the world. What I have in mind is that the economics profession's neglect of the inequality produced by the radical social engineering programs of the neoliberal era has contributed to the ethnocentric, nativist, racist, and misogynist backlash that has gathered so much momentum in many national contexts. Hirschman, I think, would hold the economics profession at least partly accountable for these developments. This is not because he was opposed to this or that particular economic system. But because he was a profound critic of the pursuit of institutional and policy coherence—the pursuit of theoretical purity and the effort to realize that purity in practice. That was the project he closely tied to the hubris of the profession. And it is on the need for humility, patience, and recognition of the epistemic limitations of the profession that Hirschman was particularly insightful.

Hirschman's critique of the economics profession

I'd like to explore in broad strokes three aspects of Hirschman's critique of the profession, focusing on the most egregious behaviors during the long celebration of global neoliberalism.

A first aspect of Hirschman's critique centers on the failure of economists to appreciate complexity and the limits to knowledge. This epistemic arrogance opens the door to model building; all-encompassing, universalist programs, such as neoliberalism; and to rhetorical strategies that sell a single policy regime. Hirschman's approach instead was one of improvisation in pursuit of multiple paths. He favored complexity, messiness, specificity, small-scale experimentation, and contingency in contrast to pristine, uniform policy blueprints.

The chief lesson of the neoliberal era is not just that it wrought extraordinary harm including radical inequality, that it failed by any honest standard, or that it involved a fantasy that one policy regime is appropriate for all contexts. All of these things are certainly true. But a critical and often overlooked lesson is that placing just ONE policy and institutional complex at the center of global governance puts too much demand on it; gives it too much power to shape policy; constrains pragmatic adjustments and experimentation; and magnifies the risks of failure. Centralized institutional authority also risks closed-minded, discouraging, dangerous "there is no alternative" thinking which prevents learning by doing—especially, as is so often the case, when its work is driven by a totalizing "ism" and backed by power, wealth, and ideology masquerading as science.

A second aspect of Hirschman's critique centers on his deep suspicion of what I have termed coherence, which is predicated on the notion of the social world as a simple social system, where everything fits, and where the structure determines what can and cannot work, what is and is not possible. The economists' attachment to coherence criteria adjudicates the viability of policies based on the degree to which they do or can be made to "fit" into an overarching system. Neoliberalism appeared to be a coherent system, and one that properly implemented brought myriad, self-reinforcing benefits. Against this attachment to coherence, Hirschman argued that it was imperative to learn from small-scale, gradual initiatives and from multiple examples, to recognize uniqueness and specificity of

experiences, and to appreciate the possibility of a great many sequences rather than to seek universal dictates in a reductive theory.

A third aspect of Hirschman's critique centers on the mutual distrust between the subjects and objects of economic expertise.¹¹¹ Hirschman's distrust of experts stemmed from their hubris, reductionist sensibilities, and the fiction of expert control that enabled them to devise sweeping plans, oversell benefits, and discount the likelihood and costs of failure. Hirschman's conception of the "Hiding Hand" dissects the rhetorical strategies that economists use to sell their plans. The ethical responsibility of the economic expert entails a commitment to what Hirschman termed "possibilism." Possibilism represents a radical rethinking of the idea of and processes around transformation and it also underscores the constitutive role of rhetoric and ideas—that is, words and in particular expert rhetoric have practical consequences. Central to Hirschman's possibilism is his humility and his related emphasis on uncertainty.

Hirschmanian proscriptions

Looking at the responsibility of our profession for the neoliberal revolution and the democratic crisis through a Hirschmanian lens leads me to offer what I term "Hirschmanian proscriptions." These are injunctions against deep-seated academic habits and sensibilities that today infuse the social sciences, especially economics. Most simply put, these proscriptions mean that we should refuse to know too much and we should refuse to rush to judgment.

¹¹¹ One can only imagine what Hirschman would have made of randomized control trials, all the vogue these days in development economics (as highlighted by the 2019 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, commonly known as the Nobel Prize in Economics). See discussion in Ilene Gabel, *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence* (Cambridge, MA: The MIT Press, pp. 32-33) and George DeMartino, "The Specter of Irreparable Ignorance: The Confounding Problem of the Counterfactual in Economic Explanation," paper prepared for the Arizona State University Winter Institute for the History of Economic Thought, sponsored by The Center for the Study of Economic Liberty and the School for Civic and Economic Thought and Leadership at ASU, and the History of Economics Society, January 2020.

One category of Hirschmanian proscriptions requires us to reject evaluative criteria that purport to determine *ex ante* or *ex post* whether innovations should be parsed against the standard of coherence, viability, sufficiency, scalability, and significance. By coherence I mean we should not vet new initiatives by adjudicating their viability based on the degree to which they “fit” into an overarching system. Seamless, coherent systems are neither possible nor ideal. Indeed, they are inherently risky. By viability I mean that we should not presume to know whether proposed or existing innovations can exist and survive over the long term, or whether some or all innovations are unviable in the context of pressures from the global economy or powerful actors. Learning happens, Hirschman reminds us, through confrontation with obstacles and failures and not just or primarily through success. By sufficiency I mean we should not be concerned with whether observed innovations are adequate in the sense of addressing global capitalism’s full range of challenges. By scalability I mean we should not judge innovations against the standard of whether they are scalable and even universalizable, or speculate as to whether they are doomed to remain small, barely surviving, and even then only in the environments where they have arisen. Finally, by significance of change I mean we must not impose a “test” of fundamental change, such as whether any endeavor disrupts structural power. With Hirschman, we might recognize that each of these criteria reflects the drive of social scientists to repress uncertainty in pursuit of understanding and, ultimately, control. Far better to intervene in ways that acknowledge the possibility that each might evolve with the effect of addressing pressing problems and deepening capacities, provided they are not strangled by closed mindedness that deprives them of recognition, legitimacy, and support.

Another Hirschmanian proscription is to avoid pre-narrating history. In this sense we must keep in mind the negative nature of Hirschman’s intervention—to reject approaches to social science in general and the study of change in particular that presume to know in advance what is and is not possible, viable, and beneficial. We must avoid not just prediction but pre-narration.

A final Hirschmanian proscription is that we should avoid thinking about the design of economic regimes in terms of their fidelity to an overarching model, or what we may think of as the pursuit of purity. I don't want to be misunderstood as suggesting that previous eras were internally consistent or all encompassing. Despite the best efforts of the most committed neoliberal ideologues nothing like the neoliberal **ideal** could or ever did emerge in practice. The range and extent of departures from the neoliberal ideal—such as through bailouts to firms—reveals that regimes that aspire to coherence are inherently risky and on that account, unsustainable. Moreover, to say that the neoliberal project ultimately failed in its grandest ambitions is hardly to say that it was ineffective in reshaping economies, locally to globally. The neoliberal ideal was also effective by acting as a dead weight around the ankles of less powerful actors who sought to pursue initiatives that were significantly inconsistent with its dictates.

Incoherence and aperture

The presence of incoherence itself does not distinguish the present from the immediate past. What does distinguish the present is the relative absence of a consensus around any unified theoretical ideal toward which the institutions of financial governance are to hew. Today's "post-neoliberal era" is not at all free of neoliberalism—indeed, aspects of neoliberalism appear to be restored with each recent national election—and it is not characterized by an alternative coherent doctrine or a corresponding set of institutional and policy arrangements. Recent political developments in many economies promise a dangerous mix of neoliberalism and economic nationalism. Hirschmanian sensibilities urge us to recognize the risks of incoherence, while avoiding the deep-seated fastidiousness (among economists) that values order and consistency for their own sake. Legitimate concern over risk should drive the pursuit of a new mindset that focuses on managing risks rather than enforcing conformity.

We look out at a world where incoherence and aperture appears everywhere. The present incoherence and is not without risks.

But it is naïve to think that coherent regimes avoid this problem. The global neoliberalism that was bought and sold by the economics profession offered the greatest benefits to the advanced economies, and especially to economic elites and large industrial and financial firms in wealthy and developing economies, despite its purported neutral and fair rules of economic engagement. In this regard neoliberalism exemplifies the kinds of power asymmetries that Hirschman worried about.

The point is that the most coherent economic regimes of the past century have arguably been both nationalist (and in the case of neoliberalism, elitist) in substance despite their internationalist form. That said, those advocating Hirschmanian principles can't dodge the nationalist risks associated with a weakening of the authority of the institutions at the center of global governance, such as the Bretton Woods institutions, the WTO, and the UN. Especially today, in the wake of Brexit, the Trump administration, and nationalist parties in Europe, it is not difficult to imagine a de-globalized world of increased autonomy marked by the proliferation of nationalist policies and the deepening of kleptocratic states. It is clear that the economics profession has much to answer for and that progressive social scientists have much to do. I'm heartened in these dismal times by work of those who continue press for possibilities in the domain of theory and for progressive social reform in the domain of practice. I'm thinking of the youth-led global environmental movement, the #Me Too Movement, gay marriage and LBGQT rights, the Diverse Economies project that is constructing non exploitative economic experiments such as worker coops, and the campaigns around inequality and tax justice.

Baruch Knei-Paz

“The Time is Out of Joint” – Economics, Culture and Politics in an Age of Contradictions

What has gone wrong?

It seems only yesterday that we were on the way to a more democratic, more liberal, a more open and enlightened society, and also a more prosperous one – well, at least in the so-called free and democratic world. Everywhere in this world there were signs that science, progress, pluralism and the prospects of individual autonomy and collective rational behavior were in the ascendant. Following the collapse of the Soviet Union and of other Communist regimes in Europe, such signs and developments, especially of democratic elections and institutions, emerged all the more conclusively. In the United States, despite a nearly catastrophic economic crisis beginning in 2008, in that same year, for the first time in American history, an African-American was elected President and then re-elected four years later, and proceeded to pursue liberal and welfare goals, amongst them the enactment of a broadened national health service. In Europe, once racked by 400 and more years of war and bloody conflict, the European Union was flourishing – the worst of enemies in the past, Britain, France, Germany especially, were basking in what appeared to be an adoption of Kant’s prescription for Perpetual Peace. In the process, peripheral nations in the east of Europe were enthusiastically standing in line to join the “European Club” and proclaiming loyalty to its democratic and enlightened principles of cooperation and toleration. Concurrently, though not so decidedly and certainly not unequivocally, there were also indications outside of Europe, especially in the Arab Middle East and North Africa – Egypt, Syria, Tunisia, Libya, perhaps even Iraq – that the winds of democratic change were reaching these shores as well.

And then, suddenly it seems, for what we are now witnessing emerged just in the last few years or so, much of this has changed drastically. In 2016, in a popular referendum, a choice of collective decision-making very rarely employed in British political history, the British electorate voted, albeit by a small margin, that the United Kingdom should exit the European Union, thereby throwing into doubt the future viability of the Union; and this shockwave has now culminated in a Prime Minister, Boris Johnson, widely considered to be an unbridled maverick who has already been accused of anti-democratic decision-making (and whose determination to carry out Brexit has culminated in new British elections). In that same year, in the United States, Donald Trump, a radical populist and a relentless opponent of long-established political institutions and processes, was elected President and has since run roughshod over much of traditional American politics, not to mention over notions of truth and credibility. Either shortly before, as in the cases of Turkey, Hungary, Israel and India, or shortly thereafter as in those of Poland, Italy and Brazil, strongmen have ascended to positions of pre-eminent power. And as for the Arab and/or Muslim world, nothing remains of the once heralded “spring”; as against that, the calamity of Syria attests to the tragedy of that short-lived fantasy, as does the renewed repression of the Kurds by Turkey. This is not an exhaustive list of all that has transpired, especially as it makes no mention of Russia and its strongman, Vladimir Putin, who is somewhat *sui generis* amongst these political countries and figures since he has been in power in one form or another far longer than the others and since the country he rules can hardly be identified with democratic traditions, whatever the reforms since the collapse of the Soviet Union.

Hirschman, economics and politics

So what has gone wrong? How do we begin to explain this contemporary transformation of progressive politics into reactionary – and angry, not to say ugly – populism?

In his celebrated essay, “Political Economics and Possibilism”, originally published in 1971 and which is the inspiration for

this conference, Albert Hirschman decried the fact that the study of economics and that of politics have been so severed and so presumed to be based on incompatible principles of analysis: “Economists...identify scientific progress with the elimination of ‘exogenous’ forces from their constructs, while political scientists are similarly most at ease when they have explained political events by appealing to purely political categories” (Adelman, ed., 2013: 2). Much of the essay is then devoted to arguing for the conjoining of economic and political methods, which in Hirschman’s view are far more compatible than disciplinary compartmentalization will allow, and thereby re-establishing a common manner of analysis in which the presumably different principles emerge to be mutually advantageous in fact. Hirschman insists in this essay that economic development and institutions cannot be understood outside the context of the political arrangements within which they function, and vice versa of course. Secondly, the essay is an argument against the view that there is some essentialist resolution of political and economic dilemmas. A central theme here is Hirschman’s long fascination – it appears in other of his writings, especially in *The Passions and the Interests* (1977) - with the concept of the unintended consequences of human action and he contrasts such consequences with “voluntaristic change” whereby political actors attempt to offset what they have brought about unintentionally. Elsewhere he had declared his belief in a dialectical view of human action and that change “can come about only through conflict”, though hardly in a manner originally intended (see Adelman, 2013: 452). I understand this to be a reflection of Hirschman’s deep disdain for ultimate theoretical resolutions to the fundamental dissonances of the human condition. For, after all, his essay is a plea for reform not revolution and for what is reasonably “possible”, and “passionately” so at that.

What constitutes the common good?

In what follows I want to attempt to begin to answer my initial question of “what went wrong” by adopting an approach that is in accord with Hirschman’s essay but with some further elaborations.

Let me begin with a general observation: nothing is so characteristic of Western modernity, a human condition ushered in by the scientific revolution of the 16th Century and the industrial revolution of the 18th century, than the absence of agreement as to what constitutes the common good. Perhaps there was never such agreement but surely when a form of deliberative rationalism ruled, as in the case of Ancient Greece, or when religion ruled, as in the case of the monotheistic belief systems, the common collective good could be formulated and appealed to in compliance with such systems. For a long time now that has no longer been possible, or rather many common goods have emerged, but for the most part they tend to be incompatible. We live in a world of dissonant common goods and as Karl Marx and others perceived in the 19th Century this is a recipe for unrelenting conflict between such incompatible common goods (Marx, of course, called all this class struggle and class interests; he believed that the Communist revolution would bring an end to dissonance once and for all, but this was Marx the chiliast, not Marx the social scientist). Given this situation – and as we know now revolution does not resolve it, it only perpetuates it in a different form – the only way that a democratic system can maintain itself is by creating the kind of balances and compromises that support at least the most formidable of those common goods and in the process reinforce its rational-legal legitimacy, in the Weberian sense, by proving that it is on the whole and in the end capable of “delivering the goods”.

Hirschman, as I have cited him, wrote of the need to show the interactions between two forms of collective action or behavior, economics and politics. But I want to add a third dimension, that of culture in its broad sense as a framework for the pursuit of collective identity. Some years ago, the sociologist Ernest Gellner, in his *Nations and Nationalism* (1983), argued that modern nationalism became a political force, partly at least, by standing, so to speak, on the shoulders of the need for a common identity that encompassed members of a nation-state. Sometimes this took the form of ethnic identity, sometimes religious, sometimes linguistic, sometimes by appealing to the myths of an ancient past and sometimes all these at

one and the same time. The identity may be real or it may be “imagined” (as Benedict Anderson claimed in his *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, 1983) and it may indeed be a myth. But the need or desire or aspiration for collective identity is, it seems to me undeniable; and it belies the often articulated concept of the economists of *homo economicus* as merely an agent, whether consumer or producer, pursuing rational, self-interested utilities. We are all that and more and the consequence is that the realm of politics is hard-pressed to juggle the demands of economic and cultural needs. If this is true then it also belies the assumptions of such political theorists as John Rawls (*A Theory of Justice*, 1971) who would have us believe that political beings in the making could act, behind a “veil of ignorance”, as if they were culturally unencumbered rational creatures, i.e., divested of any particular identity; or of political scientists in general who interpret voter preferences in economic-interest terms primarily.

The interaction between economics, culture and politics

With this in mind, let me suggest a framework for looking at the interaction between economics, culture and politics in a way that may explain when the interaction is successful and when it breaks down, that is, why it once worked though always under stress and ominously so, and why in recent years it seems to have largely dissipated. If we think of these three spheres as the major forms of collective behavior, then we can describe them as follows:

Sphere	Organizing Principle	Form of action	Goal	Constraint	Framework of action
Economics	Utility	Instrumental	Profit	Scarcity	National & Global
Culture	Identity	Expressive	Uniqueness	Loyalty	Local & National
Politics	Coordination	Negotiation	Consensus & compliance	Representation	National & International

What follows from this is that since economics and culture are always, though to different degrees – depending on historical context and developments – at odds with each other, it is the function of the political sphere to adjudicate among conflicts not only within each of the two spheres but also to coordinate between them. In the heyday of the nation-state it was assumed that the three spheres functioned within one common framework of action, namely, the national; but this was largely a myth since no nation-state was ever so uniform or homogeneous in reality as to reflect this state of affairs. For the most part, therefore, there was always a subjugation, through political and other means, of either cultural minorities or economically weaker sectors of society and this way of dealing with potential non-compliance of course exists to this day. In the course of time, though not without much struggle and protest (voice), a certain equilibrium was created in the modern nation-state democracies. This was achieved through the expansion of the electorate (representation), the evolution of the welfare state (more universal confrontation with the injustices of scarcity) and the recognition of the “identity” rights of hitherto culturally deprived communities (fragmentation of loyalties), including latterly the legitimation of gender and sexual diversity. In many ways it is a success story of modern democratic politics in the West – though of course there were also enormous and calamitous failures in some such polities (Germany and Italy being the most obvious examples). But it goes without saying that at any and every historical moment things are “out of joint”, to one degree or another, the day-to-day functioning of negotiation and coordination never quite achieves optimal compliance and nothing works either completely smoothly or painlessly – we always need good institutions and politicians to achieve a reasonably effective balance in which the use of force and violence, when resolving conflicts or adjudicating rival claims, is minimal.

Economic crisis, especially a structural one, is one obvious example of how the system here described can be unhinged; war, especially a bad war, is another. Both have afflicted modern democracies in the years since the Second World War (not to say before). But what has transpired in the current 21st Century is in many ways

unique and we are now experiencing its turbulent reverberations. I want to point to three major unsettling developments, all of them well known but the consequences of which we are only now beginning to comprehend. They are not necessarily negative in themselves, or such that should be decried and rejected; but their impact has been disturbing.

Three unsettling developments

The first is that of the emergence of the European Union, on the face of it one of the great achievements of enlightened and progressive thought. We know its aims only too well – to create not only a mutually beneficial economic union of European nation-states, but the beginnings of a cultural and political common community. A noble endeavor indeed; but think of its unintended consequences – it has dealt an unpleasant blow to local and national identities, demanding in the process loyalty to a somewhat abstract, or at least nebulously defined, European identity. The latter is not an identity easily evoking expressive attraction; it challenges or threatens the kind of uniqueness that national communities are so attached to (just as nationalism and the nation-state at one time threatened the uniqueness of local, particular communities within it). The manner in which it has grated on many members of the European club is now only too clear; and it has now exploded in the face of the club in the case of the United Kingdom. Surprisingly or not – Albert Hirschman would not I think have been surprised – identity rebellion flies in the face of its economic-utility costs. By voting for Brexit and now pursuing it through Parliament, the British have in effect sacrificed utility – or instrumental behavior – on the altar of identity – or expressive behavior. This kind of expressive choice is precisely what Hirschman argued in that “Possibilism” essay and in his critique there of the economic discipline’s propensity to see everything in instrumental or rational terms. It transpires that people – well, quite a few people – are prepared to pay an economic price for certain cultural values they cherish. The same phenomenon can perhaps be perceived in the case of the United States – the growing trend toward isolationism of the

present administration in Washington is sometimes explained in terms of the President's ambition to cut economic costs; but it is not at all clear that this will in fact ensue and it is not implausible that what animates isolationist policies – i.e., the politics of withdrawal from the global framework of action - is a desire to close the ranks around a loyalty to America. It seems that whatever the economic costs of isolationism may turn out to be, its proponents believe they will be outweighed by their expressive trade-offs.

The second unsettling development is only too ubiquitous throughout the Western world today and its ramifications have been by now long agonized over if far from digested. Immigration to the Western democracies, from south to north and from the east to west, began decades ago but like many social processes its incubation period has been protracted and only recently has it issued in the most severe of socio-political crises. The numbers in Europe are staggering, particularly in the large countries that are also members of the European Union – France, Germany, the UK and Italy (at least 5-6% of the population of each). The overwhelming part of the immigrants is Muslim, and Islam is now the fastest growing religion in Europe in general. In my own country, Israel, there has been only minimal non-Jewish immigration (less than 1%) but Arabs, who are citizens of Israel yet often perceived as a cultural threat, have grown demographically in relation to the Jewish population because of higher fertility rates (they are now some 20% of the total population and the vast majority are Muslim in persuasion). In the United States the origin of immigrants is different, of course, but here the numbers are no less striking: Hispanics now constitute some 18% (60 million) of the American population. We need hardly wonder therefore why in almost every European country, and elsewhere as well, there has been a shift toward the right in electoral politics. There is hardly a country left that is culturally homogeneous any more or where issues of loyalty and identity are not immediately relevant to political discourse. The consequences are only too evident: the sphere of politics in Europe is mostly engaged not in coordinating cultural demands with economic ones and negotiating consensus and compliance through the expansion of participation, but with the exclusion

of large groups in the population from the political and social realm, namely, from proper representation. For such groups this means that the more just distribution of the burdens of scarcity are outside their possibilities of democratic action. But as against that it needs also to be noticed that given that the mass of immigrants, whether legal or illegal, share a particular cultural identity of their own, they in turn will tend to assert that identity which distinguishes them. Immigrants to the West in the 19th and early 20th Centuries were only too willing to assimilate into the host countries' spheres of economics, culture and politics. Immigrants today, in an age that celebrates "multi-culturalism" and bestows legitimacy upon diversity, are far more reluctant to do so, and also less encouraged to do so both by their hosts and their leaders.

The third unsettling development is by now so well recognized that there is hardly any need to elaborate upon it: I am alluding of course to the transformation of the industrial economy into a services economy largely based on modern technology, information, sedentary labor and virtual production and all this within the ever-expanding context of a global framework of action. To put it by way of an understatement: not everyone is quite prepared to be integrated into this "new economics". In the nineteenth century, Karl Marx and others saw that millions of human beings were being uprooted by the coming of industry and thrown into a maelstrom of production for which they were badly prepared and which then subjugated their labor to the demands of the market. Little wonder that the 19th and 20th centuries were engulfed by instability, disorder and violence and that it took so long for the political sphere to achieve a stable equilibrium – though in not a few cases it failed miserably to avoid a total collapse of the political. Today's "post-industrial" economy has also had a relatively long period of incubation before its ramifications have come to be recognized. But it would not be an exaggeration to note that it is now at a stage where it is creating similar discontent and rage amongst those segments of the population whose capacity for fruitful integration into its modes of labor is so circumscribed. I will only remark in this context that Donald Trump would not have won the 2016 Presidential election were

it not for a handful of states in the so-called “rust belt”, impoverished by the massive loss of industrial jobs. This is as ominous for American democracy as it is for other democracies similarly shaken by the exigencies of the new reality of scarce resources of employment. Here too “the time is out of joint” and here too the question whether political institutions can respond effectively is crucial.

“A passion for the possible”?

The problem is that our political institutions are facing a huge crisis. For a long time it was assumed that democratic politics were based on parliamentary sovereignty – the electorate chose its representatives but these, through the legislative branch of government, decided upon collective policy. This is what we mean when we speak of “representative democracy”. Even in the American system, where the executive branch is elected separately from the legislative, sovereignty in effect rests with the bicameral Congress. But there have been two developments that now throw this assumption into doubt. The first is the popular referendum whereby a contested issue is put directly to the electorate for resolution. There is no constitutional provision for the referendum in the American case (though there is in the French Presidential system); but it is an option in principle in the various parliamentary systems and has now been employed on the issue of European Union membership in the British case. Since the British High Court thereafter ruled that Parliament must still make the final decision concerning Brexit, the principle of parliamentary sovereignty was maintained. But no one can doubt that the “ratification” was a foregone conclusion in the light of the “popular” determination. And more recently we have seen how Prime Minister Johnson has acted in a manner that undermines the preeminence of elected representatives as against the *vox populi*. The populism that follows from this is indeed ominous in that it is incapable of dealing institutionally with issues of consensus and compliance. Every popular referendum – direct democracy? – is bound to alienate those it outvotes and who may have no recourse to effective representation. Moreover, even in the American case, we have seen for many years now that Congress has been providing

more and more discretionary powers, over both security and economic issues, to the executive; in the context of a charismatic, populist leader, this propensity is all the more ominous (see Galston, 2019).

The ruling of the British High Court on the Brexit referendum raises another issue: if representative institutions prove to be incapable of restraining populism, should the judicial system perform this role? There is of course a long tradition of this in the United States but it has created the politicization of the Supreme Court with each President (and Senate) determined to choose “convenient” justices. But there is surely a case to be made for an interventionist Supreme Court in political systems where the political sphere finds it possible to discriminate against, or ignore entirely, the rights of various groups or minorities, whether economic or cultural in character. Those in power who look askance at such intervention are not fastidious about seeking ways of abrogating the legitimate powers of judicial systems; the examples are many – Poland, Hungary, Israel is only a partial list.

As I indicated at the outset, Albert Hirschman had a passionate distaste for all-encompassing and ultimate solutions to social dilemmas. He was, as Emma Rothschild and Amartya Sen write, a “skeptical optimist” (Adelman, ed.: 363). Modern democratic society today is deeply polarized and its institutions of coordination and cooperation are stretched to their limits. The “time is out of joint”, very much so. Shakespeare’s *Hamlet* goes on to complain: “O cursèd spite, that I was ever born to set it right!” Hamlet should not have got himself involved thereafter in a search for a complete catharsis. The West survived the tribulations of the last great transformation of the industrial revolution through the incremental adjustments of the disparate claims of instrumental and expressive collective sentiments. I think this is what Hirschman meant by a “passion for the possible”.

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Inge Kaul

Exit and Voice in Global Governance

Introduction

Taking Albert O. Hirschman's 1970 study on *Exit, Voice, and Loyalty. Responses to Decline in Firms, Organizations, and States* as its starting point, this paper explores how the response mechanisms of exit and voice have been used within the context of global governance, particularly with respect to the provision of global public goods (GPGs) such as climate change mitigation, communicable disease control, international financial stability, or peace and security. These goods tend to affect us all, all countries, perhaps even current and future generations and the planet as a whole. In many cases, GPGs are not only—as economists say—global-public in consumption but also require, for their adequate provision, inputs from all or at least many countries, including from state and nonstate actors. In other words, they entail deep and often worldwide policy interdependence.¹¹²

As indicated by its subtitle, Hirschman's 1970 study focuses on individual firms, organizations, and states, or put more generally, on micro-contexts. By comparison, global governance is a much more complex system, a macro-context that, as Annex Table 1 shows, differs in many important respects from the contexts that Hirschman studied. Therefore, the question addressed in this paper is what additional insights do we gain when examining the role of exit and voice in the macro-context of global governance, insights about the exit and voice (E/V) mechanisms and, more generally, about the functioning of global governance in support of GPG provision.

The discussion proceeds as follows. Section I presents empirical examples of the use of exit and voice by states over the

¹¹² Annex Box 1 of this paper presents a brief introduction of the concept of GPGs.

past seven decades. Section II offers—for further research and debate—possible interpretations of the patterns observed in the use of these response mechanisms, and the changes therein over time. In line with Hirschman’s “passion for the possible.”¹¹³ Section III then points to a set of institutional reforms that could potentially help strengthen the effectiveness of global governance and foster progress toward more global sustainable growth and development, as called for in international landmark agreements such as the 2030 Agenda for Sustainable Development and the Paris Agreement on Climate Change.¹¹⁴ The concluding section summarizes the discussion in this paper.

The main policy message emerging from the analysis is that resolving the global challenges we confront calls for the construction of a new, genuinely liberal world order, including, among its foundational principles, the following: (i) designing global governance institutions so as to afford an effective voice to all concerned populations as well as to GPGs that form core elements of the global natural and human-made environment and, if underprovided, pose serious systemic risks; (ii) ensuring fairness and justice in international negotiations and agreement implementation; and (iii) forging consensus on a norm of mutually respectful exercise of national policymaking sovereignty. The promotion and operationalization of these principles deserves top political and scholarly priority. Therefore, this is also the time to revisit Hirschman’s E/V theory, update and expand it so that it can inspire needed institutional reforms and support the macro-context of 21st century global governance.

In more detail, the facts and considerations leading to this conclusion are as follows.

¹¹³ See, Hirschman (1971).

¹¹⁴ The full text of the 2030 Agenda is available at <https://www.un.org/sustainable-development/development-agenda/> and that of the Paris Agreement at <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement/>.

I Decades of Global Voice-Power Contests: Select Empirical Evidence

For some countries, notably developing ones, a major political goal over the past seven decades has been to achieve a more effective voice in global governance. For the developed countries an important aim has been to prevent, slow, or limit the relative decline in the strength of their voice.¹¹⁵ Various types of exit and voice have been used in this struggle over how to redistribute or retain the power of voice. Historically, the use of voice came first in the global governance realm. Therefore, this discussion will first, in sub-section I.1, illustrate the uses made of the instrument of voice, before turning to exit in sub-section I.2. Sub-section I.3 offers possible explanations for the observed response patterns.¹¹⁶

I.1 Voice

During the past 70 years, more and more countries have been admitted by the United Nations (UN) General Assembly to the global multilateral governance system,¹¹⁷ increasing the number of UN Member States from 51 in 1945 to 193 at present.

While decision-making within the UN system and World Trade Organization follows the rule of one country/one vote, decision-making in the Bretton Woods Institutions (BWIs) is determined

¹¹⁵ A full analysis of exit and voice in global governance would need to move beyond examining the voice power of states at the international level towards exploring whose concerns and interests are included in the voice of states. The findings presented in this paper have, therefore, to be interpreted with this limitation in mind.

¹¹⁶ It is perhaps interesting to note that Hirschman (1970) seems to assume that the meaning of the terms 'exit' and 'voice' is clear. As Arnsward (1997) points out, Hirschman does not explicitly define these terms. The present paper follows Hirschman's example. This because, as the following discussion shows, exit and voice take on multiple forms and function in different ways, depending on the context, in which they are being used. So, indeed, a generic definition would just state the basic common understanding of these terms.

¹¹⁷ The term 'universal system of global governance' refers to the agencies of the UN system, the Bretton Woods institutions (BWIs) and the World Trade Organization (WTO). Membership in these organizations is open to all qualifying countries. In contrast, membership in non-universal organizations, such as the Group of Twenty (G20) tends to be selective and more limited.

by a quota formula.¹¹⁸ However, even within the UN system, developing countries soon realized that although countries are legally equal, some countries have more voice and decision-making power than others owing, among other things, to their greater economic, technological, military, and human as well as institutional strengths—hence, their greater ability to wield “carrots and sticks.”

In order to strengthen their voice and agency in international cooperation, developing countries formed alliances and negotiating groups such as the Group of 77 (G-77) and the G-24. The aim was to speak, whenever possible and desirable, with one voice. The developed countries responded to the creation of the G-77 by creating the Group of 7 (G-7).¹¹⁹ However, the difference between the two groups is that the G-77 operates *within* the multilateral system and the G-7 *outside* as a separate, parallel entity.¹²⁰

Nevertheless, despite their growing number and the creation of alliances and negotiating groups, the voice of the developing countries continued to lack strength. In some cases, this happened with their consent. For example, “vote selling/buying” has not been an uncommon practice (i.e., the “trading” of the Southern agreement to certain policy positions against Northern aid promises).¹²¹ In other cases, the voice demands of developing countries were blocked and their implementation delayed. A case in point are the adjustments in the BWI’s quota system to reflect the growing economic strength of developing countries. To the dismay of the developing countries they were undertaken only hesitantly.¹²²

¹¹⁸ The current formula emphasizes economic size and openness and consists of four elements weighted as follows: GDP (50 per cent), openness (30 per cent), economic variability (15 per cent), and international reserves (5 per cent). See, <https://www.imf.org/en/About/Factsheets/Sheets/2016/07/14/12/21/IMF-Quotas/>.

¹¹⁹ The G-77 was created in 1964, the G-24 in 1971/72 and the G-7 in 1975.

¹²⁰ In addition to these “G” groups, both the developed and developing countries formed a growing number regional and issue-specific consultation groups. See, for example, https://en.wikipedia.org/wiki/List_of_intergovernmental_organizations

¹²¹ See, on the practice of vote selling, among others, Lockwood (2013).

¹²² On the history of the BWI quota system, see <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr1625a/>.

Also, the importance of voice in general has been limited, because many resolutions adopted within the universal multilateral system are non-binding, encouraging various forms of often more or less costless non-compliance. Such compliance problems have arisen on all sides. Moreover, most international agreements only pronounce policy goals and do not mention the financial implications nor how to share the benefits and costs involved. This permits countries with sufficient resources to “cherry pick” – to finance primarily what is in line with their particular priorities.

More recently, growing emphasis has been placed on encouraging worldwide consultations and participatory international decision-making, affording state and nonstate actors, as well as stakeholder groups an opportunity to express their views and indicate what they are voluntarily willing to contribute to the provision of global public goods. For example, more than 26,000 people attended the UN’s Climate Change Conference (also known as COP25) in Madrid in December 2019.¹²³ At the same time, the meeting was critiqued as a lost opportunity because states – the final decision-makers – failed to agree on meaningful next steps.¹²⁴ In a way, this disappointing result could be seen as a “cop out” by states: states hiding their exit from complementary concerted action behind a massive voice marathon, an issue that brings us right to the next point: the use of exit in global governance.

1.2 Exit

Up to now, very few (perhaps only three) countries have threatened full exit from the present system of global governance, including exit from the United Nations.¹²⁵ But partial exit from par-

¹²³ See, <https://www.carbonbrief.org/analysis-which-countries-have-sent-the-most-delegates-to-cop25>

¹²⁴ See, <https://www.reuters.com/article/us-climate-change-accord-quotebox/total-disconnect-voices-from-marathon-madrid-climate-summit-idUSKBN1YJ0EW>

¹²⁵ See, https://en.wikipedia.org/wiki/Withdrawal_from_the_United_Nations/.

ticular agreements or agencies occurred and appears to have become more frequent in recent years.¹²⁶ Sometimes, it has been initiated by developed countries, as in the case of the creation of the G-7; other times it is by the more advanced developing countries (also called “emerging economies”), as in the case of the BRICS.¹²⁷ In several cases, new, additional “minilateral” entities have also been established with the consent of both developing and developed countries. An example is the Group of 20 (G-20).¹²⁸

In addition, there has been a growing trend toward regionalization, including the creation of regional or even sub-regional policy forums and development financing mechanisms. Moreover, more and more developing countries have also found access to international markets, including financial markets. In addition, the Internet has improved actors’ access to knowledge, experience-sharing, and information. All these trends have facilitated “forum shopping” and contributed to countries being increasingly less dependent and more reliant on organizations of the conventional universal global governance system.

Moreover, many other and often quite subtle and difficult to discern forms of partial exit are in use. Many of those are of a double-edged nature; they can have positive effects, if, for example, they foster subsidiarity and facilitate more decentralized and context-specific policymaking. However, if partial exits take the form of deliberate “going slow,” they may delay and block progress. This especially, if, as we found in sub-section I.1, governments use such partial-exit tactics to step back from shouldering their responsibility for the global-public-policy part of international cooperation.

¹²⁶ Recent examples are the US withdrawal from the Paris Agreement on Climate Change (see <https://www.state.gov/on-the-u-s-withdrawal-from-the-paris-agreement/>) and the collapse of the INF (Intermediate-Range Nuclear Forces) Treaty (see <https://www.armscontrol.org/factsheets/INFtreaty/>).

¹²⁷ The abbreviation “BRICS” stands for: Brazil, Russia, India, China and South Africa, the five member countries of the BRICS body.

¹²⁸ See, on a comprehensive overview of the functioning of the G20 between 2008 and 2019, for example, Kaul 2019.

However, especially the younger generations are now demonstrating against such responsibility-shedding by states. Mention can, for example, be made of the “Fridays for Future” movement which demands governments to respect the development opportunities of future generations and avoid global warming beyond the threshold of 1.5° Celsius.¹²⁹

Although, as noted, no full exit from the present system of global governance has happened to date; analysts are increasingly concerned about the unravelling of the present world order, evident from such facts as exits from international agreements, cuts in funding and other types of support for multilateral organizations, or slogans such as “my country first.” A corollary of these trends is the increase in global military spending and the use of military force rather than voice, diplomacy, and words, in seeking solutions to international disputes.¹³⁰

II The Key Driving Force Behind the Present Voice Contests: Perceived Incompatibility Between International Cooperation and National Policymaking Sovereignty

As the foregoing discussion suggests, within the context of global governance, voice and exit are being used in various forms and ways by developing and developed countries – yet with different, even mutually contradictory aims:

- The developing countries’ aim appears to have been to strengthen their voice in order to have a more effective say in matters that concern them and could help promote their development;
- The developed countries’ concern seems to have been to minimize the decline in the relative strength of their voice in order to limit the policy compromises they need to make

¹²⁹ See, <https://www.fridaysforfuture.org/>.

¹³⁰ See, on these trends, for example, Linn (2017) and SIPRI (2019).

and minimize the adjustment costs that they might have to bear.

Thus, it could be conjectured that developing and developed countries have used both voice and exit as a means to avoid incompatibilities between international cooperation and their national policymaking sovereignty – a challenge that they do not appear to master well at present judging from the lengthening list of unresolved global challenges the world confronts.

Such incompatibility issues are especially likely to arise in GPG-related policy fields, in which deep policy interdependence among countries exists but, in many cases, countries' preferences for certain GPGs and, hence, also their willingness to act vary. Disagreements on these issues are especially likely to arise now that several global transformation processes are underway, upsetting conventional power balances, including the balance between the few developed countries that have conventionally acted as global policy-setters and the many developing countries—many of whom have tended to be among the policy-takers and often painfully felt and born the costs of international cooperation.

So, to the extent that the developing countries began to raise their voice in a more assertive manner, the developed countries, too, began to perceive international cooperation as limiting their policymaking sovereignty, because they could no longer define global policies so that they would best suit their national interests and preferably do so immediately. Add to this the growing reliance on private finance and other non-governmental finance for global-public policy purposes, it becomes clear why the world is confronting a lengthening list of unmet global challenges. While many individual states and nonstate actor groups are making contributions to various GPGs, the sum of their contributions falls short of what adequate GPG provision requires. Thus, provision gaps arise, challenges remain unresolved, risks and crises multiply.

Although in many, perhaps even most global challenge areas, technically feasible and economically desirable policy approaches have been identified, the response of states so far has been

shallow international cooperation and partial exit. The fact that, despite all voice concerns, only partial exit from the present system of global governance has happened could be due to:

- The GPGs' inescapability: The global publicness in consumption of these goods and the fact that, often, all hands are needed to resolve GPG-related problems. This may prompt countries to stay in the system, even if only with one foot, because membership has option value. It does not cost much but could eventually be useful, should under-provision problems become too serious and too costly for any one actor or actor group to tackle them alone.
- The UN's unique role: which is to be the global agency granting countries their recognition as a sovereign state. From the perspective of individual states, this recognition is a highly valuable and appropriable national (quasi private) benefit.

For developing countries, notably the more advanced among them, partial exit could also have been a means to signal growing strengths, convening, and bargaining powers. To send such signals is especially important now, when the world is going through major transformations; many issues require global (re-)regulation and, therefore, voice matters. For both developing and developed countries partial exit might also have served the purpose of keeping global multilateral cooperation at a shallow level in order to gain time while exploring and seeking to better understand ongoing technological, environmental, economic, and socio-cultural transformations – and getting ready for future policy-setting.

Thus, partial exits seem to be motivated by countries' self-interests, especially their interest in preparing themselves for future rounds of most likely more competitive global policy-setting in an increasingly multi-polar world. However, the practice of partial exits could also reflect some continuing commitment –or loyalty, as

A.O. Hirschman might say –to multilateralism, including the principle of sovereignty.¹³¹

However, the important question now is how to strengthen global governance and make it fit for resolving the global challenges confronting the world?

III Moving Forward: Correcting the Present Voice-Power Imbalances

The foregoing analysis corroborates not only Hirschman’s basic narrative about exit and voice as important response mechanisms to express discontent but also his thesis of endogenous drivers of societal change. According to this thesis, societal systems concurrently contain destructive and constructive forces (See, Hirschman 2013: 243)

The present destructive forces could be said to include, among others: types of partial exits from the current global universal governance system that, at present, weaken the efficiency and effectiveness of international cooperation; the retreat from resolving conflicts through consultation (voice/exchange of views), rather than employing sanctions or threatening and exercising military force; the neglect of the systemic integrity requirements of GPG-type challenges. Lastly, the conventional interpretation of the norm of sovereignty is out of tune with today’s global realities, notably the deep policy interdependence created by greater national openness and transnational connectivity.

The constructive forces include: the continuing basic commitment to and non-exit from the norm of national sovereignty, which continues to be a central pillar of the global order, although one in urgent need of adjustment to today’s realities. The types of partial exit that foster healthy, non-destructive rivalry among states,

¹³¹ Hirschman (1970) leaves also the term “loyalty” undefined, although it perhaps enjoys much less than “exit” and “voice” a broad-based common understanding. (See, again Arnswald (1997) Therefore, the term “loyalty” has been used very sparingly in this paper. Only in-depth case studies might be able to determine whether loyalty however defined has had an impact on the behavior of states described here as “commitment” or “holding on” to certain norms or agencies of global governance.

signaling that more and more states are not only legally sovereign but increasingly de facto equal owing to broadened development; the integrative forces of enhanced, widely accessible global communication and transportation; and the slowly growing acceptance of the fact that, for now at least, we have only one world and that, therefore, global sustainability depends on achieving a balance between individual and global, and current and future interests.

Hence, there exist important constructive forces on which one could build a modernized, genuinely liberal world order, resting on the following basic principles: (i) affording an effective voice to all people, countries and regions *as well as* to GPGs that form core elements of the global natural and human-made environment and, if underprovided, pose serious systemic risks; (ii) ensuring fairness and justice within and across generations when devising international cooperation bargains and strategies; and (iii) forging consensus on a norm of mutually respectful exercise of national policymaking sovereignty. Change along these lines could facilitate enhanced compatibility between national policymaking sovereignty and international cooperation and, thereby, also strengthen policymakers' willingness to actively contribute to the resolution of global challenges, even if this meant doing more than they would do, if they were guided only by their country's or other entities' particular self-interests.

Judging from the analysis in Sections I and II, it seems that the following innovations would deserve priority attention to achieve, as A. O. Hirschman would perhaps say, the suggested ameliorations in the performance of global governance:

- Establishing "GPG provision management" as a new additional policy field in governance systems, nationally and internationally;
- Granting a voice to the core elements of the global natural and human-made environment; and
- Forging consensus on a notion of mutually respectful exercise of national policymaking sovereignty.

GPG PROVISION MANAGEMENT—This step would be needed in order to not only develop a shared definition of GPGs but also understand more fully the generic and the issue-specific governance requirements of these goods. In fact, in most cases, the production of GPGs is of a highly complex nature, stretching across multiple actor groups, sectors, and levels of governance. Therefore, to prepare at least rough sketches of their production process would help to see more clearly: who the main actors are and who the stakeholders, what it would take to incentivize and enable them to contribute their fair share to adequate GPG provision, and what balance to strike between centralization and decentralization, public and private provision. Considering the complexity of GPG production and the demands they pose in terms of information sharing, coordination and cooperation, it could also be useful to investigate the desirability and feasibility of establishing “GPG provision management” as a new, additional policy field and platforms in national and international governance systems.

VOICES FOR THE GLOBAL—The aforementioned institutional innovation would lay the foundation for the proposed second reform initiative, aimed at affording an effective voice to the natural and human-made elements of the global environment, notably to those, which, if neglected, could pose serious systemic risks. In order to hear *all* the concerns of humans and those of the human-made and natural environment, as well as those of the current and the future generations, one could, for example, consider the establishment of a global stewardship council. The mandate of such a council could be to hear all and, importantly, to identify ways of effectively meeting these diverse concerns in ways perceived by all those concerned as being fair, in terms of the distribution of the entailed costs and benefits.

As shown in Figure 1, such a council could be composed of independent renowned personalities representing: the GPGs to be addressed; the concerns of future generations; and the sovereignty concerns of different sets of countries, e.g., those of developed countries, advanced emerging economies, countries with situations of conflict, violence, and fragility, and other middle and lower-income

countries. The council could perhaps be located within the UN and have an advisory role, especially the role of identifying feasible, efficient and effective strategies for achieving adequate GPG provision perceived by all as fair and, therefore, also as worth crowding in.

MUTUALLY RESPECTFUL EXERCISE OF POLICYMAKING SOVEREIGNTY--If a global stewardship council suggested above that there were to exist and generate demand for systematic issue-specific studies that identify ways of better integrating national and global concerns, more well-founded analyses would become available, based on which it would be easier for states and various other actor groups and stakeholders to see that, in GPG-related policy fields, marked by deep interdependence, fair international cooperation could, indeed often be the best way of meeting national policy objectives. And, if all concerned were persuaded of that, they might also be willing to seriously consider agreeing on a mutually respectful exercise of national policymaking sovereignty. As mentioned in Annex Box 2, this would involve national policymaking that, wherever possible, avoids spilling negative externalities in the global public domain so as not to harm other nations and/or the health of GPGs. It would also involve not blocking international cooperation where this is required. In addition, it could, of course, also entail allowing the spillover of positive externalities where this could help achieve agreed international goals, such as poverty reduction.

Conclusion: Time to Act on the Possible

The present paper has examined how the response mechanisms of exit and voice have been used by states in the context of global governance—particularly with respect to the provision of GPGs. The main conclusion emerging from the analysis in this paper is that unresolved voice problems are major contributors to the growing trend toward exiting from the universal system of global governance, contributing, in turn, to increasing global instability and the much-bemoaned faltering of the conventional liberal world

order. The paper proposes three sets of institutional reforms that could potentially resolve the existing voice problems.

Thus, the paper also shows that A.O. Hirschman's basic ideas about exit and voice continue to be of high relevance. Therefore, now would be the time to build on his path-breaking case studies and the growing volume of follow-up research to formulate a systematic theory of voice and exit that could inform the voice reforms needed to move toward sustainable global growth and development.

ANNEX¹³²

Annex Box 1: An introduction to global public goods

Global public goods (GPGs) share with other public goods (PGs) the key property of publicness in consumption: being fully or partially non-rival and non-excludable. What distinguishes them from other PGs is the reach of their publicness in consumption, which: (i) spans several geographic regions or even the globe as a whole; (ii) may penetrate into countries, areas beyond national jurisdictions, or both, with variable levels of impact; and (iii) be of long-term duration, affecting, for better or worse, several generations.

Thus, criterion (i) is the prerequisite for a good to be defined as a GPG, but its publicness in consumption could potentially comprise three dimensions:

- A *spatial* dimension: being of worldwide span;
- An *impact* dimension: reaching into countries and areas beyond national jurisdiction;
- A *temporal* dimension: having long-term effects.

¹³² All annex elements are presented in the order in which they are mentioned in the main body of the paper.

In most cases, global publicness in consumption along any of these three dimensions will not be an innate property of the good but reflect a policy choice or the lack thereof.

In addition to being public in consumption, many GPGs, like other PGs, are also public in provision: with their provision involving a large number of state and nonstate actors. In fact, in many cases GPGs are complex multi-actor/sector/level phenomena. Thus, it is often difficult, if not impossible for any individual actor or actor group, however powerful, to unilaterally provide a GPG. An adequate provision of GPGs such as climate change mitigation, communicable disease control, financial stability, ocean health, or peace and security, therefore, calls for effective and, to this end, incentive-compatible international cooperation among all the concerned parties.

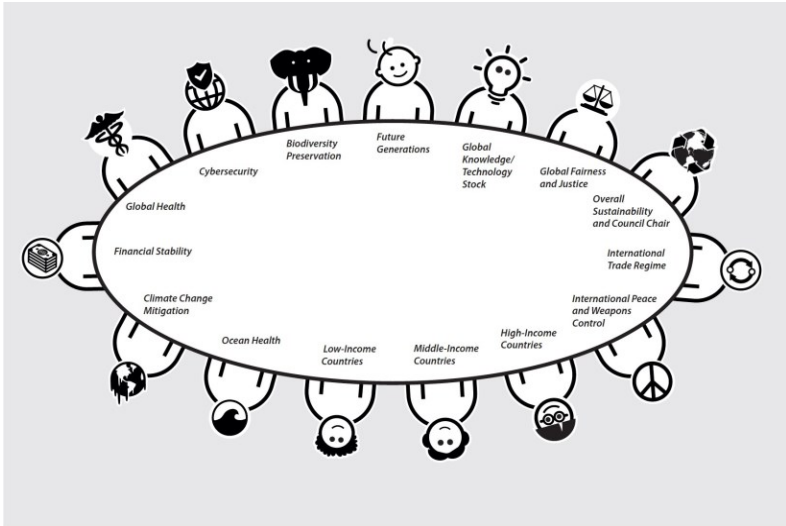
Source: Based on Kaul et al. (2016)

Annex Table 1: Context matters in shaping actors' exit/voice (E/V) options

Source: Author

Context Elements Potentially Shaping Actors' E/V Behavior	Hirschman (1970) Study	Present Study
Organizational context within which E/V mechanisms are being employed	A micro-context such as an individual firm, state or non-state entity	A macro-context: the system of global governance
Type of good(s) to be provided by the entity	Private good or club good produced by the management team of the observed entity	The appropriable good of recognition as a sovereign state; The intermediate global public good (GPG) of membership in the universal multilateral organizations; A voice in negotiating the final GPGs to be addressed through international cooperation
Actor type observed	Individual consumers/ members addressing the entity's management	Individual states as co-consumers/producers of GPGs for which they may have varying preferences and priorities
Challenge addressed by actors	Responding to a repairable lapse in quality of the observed entity's performance/output	Seeking a voice-power balance that fosters compatibility between international cooperation and national policymaking sovereignty
Other structural determinants of exit choices	Availability of alternative provider/s; Net exit costs	No alternative provider(s); Net exit costs
Possible voice-shaping factors	Weak/strong position of the consumer/member vis-à-vis the management	Power relations among co-producers
Intervening behavioral factors	Loyalty to the individual entity with which the actor/s is/are affiliated;	Commitment to the foundational norm of the present world order: national sovereignty;

Annex Figure 1: Illustration of the composition of a global stewardship council



Source: Kaul (2018, 2019)

Annex box 2: Mutually respectful exercise of national policymaking sovereignty

International cooperation is often seen as undermining states' policymaking sovereignty. No doubt, it often does; and therefore, governments frequently shy away from a global, concerted policy response, even in issue areas that involve transnational challenges which no single nation can effectively and efficiently address alone. However, in the absence of a cooperative approach, global challenges will linger unresolved, potentially making all parties worse off.

Thus, when confronting challenges that entail policy interdependence, it is often in the enlightened self-interest of all concerned states to offer fair and mutually beneficial cooperation. This requires mutual confidence and trust. Accordingly, there must be a shared commitment among states to act responsibly, both towards their own territories and constituencies – protecting them against negative spill-ins from abroad – and towards other states by avoiding, as far as possible, negative spillovers from their jurisdiction into the global public domain, which could adversely affect other nations directly or indirectly via harm that they could cause to GPGs such as climate stability, cybersecurity, financial volatility, or global water security.

In other words, exercising responsible sovereignty means pursuing national interests in a way that is fully respectful of both, the sovereignty of other nations and the systemic integrity requirements of GPGs, and, to that end, oriented towards the maintenance of global balances and planetary environmental boundaries.

Just as states' commitment to the norm of collective security strengthens the inviolability of national territorial borders, a commitment to exercising their policymaking sovereignty in a mutually respectful and responsible manner could, in areas of policy interdependence, secure their policymaking sovereignty.

However, to stress this point again, a precondition is that all parties are also committed to giving all concerned parties an effective voice and achieving, on the whole, bargains that all perceive as fair and compatible with their national policy-making sovereignty.

Why would they?

The reason is that past experience has shown that taking corrective action in time tends to be less costly than coping with the crises that may result from inaction.

Source: Based on Kaul and Blondin (2016).

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L. Amede Obiora

The Discipline for a Passion for the Possible: Feedback from Africa to Enhance Development

How does one introduce the theme of “a passion for the possible” ..., starting with conditions in the society we live in (“as is, in spite of what is and because of what is”)?

Luca Meldolesi

There is a discipline for passion. ... It’s about how many times you stand and are brave, and you keep on going.

Lady Gaga¹³³

When they ask us how we can have so much patience, I always answer, it’s not a matter of patience, it’s a matter of passion.

Jeanne-Claude¹³⁴

Introduction

Development theory and practice are not for the faint of heart. Analysts across the spectrum concede the hard work and difficulties entailed. For some development enthusiasts, passion fuels the determination to stay the course, despite grave odds typically compounded by other confluence of factors in Africa. These include the aftermath of colonialism, complexities of imperialism, and constraints of neoliberal globalization. An abiding challenge for these enthusiasts is figuring out how best to discipline such passion to systematically learn from apparent setbacks.

¹³³ The pop icon prefaced her witty observation by insisting that “this is hard work. ... What it’s about is not giving up.” Lady Gaga, Oscar Acceptance Speech for Best Original Song, Feb 24, 2019. <https://youtu.be/fFcZDFx13CE>

¹³⁴ Castro, J. (2004)

In dealing with the prospects and problems of development, dominant ideologies have trained the world to look for Africa everywhere, but where it has demonstrable viability. This has made the story of African agency and abounding resources more one of potentials than of cumulative results that can be conscientiously understood, disciplined, and harnessed as comparative advantages to more comprehensively course-correct and underwrite sustainable development. Discourses of 21st century Africa often pay scant attention to objective evidence of the possible potency of indigenous agency. Yet, the disappointing stops and starts of various interventions amidst high stakes promises of progress add to the expedience of uncovering, bolstering, and integrating what Africa has to offer as worth celebrating, without necessarily idealizing an imaginary African essence.

Building on insights from my prior presentations in the two preceding Hirschman Legacy conferences, the central proposition of my current contribution derives from my unequivocal conviction that Africa can learn its way out of the daunting challenges besetting its development agenda in the contemporary epoch. Exuberant critiques of the crises of development in Africa repeatedly stress the relationship between development and democracy to urge the vital importance of fixing the apparatus of governance as a pathway to augment the returns on investments in development. To varying degrees for international development organizations that loom large in African economies, responses defined by significant vacillations mark relevant policies about the mutual interactions between politics and the economy. For example, the originating Articles of Agreement of the World Bank prohibited political considerations and non-economic influences.¹³⁵ Ironically, at the height of neoliberal reform-mongering that ensued subsequently supposedly to

¹³⁵ "The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purpose states in Article I." See IBRD Articles of Agreement, Article IV, §10 and IDA

manage the crisis of development in Africa, the inevitability of “good governance” reverberated like a religious mantra or magic bullet in formulations to improve development outcomes.

A key takeaway from my argument in this paper is that the exaggeration of the primacy of the political in decisive policy maneuvers and directives contradicts misleading neoliberal disparagements of the strong state, exacerbates the ethos of false expectations on the machinery of the state, and undermines vistas of fertile opportunities for the society to constructively engage the dynamics of the development process. This is consistent with a broad consensus among eminent experts who emphatically disavow the facile reduction of Africa’s problems to the “priority of politics over economy”. As Judith Tendler affirms, to “fail to understand how the political piece contributes to successful outcomes, and to attribute achievement to ‘apolitical’ processes, is to misread the lessons to be learned from such cases. ... Politics is an essential part of an effective democracy, and it is always a part of any story of good government, as well as bad.”¹³⁶

The logic of the binary formulations at issue is traceable to longstanding traditions in academic disciplines succinctly captured by Jeremy Adelman in questioning how it is possible to overcome the parochial pride of economists and political scientists in the autonomy of their respective disciplines and to go beyond the primitivism of the efforts at linking them.¹³⁷ In this vein, Adelman pays

Articles of Agreement, §6 of Article V. An unfortunate consequence of this false dichotomy was epitomized by the backlash against structural adjustments.

¹³⁶ Tendler, J. (1998).

¹³⁷ Jeremy Adelman explains that economists continue to identify scientific progress with the elimination of “exogenous” forces from their constructs, while political scientists are similarly most at ease when they have explained political events by appealing to purely political categories. In his view, where the linkage between political and economic forces is too obvious to be disregarded, both categories of scholars have held to the most primitive linkage models in which typically a phenomenon belonging to the “foreign” discipline is introduced as some sort of prerequisite— and can then promptly be forgotten as purely “domestic” or endogenous forces take over. Denouncing the lack of allowance made in mainstream theories for any continuing interplay between economic and political factors, Adelman, maintains that rather

homage to Albert Hirschman whose adamant dedication to turning the page on the discontents of confounding received wisdom – not just economic theories of politics, nor simply political dimensions of economic phenomena, but interactions between two fields – opened spaces for enriching alternatives.¹³⁸ Elucidating Hirschman’s work, other commentators zero in on his invention of a term relevant for our immediate purposes, to wit “possibilism”, to draw attention to “the discovery of paths, however narrow, leading to an outcome that appears to be foreclosed on the basis of probabilistic reasoning alone”.¹³⁹

Notwithstanding spirited analyses about the costs of ignoring empirical linkages between political and economic performances, it is hardly controversial to assert that nascent African democracies have been plagued by maladies of governance and notoriously bad configurations of power. A notable point of departure for my evolving argument is that mainstream discourses that lament the failures of sovereign African states seldom sufficiently credit the resilience of the society in suffering through caricatures of governance-cum-leadership, let alone probe the possibilities that abound in the dividends of resilience as an auspicious condition for quality improvement. In the light of debates about how to ameliorate governance, the corollary role of leadership, and the implications thereof for development, the policy-relevant possibilities of reinterpreting and revivifying seemingly under-the-radar indigenous political economy often operating outside state scrutiny and support in informal systems to tap creatively and embed indigenous agency as a useful measure for the transformation of development theory and practice in Africa demand close study.

than issue another clarion call for an integrated social science, it more useful to survey the building blocks that have already been assembled, however inadequate they may be for the construction of an imposing or systematic structure.

¹³⁸ Hirschman, A.O., Adelman, J., Rothschild, E., & Sen, A. (2013).

¹³⁹ Sunstein, C. R. (2013). See also Meldolesi, L. and Stame, N. (eds.) (2019b). Hirschman developed “possibilism” as a theory of knowledge, using Eugenio Colorni’s work as a starting point.

My paper posits the possibility of a paradigmatic shift to rarify and radically rethink ingrained narratives of the cardinal principle of popular sovereignty as a mechanism to ascertain and absorb learning about the ideal of advancing Africa's agency, wellbeing, and security within the context of seeking sustainable development. The harvest of the prospective shift to deepen conditions to achieve the mandate for Africa's self-determination in target development agendas and operations promises to help spur the discipline to wean the society from problematic dependency on the state.¹⁴⁰ Furthermore, it is apt to simultaneously train the society to routinely cultivate the virtue of the discipline for a passion for the possible as a general consciousness to sharpen the devolution of responsibility hospitable for a surge in local agency to democratize networks of power structures and dynamics underpinning the development process.¹⁴¹

The notion of discipline invoked in this context is not merely intended to connote the painstaking ability to withstand challenges and obstacles which in some perspective has been arguably the story for some development efforts in Africa. Rather, the applicable idea of discipline in the quest for what works to attain sustainable development equally symbolizes the prioritization of uncompromising perseverance in conformity with a coherent system of normative beliefs and values for guidance in striving for success.¹⁴² The significance of this distinction captures the status of dis-

¹⁴⁰ The SWOTT of this orientation deserve careful study and interpretation to help dispel time-bound axioms and racist assumptions circumscribing Africa's agency, instill transformative ideals and values that give just weight to the vast potentials of existing indigenous resources, and discover innovative alternatives for possible beneficial inputs in actualizing the momentum for a sustainable way forward.

¹⁴¹ Virtue depends partly upon training and partly upon practice; you must learn first, and then strengthen your learning by action. See also Seneca, Lucius Annaeus (c.65 A.D). Cf. Seneca, Lucius Annaeus (2015).

¹⁴² To borrow from the editors of the present volume, "Once you have got hold of this key to sorting out the problem, you have to stick with your decision, giving it priority over every aspect of political action." See Meldolesi, L. and Stame, N. (eds.) (2019b). As reminded by Molière, it is not what we do, but also what we do not do,

cipline as a matter of commitment, as opposed to a readily negotiable element of convenience contingent on circumstances. Vis-à-vis truly participatory development, for instance, the discipline for a passion for the possible inspires connecting the dots to stay on track through thick and thin in the search for what works, beyond rhetoric and irrespective of the pressures on the portfolio at bar. Envisaged here is a kind of determination inclined to evolve a trajectory to set the stage to inculcate an ethos of discipline to adhere to a coherent set of values to journey in the right direction to discover and align new vistas of fertile opportunities in a world of possibilities to help turn the tide against sterile orthodoxies rooted in negating indigenous agency and allow traction for ongoing learning along the value chain from Africa's rich history and experience.

Rigorous assessments of the political economy and force of indigenous agency is bound to problematize disserving stereotypes and conditioned outlooks that assume the unavailability of local infrastructure and neglect the transformative potentials of creatively adapting or building on indigenous resources to help Africa strike its stride in achieving sustainable development goals. Exploring alternative conceptual frameworks of the merits of situated practices to disrupt false presuppositions about Africa's agency is long overdue to provoke constructive dialogue about what indigenous capacity can become if actively supported and the role in moving forward transformation. This is with a view to forge a corrective to theoretical and practical tendencies that commonly eclipse local knowledge often steeped in simmering undercurrents of the passion for the possible, especially insofar as discipline etymologically means "instruction" or "knowledge".

A passion for the possible and corresponding sensitivity to discipline as an anchor to enhance the enabling environment to better development brings into sharp focus the importance of recuperating and recasting society as a crucible to democratize the exercise of state power consonant with indigenous orientations in concrete

for which we are accountable, and as Confucius writes, "to see what is right and not to do it is want of courage". See Confucius (500 B.C.).

African settings. The Eurocentric bias underpinning some prescriptive reform programs in the development arena attribute some degree of pertinence to civil society. For example, the crucial question for neoliberals is ostensibly to contribute to transcend mindset that government is everything, while engendering the creative energy of society and the spirit of initiative of the individual. Nevertheless, there are grounds to suggest that gesturing in recognition of the value of society fall short of adequately complicating the complexities of state-society relations or the power of individual agency in the African theatre. The case of the Igbo of southeastern Nigeria offers a good illustration to illuminate this caveat. Historically characterized as an acephalous group, the Igbo may have lacked institutional state structures. However, they boasted of societies sufficiently robust to mitigate the perceived grave costs definitive of the void in celebrated state structures. The advent of colonialism and the imposition of the Nigerian state grossly attenuated the traditional societies to extents that spelt adverse implications for state-society relations. In the final analysis, rekindling the traditional resources that abound holds promise for the equilibrium, effectiveness, and efficiency of the state.

My overarching argument to this end is informed by an understanding of the relevance of culture. Along this line, it is not necessarily novel to underscore the merits of culture as a technology of governance. Indeed, the international human rights regime guarantees a right to culture as a technology of governance.¹⁴³ The notable point for our immediate purposes is the shortfalls of nominal and grudging, if at all, appeals to textured cultural forms and social reproductions in putative pursuits of progress in development orthodoxies. The incongruity of this discrepancy is evinced by the compatibility of latent cultural resources embedded in society with significant development goals and the profound possibilities that inhere in culture as a catalyst for considerable change. Anxieties about the appalling scorecards of standard development endeavors and the inadequacies of proliferated formulations to solve pressing

¹⁴³ Obiora, L. A. (2018a).

problems or abate worsening contingencies constitute a bellwether of the urgency of a salutary paradigm shift to build on an understanding of what works. The envisaged invigoration of culture as an innovative intermediary presupposes respect for the intrinsic, instrumental and constitutive values of culture. Yet, it behooves clarification that the case to recuperate the integrity of culture is neither meant to romanticize the phenomenon nor to discount widespread drawbacks.

The exigencies and seeming intractability of some of the difficulties that have defined the development arena in Africa amplify the “virtue of necessity” as a compass for learning and signify the need to “fire on all cylinders” to mitigate salient contingencies and to accelerate on the prospects for better objectives, operations, outcomes, and impacts. My assessment of the “virtue of necessity” under conditions of adversity finds an echo in the recapitulations of the works of Eugenio Colorni by Luca Meldolesi and Nicoletta Stame. Asserting that the texts they edited provide a concrete introduction to Italian social conditions under fascism, they explain that this is what they consider “possibilism under conditions of ... oppression and repression, and it is these conditions that lead the author to make a ‘virtue of necessity’ and develop the keen powers of observation and levels of practical engagement required in achieving the best possible outcome.”¹⁴⁴ According to Meldolesi and Stame, the political writings of Colorni are dominated by the need to find a way forward (the possibilism of ways out) and to imagine the future (the possibilism of proposals). From this standpoint, they conclude that “the discovery of possibilism is rooted in pain – in the European tragedy of the time and in the immediate and compelling need to contrive a way to fight fascism and Nazism – even though this meant starting from within the contemporary culture, which was heavily burdened with ideological influences.”¹⁴⁵

¹⁴⁴ See Meldolesi, L. and Stame, N. (eds.) (2019a).

¹⁴⁵ Compare Meldolesi, L. and Stame, N. (eds.) (2019b).

Background

Akin to my interventions in the past two Hirschman conferences, the present discussion pivots on instructive insights gained from the authority of my lived experience and on appraisals of lessons learned about state-society relations from my prior research undertakings. At the maiden conference in Boston, I drew on the challenges and opportunities of my service as a Cabinet Minister for the Federal Republic of Nigeria to illuminate the paradox of “Exit, Voice, and Loyalty”.¹⁴⁶ The following year, I elucidated and grounded my “Bias for Hope” in dimensions of the learning that accrued to me from working at the World Bank.¹⁴⁷ My stint at the Bank culminated in my founding the Institute for Research on African Women, Children and Culture (IRAWCC) which piloted a grass-roots gender empowerment project that further ignited my imagination and reinforced my corresponding passion for the possible. This inspired the laborious efforts that sensitized me of the fundamentality of discipline as a corollary of passion that frames this paper.

In June 2016, I had the privilege of keynoting in Lagos, Nigeria at the inauguration of the African Philanthropy Forum (APF) which was established under the auspices of the Global Philanthropy Forum. According to terms of reference for my invitation, the work that I undertook to pioneer the conditions that laid the groundwork for the growth of indigenous philanthropy in Nigeria merited me the honor to offer the commemorative keynote address. Interestingly, the APF conference occurred almost 10 years to the date that I hosted the second module of a leadership forum to stimulate the growth of indigenous philanthropy in Nigeria at which Sir Fazle Abed, the founder of BRAC which is routinely ranked as the #1 NGO in the world, was the keynote speaker.

As I indicated at the Second Hirschman Conference, on the heels of my tenure at the World Bank, I was encouraged to establish IRAWCC by Sir Abed. This was after he originally keynoted at a

¹⁴⁶ Obiora, L.A. (2018b).

¹⁴⁷ Obiora, L. A. (2019).

Ministerial conference that I organized at the Bank to demonstrate the validity of the model that I had recommended for the Bank to improve its stand-alone Gender and Law portfolio. At Abed's behest, I visited BRAC's programs in Bangladesh to build my confidence and stoke my passion about the infinite possibilities for individual and collective agency. Following the incredibly energizing learning tour, I returned to Nigeria to implement a grassroots experiment to empirically test my claims about the fundamentals for meaningful gender empowerment as a cornerstone to augment how well human rights travel across histories, cultures, and structures. The remarkable success of this pilot in record time spurred my enthusiasm to explore the possibility of leveraging endemic cultural conditions and harnessing indigenous resources to enhance the infrastructure for meaningful human rights protection aligned with the objectives of the prevailing MDG epoch.

My pursuit of this mission led to my pioneering an initiative to Stimulate Philanthropy in Nigeria (SPIN), the successful outcome and impact of which remains the core impetus for my passion for the possible about what is going on in social contract vacuums fermented by the dysfunctionalities of the state apparatus. Taking seriously the vision of an African renaissance, SPIN championed an innovative platform to look for Africa where it can be found. To this end, it complemented evolving commitments to chart a course to expand the frontiers for conceptualizing ordinary Africans as dynamic agents who can be better equipped to shepherd their own destinies and development. For me, the steep learning curve emanating from lackluster development performance indices emblemized the expediency of counterbalancing faith in the state with sound comprehension and command of the transformative potentials of non-state actors.

Cognizant of the recurrent critiques of development aid effectiveness coupled with the disquieting challenges of African state sovereigns, one hypothesis that led to my founding SPIN foregrounded the reality that the socio-economic and political travails of post-colonial Africa have honed a discipline discernable in alternative economies nurtured by local traditions of giving, self-help,

and community development which are potentially hospitable to locally entrenched international development objectives. Focusing on Nigeria, I probed salient ideological and material underpinnings of these economies to elucidate the implications for indigenous agency and evaluate opportunities to imbue grassroots social enterprises with greater bargaining power for influence and strategic outcomes. Consistent with the emergent consensus for Africa's ownership of its development agenda, I was curious to understand what prospects for synergy inhere in recognizing and reinforcing alternative moral economies that underpin local networks of care and reciprocity to buttress enabling environments for indigenous resource mobilization to shore up development.

Discussion

What if the fortress of underdevelopment, just because it is so formidable, can not be conquered by frontal assault? In that unfortunately quite common case, we need to know much more about ways in which the fortress can be surrounded, weakened by infiltration and subversion, and eventually taken by similar indirect tactics and processes. And I suggest that the major contribution to our knowledge of economic development must now come from detailed studies of such process.

Albert Hirschman¹⁴⁸

Optimist: Someone who figures that taking a step backward after taking a step forward is not a disaster, it's a cha-cha.

Robert Brault¹⁴⁹

Cheshire Puss asked Alice: Would you tell me, please, which way I ought to go from here? That depends a good deal on where you want to go, said the Cat. I don't much care where, said Alice. Then it doesn't matter which way you go, said the Cat.

Lewis Carroll¹⁵⁰

¹⁴⁸ Hirschman, A.O. (1968).

¹⁴⁹ Brault, Robert (2014: 140).

¹⁵⁰ Carroll, L. (1865).

In the context of Africa, discussions about philanthropy often revolve around international donors as if it were an activity exclusive to them. What would be found if one were to look for indigenous philanthropic traditions and what would be surprising about such findings? While straining the bonds of community, the crises of the African State and the frailty of public confidence in its institutions paradoxically reinforce an ethic of care that finds eloquent expression in diverse forms of giving which deserve study and urgent augmentation through policy, legal, regulatory and institutional measures. The insidiousness of state dominance coupled with the retrenchment of state funding in the face of proliferating needs, the diminution of international donor investments by the global financial squeeze, the dilemmas of socialized dependency on foreign aid, the vulnerability of national civil society organizations to the vagaries of foreign donor interests, and the latency of the capacity of the grassroots to stem the retreat of civil society, all underscore the critical potential of indigenous resources to act as a bulwark for Africa's development.

Contrary to popular narratives of doom and gloom, Africa's adversities yield interesting and complicated moralities exemplified by patterns of generosity and giving that build on historical trends but are rooted in contemporary modes of coping with objective realities. These patterns are mediated by personal relationships, but they transcend narrow subjectivities and hold significance for how we construct African agency. What is known, for example, about the prevalence of giving among the poor challenges widely held assumptions about the significance of indigenous resources for grassroots empowerment and self-determination.¹⁵¹ Part of what is

¹⁵¹ The absurdity of not reckoning such compelling universe of giving among the bricolage of what can be meticulously examined for clearer-eyed comprehension of underpinning drivers, particularly given the urgency to discover and spearhead what counts to diminish the resource gap, stands to reason. The folly of this neglect is corroborated by the fact that advanced economies capitalize on comparable inputs. In the United States, the Philanthropy Index attests of the dedication of the poor to

unknown and yet to be discovered through research is how to systematically understand the spontaneous dynamics and patterns of sharing as civil society initiatives with dividends that can be harvested and channeled as building blocks to revalue and reassert the scope of Africa's agency, and enlarge the space for Africa's critical self-fashioning and competitive repositioning in the global economy.

The euphoria that attended the independence of African states from colonial subjugation was soon eclipsed by a deluge of structural and cultural violence that left the continent hemorrhaging for decades and precipitated a development industry beholden to afro-pessimism. From this standpoint, Africa was manipulated as the quintessential laboratory for crusading experiments that privileged so-called experts to champion and arbitrarily test prescriptions across the gamut. The peculiarities of the neoliberal ideology that gained currency pursuant to the international debt crises of the 1980s codified by the "Washington Consensus" canvassed and entrenched a set of standard policy tendencies and reform packages that promoted, *inter alia*, market fundamentalism and minimal state poised to precipitate a cocktail of deregulations facilitating privatization and social spending cuts. The authoritarian reflexes of reigning political elites exacerbated the inherent coerciveness of policy interventions which neglected the formidable agency, mettle, coping strategies, and everyday forms of resistance of ordinary Africans. Ironically, the inequality, social exclusions, dispossessions, and poverty heightened by the policies in fact revealed the strength and contemporary relevance of indigenous cultures, structures and processes.

More than a century ago, the British colonial administration in Africa was able, to borrow from Sara Berry, exercise "hegemony on a shoe-string,"¹⁵² by identifying vibrant indigenous resources

the business of giving as over 70% of individual giving in annual funding for charitable purposes comes from households with low socioeconomic status reporting relatively modest average annual income.

¹⁵² Berry, S. (1992).

and technology of governance which it in turn co-opted as engines to breakthrough and entrench the policy known as indirect rule. Oddly enough, at the dawn of the 21st century, Africa remains objectified as some pathology devoid of the capacity to orchestrate its own renaissance. This trope of pathology obscures the profound regenerative capabilities of indigenous agents. Yet the reversal of Africa's downward spiral cannot be sustained without galvanizing local communities and mobilizing latent resources to promote growth, efficiency, equity, and sustainable development.

While development and civil society activities in many parts of Africa mainly depend on foreign actors who are prone to retreat when their investment portfolios shrink, my work demonstrates that ample resources exist locally for symbiosis and cross-fertilizations that can enrich the field of philanthropy and the multiplier effects for sustainable development. A theory of the strengths, weaknesses, opportunities, threats and trends of indigenous philanthropy opens an opportune window to transcend framing local realities narrowly in terms of the deficits of state action and rather postulates compelling conditions for local agency to help actualize abounding possibilities. Instructive insights from my efforts to stimulate the growth of indigenous philanthropy culminated in synergistic activities to build a learning community, especially as a bridge to help reverse Africa's brain drain for gain by broadening the platforms to leverage diaspora participation to enhance the analytic and practical purchase of indigenous resources to transform the status quo in Africa. This added impetus to my discipline for a passion for the possible and for the time it will need for exit, voice and loyalty to gradually spark a bias for hope to draw down the possible.

Moral Economies and Economies of Affection: The thrust of this section of my paper seeks to assess how a myriad of unconventional factors personified by indigenous philanthropic mechanisms coalesce to shape the lived realities of grassroots communities caught in the vicissitude, and forced to shoulder the onus, of the deficits of development. It seeks to highlight synergies that might be reaped to

pave the way to harness the possibilities indigenous resources hold as organic foundations to nurture an effective ecosystem to transform development theory and practice in Africa. My efforts lend credence to the peculiarities of an asset-based model attuned to open doors to turn challenges into opportunities in the search for progressive alternatives by validating ubiquitous practices and meaning systems to galvanize pathways to rekindle the passion to innovate with indigenous resources usually rendered latent. Such model can facilitate the investigation of how better understandings can draw upon respect for what is right with Africa as a starting point to deepen and widen the prospects for indigenous resources to act as a bulwark to rationalize the framework for Africa's agency to shape its destiny and to broaden opportunities to advance development. This is contrary to deficit focused appraisals of indigenous capacity that objectify Africa as a *tabula rasa* or perpetuate its infantilization as a passive pawn ripe for tutelage.

A substantial body of literature examines the nature of indigenous socio-economic strategies and their interactions with the ideology of globalization and cult of market ineluctability within the tacit calculus of the machinations of post-colonial states and perennial feedback from the relics of colonialism. Broadly grouped under the rubric of "moral economies" and "economies of affection," these strategies embed economic activity within culturally specific concepts of rights and obligations, rather than the accumulative, profit-maximizing rationality imagined by neo-classical political economists. James Scott illuminates how the often razor-thin margins of peasant agricultural production are negotiated by moral expectations of social reciprocity and the right to a minimum level of subsistence.¹⁵³ The disregard of such expectations by expropriating state or market factors provides an important explanatory variable in the history of peasant resistance and rebellion. Subsequent observers have noted that the neo-liberalization of the world market has only aggravated subsistence crises and moral economic principles such as "food security" have become the cornerstone of transnational

¹⁵³ Scott, J. C. (1976).

peasant alliances.¹⁵⁴ More pointedly, Paul Zeleza contends that struggles over post-colonial tyrannies and structural adjustment programs were fundamentally struggles for human rights, with Africans trying to reclaim their inherent integrity and dignity as human beings.¹⁵⁵

Against this backdrop, I posit that some indigenous philanthropic actors in Africa are poised to “re-moralize economies” by invoking certain kinds of rights and obligations associated with giving.¹⁵⁶ Historically, these rights and obligations typically tend to be based on communitarian ties of kinship, ethnicity or religion, but also on “vertical” patron-client relationships. While Goran Hyden typologized economies of affection as a distinctly “pre-capitalist” mode of production, and therefore concluded that such economies were evidence of a still “uncaptured peasantry” in many African states, it is reasonable to suggest that such affective ethics may be viewed as a fully contemporary response to the enduring predicaments facing postcolonial Africa.¹⁵⁷ Contrary to any conceptualization of moral economies as embodying the realm of static, unchanging culture and custom, there are grounds to argue that they bear rich histories of improvisation and elaboration in response to changing sociopolitical conditions. Indeed, I postulate that one key issue for development theorists and practitioners to grasp is the degree to which the strength of these informal practices can be profitably integrated within the architecture of formal institutions and development infrastructure.

Philanthropy in Africa: Moral or affective economies and their relationship to more institutionalized forms of care and support have strong implications for indigenous philanthropy as a condition for vibrant associational life to help rationalize development operations and offer new possibilities to transform

¹⁵⁴ Edelman, M. (2005).

¹⁵⁵ Zeleza, P. T. (ed.) (2004).

¹⁵⁶ Ferguson, J. (1993).

¹⁵⁷ Hyden, G. (1980).

Africa's reality. Starting most discernibly in the colonial era, structurally undifferentiated forms of philanthropic enterprises such as kinship and community obligations, or burial and healing societies, adopted more formally philanthropic institutional contours and protocols. These found expression in an array of arrangements, including the establishment of mutual aid groups and hometown associations, which took advantage of a newly introduced cash economy.¹⁵⁸ These syncretic forms of philanthropy existed parallel to or continued to blend with the vicissitudes of other traditions such as those of religious charitable trusts and international entities like the Red Cross. However, differing philanthropic initiatives had questionably variable relations with dominant authorities; different colonial governments, nationalist movements, and post-colonial states alternately engaged philanthropic organizations as platforms for collaboration, co-optation, or resistance.¹⁵⁹

The diverse philanthropic terrain and the variability of relations to mainstream authority have continued up to the present era of a global aid industry, with its panoply of international, national, and local players. The broadly "developmental" practices of these players defy easy categorization politically; yet their overall significance in relation to state governments has dramatically increased. Gupta and Ferguson have gone as far as suggesting that the distinct transnational dimension of even the most "local" philanthropic or development organizations warrants reconceptualizing their role in the global system "not as challengers pressing up against the state from below but as horizontal contemporaries of the organs of the state: sometimes rivals; sometimes servants; sometimes watchdogs; sometimes parasites; but in every case operating on the same level, and in the same global

¹⁵⁸ Aina, T. A. (2009) & Okome, M.O. (2007). See also Aina, T.A. (1993) & Aina, T.A. (1997).

¹⁵⁹ Aina, T.A. (2009:34-41)

space.”¹⁶⁰ Empirical data on this phenomenon is quite limited.¹⁶¹ Nevertheless, the historical and contemporary variability of indigenous philanthropic traditions in Africa elucidates the promise these practices hold for further improvisation at the crossroads of populist backlash against the ravages of the neoliberal order.

Conclusion

*The more you understand her world, the more possibilities you see.*¹⁶²

What kind of knowledge do we covertly or overtly turn a blind eye? How may such knowledge add value to the proposition to discover and put in place measures to learn and fill yawning gaps driving worries about the impediments of development at this historical juncture? These questions bring to mind a poignant incident that holds instructive insights for the learning opportunity enshrined in my contribution to the Third Hirschman Legacy Conference.

A few years after the UN Conference on Women in Nairobi, feminist activists and academics planned an international conference at a university in Nigeria. In addition to bringing together activists from across the continent, a major goal of the conference was to involve grassroots women. Despite a year of careful planning, on the day the congress was to open, the hall was markedly empty, the grassroots target audience noticeably absent. Outside the conference venue, a woman sat by the roadside selling groundnuts. To the conference organizers, she appeared to be the personification of the case for gender empowerment. Yet when the organizers arrived at a

¹⁶⁰ Gupta, A, and J Ferguson (2002: 994).

¹⁶¹ National Planning Commission (2008). A Review of Official Development Assistance to Nigeria. Abuja: NPC.

¹⁶² The gist of the foregoing discussion is reminiscent of a lucid campaign heralded by Autism Speaks in partnership with the Ad Council in a bid to foster a more inclusive world for people with autism. The above caption featuring Julia, a Sesame Street Muppet with autism, promotes the importance of early screening and different ways of addressing her condition.

meeting with the Market Women's Association in the hope of recruiting grassroots participants for the conference, they were astonished to discover that the groundnuts seller was the head of the association. When asked for assistance in generating an audience, the woman modestly said that she would see what she could do. The next day, the conference hall was filled.

The unassuming groundnuts seller, who had no cellphone, no email, and no other modern means of communication, used her organizational skills, impressive networks, and persuasive power to rally women to attend a workshop presumably on "empowerment." In less than twenty-four hours, this woman accomplished what an entire committee of eminently credentialed feminist academics and activists could not do in a whole year. This vignette about the compelling layers of power and authority of a local market woman, possessing unimpeachable knowledge and awareness of ecological intricacies and effective resource mobilization networks, whose ability is routinely overlooked and quarantined into the "informal" sector by orthodox canons offer a glimpse into the capaciousness, influence and effectiveness of indigenous resources that often exist below the threshold of visibility and/or normativity.¹⁶³

This illustration adds significance to a constellation of progressive possibilities that vindicate my insistence about the principled and pragmatic usefulness of incorporating and organically building on indigenous resources to operationalize and implement global governance technologies that find parallel expression in the conventional edifice for international development. Moving beyond governing norms and traditional indicators to examine and capture how ubiquitous practices inscribed in indigenous meaning systems are shaping economies, societies, and everyday lived experience of individuals offers a turning point to reflect on, redefine, and reset criteria for how what counts is measured and ascribed legitimation in the present knowledge economy. It also provides a platform to forge the way to break the mold of asymmetric power imbalances prone to distort the dynamics of development, erode lasting relics

¹⁶³ Obiora, L. A. (2015).

of colonialist social engineering, and diminish capacity to foment learned subordinations that hinder the search for progressive alternatives to duly enfranchise Africans with meaningful opportunities for genuine participation.

At the very least, the crux of this paper proxies as an invitation to gear credible evidence to open doors for freshly imagined possibilities to help dig deeper and raise the bar in development theory and practice by laying strategic groundwork for a rich ecosystem to share learning and grow passion to drive fruitful shifts that disrupt the perpetuation of vexatious status quos. Such breakthrough will, *inter alia*, help achieve critical outcomes that empower Africans to readily enact the agency to shape and control everyday existential choices for good. Although much of the strand of my analysis in this paper stresses the question of philanthropy as an illustrative prism, it is almost impossible to overstate the broader implications of the case to turn to, learn from, and incorporate lessons from seamless practices of culture to incubate the discipline for a passion for the possible that enjoins perseverance through besetting learning curves to drive sound solutions and embed laudable progress for Africa's development.

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Kim Burnett

Building an Analytical Framework to Understand the Possibilities for Sustainable and Equitable Development

"The key to the future of the world is finding the optimistic stories and letting them be known".

(Pareles on Pete Seeger, 2014)

Welcome to the golden age of speed with grace

Waiting for the angry gods to smite our race

I logged on to Africa in just one day

I opened a door and that's OK

It's not an end, it's just a start

It's not an end, it's just a start

The World's Not Falling Apart by Dar Williams (2003)

Introduction

Albert O. Hirschman's work on possibilism is rooted in a concern that our efforts to address development issues rely on over-generalized ideas of how change must take place; notably here the concern that we seek transformative, revolutionary change to the neglect of what Hirschman terms "small scale sequences" (Hirschman 1971). In place of this, Hirschman pursues a more nuanced approach to how we consider change; an approach that is more attentive to how small changes are happening – generating discontinuities – rather than continuities with the overarching hegemonic system. This paper integrates Hirschman's theorizing, and the theories of those who build off his theorizing on possibilism, into the global governance and development literature in order to lay out a potential analytical framework that considers the multiple actors and

spheres of governance that influence progressive change. It also relies on some of this literature to identify the different approaches to achieving progressive change that generate different outcomes. In doing so, I argue that we need to give much more sophisticated attention to the contributions of “small scale sequences” in the process of achieving transformational change, particularly in relation to how we contextualize neoliberal world order and a shift away from it.

(...)

Global Governance and Change

Global Governance is a theoretical field that emerged out of International Relations and International Political Economy to convey, among other things, how the world is ordered. International Relations traditionally holds the view that states maintain sovereignty despite the rise of new politically powerful actors, such as civil society and transnational corporations, interdependence that has come with the increased movement of people, goods and financial flows, and related social and economic issues (Krasner 2001). Global Governance, by contrast, holds the view that the political world has and continues to change, and in the process, states have lost their monopoly on authority (assuming they ever had it). James Rosenau (in Ba and Hoffman 2005, 145) has famously proposed that global governance is characterized by a “crazy quilt” of multiple spheres of authority, which displaces the state as the only location of authority, or even the primary sphere of authority.

(...)

Important insights on the variables involved in shaping global governance, and credence to the range of actors, interests and activities that contribute to how global governance is shaped, are all essential insights emergent from this literature. This literature has also identified a range of mechanisms through which governance takes place. The analytical framework on processes of change identified below is founded on these insights, particularly the legitimacy given to social movements and civil society in shaping governance.

It also gives credit to a wide range of outcomes that can be constituted as “change” here, from the easily discernable – such as a shift in policy – to the less obvious and concrete – a change in knowledge or shifting norms. Anything that is influenced within this “crazy quilt” is considered part of the process of change. But it does not mean that this will generate a linear outcome. Nor, importantly, does it lay out how various power politics will play out in the process. But the intention here is to understand how these activities and strategies align with what we know about change; it is not to evaluate their effectiveness in achieving their ultimate goals.

Critical Political Economy and Governance

I now turn to two prominent theoretical approaches in the international political economy (IPE) literature – Robert W. Cox’s neo-Gramscian theory of change and Polanyi’s theory of a Double Movement - to help explain a tendency to adopt binaries in social movement analysis. The various adoptions of these two theoretical frameworks reflect binary approaches to change, that often categorize governance approaches and initiatives as transformative or reform, seeking the former while eschewing the latter. I am not suggesting they are exclusive in doing so; they are just two examples that reflect a wider tendency within the radical left literature to adopt a binary approach to thinking about change.

In the Coxian neo-Gramscian approach to radical change, hegemonic structures must be confronted through a counter-hegemonic affront in order to achieve desired change. Gramsci’s hegemony is defined by Cox as “a condition in which the governed accepted or acquiesced in authority without the need for the application of force” (Cox 2005, p. 311). Hegemony is manifest in state and civil society forces, and is bound together through material conditions (classified as social relations and physical means of production, and ideas). Material conditions and ideas are not autonomous, but mutually constituting (Cox 1983, p. 168). This hegemony makes up what is considered a “historic bloc”, whereby these “interacting elements create a larger unity” (Cox 1983, p. 167). Counter-revolutionary forces constitute a new “historic bloc” (*ibid*, p. 168).

The current hegemonic order is understood as neoliberal globalization, which privileges capitalism, particularly unregulated (or selectively regulated) capitalism, transnational capitalist interests and (subjectively) unfettered markets. Hegemonic order is reproduced not just through coercion, but also consent, such that its norms and ideas are embedded in a way that the order goes unquestioned by society, making it a dominant principle organizing society (what is often coined as a state of “world order”). States, international institutions, and even global civil society operate within this hegemonic order, reinforcing and reproducing it (Cox 1983, Cutler 1999, Andrée 2007). When attempts at affecting political change do not resist and challenge these structures, they are dismissed as reinforcing and/or reproducing world order (Andrée 2007, Ford 2003). (...)

A second and more prominent IPE theory informing radical change is Karl Polanyi’s theory of double movement (Polanyi 1944). Polanyi argued that the industrial revolution and the subsequent rise of the 19th Century market system embedded society in markets, what he terms the “market society”. While markets had always existed, for the first time, society was subordinate to the market and its logics, rather than the inverse. Polanyi argued that change could bring social dislocation, but governments were integral to mitigating and slowing these social dislocations. With the changes that came with the 19th Century, government intervention was eschewed in favour of “blind faith in spontaneous progress” (Polanyi 1944, 79).

Polanyi argued that this resulted in what he termed a “double movement” - the expansion of the liberal market economy and the accompanied resistance by society for self-protection. Common Englanders resisted the market system through social demands, such as labour unions, factory laws, and the like. However, social resistance was “incompatible with the self-regulation of the market” (Polanyi 1944, 136). This generated a “clash of organizing principles”: between economic liberalism and social protection which resulted in deep institutional strains and which generated class conflicts, generating a shift from “crisis” to “catastrophe” (Polanyi 1944,

140). Most notable was the rise of nationalism and fascism, the eventual decline of the international economic coordination, and the emergence of World War II.

From a Polanyian perspective, markets need to be de-naturalized, with a moral imperative to ensure that markets are subordinate to society and society is not subordinate to markets. Polanyi's dichotomy arguably has more space for nuance than Gramsci's, whereby one can see a governance mechanism or process as prioritizing social objectives, even if it is not generating a totalized transformation of the entire market system (as with a "hegemonic bloc"). That said, he does make some precise statements on re-embedding markets in society, notably the tie to state regulation of markets to control them, and the absence of "false commodities", that is, the commodification of land, labour and money.

(...)

Polanyi's and Cox's Neo-Gramscian theories provide important conceptual contributions to understanding how the socio-political and economic world is ordered, particularly on dominant organizing principles and hegemony. But their contributions to our understanding of processes of change are called into question here. These approaches, and those that mirror them, are brought together here into a "grand theorizing" category that has questionable practical application for explaining change. Polanyi's theory of a double movement has more credibility in light of its empirical support, but not convincingly for its universality as an analytical framework. Meanwhile, I have yet to come across an empirical substantiation of Cox's application of Gramsci's theory of counter-hegemonic change. As a result, when these theories, or theories that adopt similar binary approaches to change, are used for evaluating the governance activities and initiatives of social movements and civil society, there is a tendency to evaluate by drawing a line between whether it is reflective of the existing world order, or counter to it. This can lend to analytical conclusions that activities and strategies are reinforcing neoliberalism or countering it based on the principles of their actions, but not on the effectiveness and dynamic impacts of these actions. As Gaventa and McGee note, "the vast literature on social

movements and collective action focuses on explaining the whos and whys of these movements themselves, but not necessarily the policy changes to which they contribute” (Gaventa and McGee 2010, p10).

As a result of this tendency towards binaries that abstract from process, I look to a broader literature to understand better what processes result in change, and the various impacts different activities have on global governance.

Not an End, Just a Start: Process, not always progress

The importance of understanding processes of change cannot be understated. As Jan Aart Scholte put succinctly, “it is relatively easy to compile wish lists. It is something else to get wishes fulfilled” (Scholte 2005, 417). In an interview, Gawain Kripke, as Director of Policy and Research with Oxfam America goes further to point out the challenges of achieving wishes that are at odds with the status quo:

It’s easier to make critiques than to be propositional, and in being propositional, to be very practical about what can be done. Saying another world is possible is great, but getting from here to there is pretty monumental, and not nearly as easy as you might imagine, because on the way from here to there are a lot of interests that get hurt to get there (Kripke 2012)

Kripke has credible insights, having been involved in in-depth United States policy advocacy for decades, first with Friends of the Earth, and then Oxfam. This statement is not meant to justify acquiescence to adversity, but it does justify a thoughtful consideration of processes of change, beyond just how things “should be” and on achieving “ultimate goals”. It justifies an acknowledgement that change requires a sophisticated strategy that has some grounding in reality and processes of transition.

Challenging dichotomies in favour of nuance is not new. E.H. Carr, often considered one of the founders of International Relations, argued that political thought must be based on a balance of

utopia and realism. Utopianism unchecked, he argued, is naivety, and realism unchecked breeds sterility. Instead, he argued that utopianism is also purposive and realism provides objectivity through observation and analysis. If these two positives are brought to the table, we find what he characterizes as “mature thought” (Carr 1964, 10). More recently, Patomaki argued blueprints and ideas of radical transformations have ‘closed ends’ and thus might both preclude reality, and not take into account specific contexts, present and historical. He advocates instead for “critical realism”, which tends “to work for enhancing the self-transformative capability of contexts by criticizing untrue naturalizations, reifications and fetishations of social being and related mystifications of knowledge; by making arguments for peaceful transformation; and by creating mechanisms of reflective learning” (2003, p. 367).

Mature thought and critical realism are exemplified in Jan Aart Scholte’s theorizing of globalization, in which he straddles the reality that globalization will not recede with the need for a more equitable and sustainable globalization. He frames globalization as a governance issue rather than an inherent problem, arguing convincingly that globalization both negatively and positively affects human security, social equality, and democracy. The balance between positive and negative globalization, he argues, is shaped by policies, and he indicts the neoliberal policy imperatives underpinning globalization rather than globalization itself as the cause for negative outcomes. He thus advocates what he terms a *critical middle ground* approach, what he characterizes as a “blend of ambitious reformism and cautious transformism”. A critical middle ground includes balancing between constructivist ideals and materialist powers, finding a common ground between globalist and skeptics, re-empowering states and recognizing new sites of authority, and recognizing globalization as being both shaper and shaped by society (Scholte 2005).

Scholte’s argument for reformism “does not stop at social safety nets, environmental impact statements and corporate citizenship, but in addition undertakes far-reaching public regulation and progressive redistribution of resources” (Scholte 2005, 392). He also

argues for a form of transformism that imagines beyond the status quo. He envisions this critical middle ground approach as a form of “post-capitalist solidarity economics with alternative models of work and consumption” and argues that it “merit[s] a serious hearing and concerted efforts at elaboration and implementation” (Scholte 2005, 394). In making this argument, he examines the situations he believes would enable and inhibit his ideas (See Scholte 2005, 417-421) in order to avoid claims of utopianism, but caveats that he is only laying the groundwork on how to think about the future.

My analytical framework builds off these nuanced approaches, departing from a sole consideration of how the world is ordered and goals for binary, transformative change, to thinking about the complex, dynamic *processes* of change. My framework considers how we might engage “mature thought”, how such a critical “middle” ground approach might be implemented through a balancing of reality and utopianism, and how can we conceive of strategies that do not rely on a “blueprint” for change. I do this in the following sections, drawing on a handful of academics who present theoretical frameworks of change that explicitly denounce binary theories of change in favour of more nuanced ideas.

Peter Andréé’s Integrated Theoretical Approach

Peter Andréé’s evaluation of the Cartagena Protocol on Biosafety (CPB) and its role in governing genetically modified organisms provides important insights for the framework.¹⁶⁴ Andréé builds on a neo-Gramscian premise of a present hegemonic world order. However, he also confronts the neo-Gramscian tendency to dichotomize policy and governance mechanisms as either hegemonic or counter-hegemonic. He instead attempts to build a more nuanced understanding of the ways in which the various components of global governance can contribute to change.

¹⁶⁴ Lucy Ford draws some very similar conclusions in her analysis of the love canal environmental crisis, although she draws on a less rigorous theoretical framework than Andréé, I will draw on her work to complement Andréé’s.

Andrée labels this an “integrated theoretical approach”, identified as the interaction of norms, ideas, discourses, interests and knowledges that shape governance (Andrée 2007, 27-36). This theoretical approach grafts together a neo-Gramscian theory of hegemony with Michel Foucault’s theory of discourse. Like many others, Andrée (2007) identifies the existing global hegemonic bloc as neoliberal globalization, established through coercion and consent, and links it to OECD countries and the transnational capitalist class. However, he also draws on Foucault’s discourse theory, which suggests that, “because of their status as truth claims, discourses have a kind of agency, or normalizing power, in politics” (ibid, 23), which both set the boundaries on what makes sense and marginalizes those voices that do not, or cannot, fit within the dominant discourse, thus constraining opposition to the status quo. Effectively, both these theories jointly identify the myriad of active forces that are forming and constraining resistance to hegemony.

What is relevant to this project is the way Andrée develops a theoretical framework that imagines changing hegemonic structure. Andrée argues that Gramsci’s theory of hegemony failed to conceptualize change, which he identifies as a ‘hole’ in his work (2007, 190). This hole has led those adopting a neo-Gramscian approach to overly dichotomize hegemonic and counter-hegemonic approaches to governance. “This counter-hegemonic approach suggests that political conflict takes place between static, dichotomous poles, a situation we don’t see in most fields of politics” (2007, 190). Instead, he promotes a more ‘fluid’ approach to analysis, where political struggle is understood to be continuously occurring within a hegemonic bloc, such that discursive and hegemonic politics, and power dynamics, are unpredictable and constantly evolving (ibid, 291).

Andrée’s (2007) analysis draws on this ‘fluid’ lens to evaluate this political struggle. He finds that both those seeking to resist and those seeking to reinforce hegemony not only shape governance (specifically through the CPB negotiations) but he argues that they also evolve, conforming to one another in doing so. More specifi-

cally, he demonstrates that, while at the end of the day the governance of biotechnology conformed to the hegemonic world order, the hegemonic structure did not come out of the negotiation process as those who were supporting it would have liked. Rather, the emergent hegemonic bloc had to accommodate some of the discourses, norms and interests of the resistance camp. Thus he concludes that the politics of biotechnology both conforms to and counters hegemony, which disputes common understandings of hegemony as immutable outside of counter-hegemonic structural change. Finally, Andrée (2007) argues that the ongoing political struggle around biotechnology maintains a space for the discourses, norms and ideas of resistance to shape related policies.

Theorizing Development in Practice

Gaventa and McGee offer a practical approach to development and change, adopting a very similar view on change in practice (Gaventa and McGee 2010). The authors demonstrate that policy change relies on intersecting approaches from civil society and social movements that embody both compromise and radical practices, and that each approach plays a complementary but necessary role in change. This practical approach does not treat compromise as co-optation, as Cox's neo-Gramscian view might, but rather sees it as part of the necessary process of change, more akin to Andrée, who identifies how compromise is adopted by both those within and those at odds with hegemony. Gaventa and McGee also challenge how we perceive the "success" of a movement, to align with the range of approaches that seek and achieve different goals, at least in the short-term, but still contribute to change.

Gaventa and McGee consider when political opportunities are present for change and when they must be forged: "opportunities open the way for political action but movements make opportunities" (Gaventa and McGee 2010, p14, quoting Gamson and Meyer 1996). As such, they find space both for those civil society actors that seek to work with existing policy space to bring about change, and those engaging contentious politics to create opportunity where it is not to be found. For those working with existing opportunities,

change requires “commonality and collaborations” through “broad coalitions of deeply embedded social actors, who also link to and build alliances with reformers in the state”, which requires broader engagement with not just political actors, but media, the public, national, sub-national and international organizations (Gaventa and McGee 2010, p. 35-37).

However, when opportunities for desired change are not present, then a different strategy is necessary—one that mobilizes contentious politics that is often more confrontational than it is compromising, involving:

[A] greater focus on collective action and popular mobilization, as well as skillful use of high-profile media. [Such strategies] also often involved conflict and antagonism, rather than more comfortable partnerships with government. This [requires] strong, relatively independent civil society actors who [can] challenge and hold their own against powerful interests (2010, p. 28).

The concept of contentious politics builds off some earlier literature on social movements and change, closely tied to the work of Sidney Tarrow. In his work on power in social movements, Tarrow argues that “contentious politics is triggered when changing political opportunities and constraints create incentives to take action...”, such that “ordinary people – often in alliance with more influential citizens and with changes in public mood – join forces in confrontation with elites, authorities and opponents” (2011, p 8). Tarrow notes further that in contentious action, “organizers exploit political opportunities, respond to threats, create collective identities and bring people together to mobilize them against more powerful opponents” (2011, p. 8).

Oxfam’s Duncan Green, who has spent a great deal of time researching and writing on how change happens, posits similarly to Gaventa and McGee that change happens neither unilaterally through contentious politics, nor through political engagement in-

volving compromise (Green 2008, 2012). Instead, change often requires simultaneous “inside” and “outside” advocacy strategies. In similar vein to “contentious” politics, those on the “outside” seek to forge opportunities and are situated from a position of resistance. By contrast, those that operate “inside” work with existing opportunities, comparable to Gaventa and McGee’s engagement through “commonality and collaboration”. Green makes clear that those on the “inside” require those on the “outside” to generate opportunities for such collaboration and commonality. But those on the “outside” do not often directly shape what goes on the “inside”:

One regular source of tension [within civil society] is over whether to pursue the tactics of ‘outside’ confrontation, for example mass street protests, or less visible ‘insider’ engagement, such as lobbying. An outsider strategy based on mass mobilisation often needs stark, unchanging messages, but these can alienate officials and political leaders, and limit the insiders’ access to decision-makers. Conversely, an insider strategy muddies the waters with compromises, undermining mobilisation and raising fears of betrayal and co-optation. Yet both are necessary and a joint ‘insider-outsider’ strategy can be highly effective. Conflict and co-operation are often both required to change policies, mindsets and intransigent leaders (Green 2012 p.52).

These authors together present change as dynamic rather than transformative, necessitating at times flexibility and constant reflexivity, thus making it necessary for civil society strategies to understand the political context they wish to shape. The processes through which opportunities open and close are often long – spanning years – and are “historic, dynamic and iterative” (Gaventa and McGee 2010, 15) with opportunities present largely as a result of previous mobilizations, but liable to change at any time. As opportunities emerge, new forms of resistance will also be present. Effectively, opportunities are ever shifting, and thus civil society must be reflexive to their presence and absence.

Change on fundamental issues requires contention and contestation – both inherent in how they are framed as well as in how they are fought. But at other times it requires commonality and collaboration among a broad range of stakeholders who will not always agree. This view challenges approaches to participation and civic engagement which reduce such processes to technical approaches, or the notions of and processes of national ownership’ achieved through non-contentious consultation and dialogue but which veil vast chasms of differences in power and interests. On the other hand, this view also challenges those who argue that change must always come from below and from outside through confrontation. The trick is to combine these, and know when to use which to achieve change (Gaventa and McGee 2010, p. 36).

These theoretical approaches validate a critical perspective that is less dichotomizing in its assessment of policy and governance mechanisms and their contributions to radical change. It demonstrates that change is more fluid, dynamic and iterative, rather than radical and transformative, as posited in the critical IPE literature reviewed above. These approaches recognize that different processes and different strategies play different roles in reaching the same end. They identify “radical” and “reform” as more complementary than competing. They also challenge how we understand hegemony, making it less immutable, less static, and perhaps less powerful, than is often thought, and provide a more sophisticated understanding of the processes that underlie hegemonic change.

Enter Hirschman

It is from here that we turn to Albert O. Hirschman’s *Possibilism*, long preceding the work of the thinkers above, complementary, and even foundational to their theorizing and observations, yet unrecognized altogether.¹⁶⁵ This is unfortunate, given Hirschman’s

¹⁶⁵ Hirschman is not cited by any of the authors in this section.

experiences in development thinking and practice that spanned decades, which gives his observations and insights legitimacy.

My initial exposure to Hirschman's work in respect to my own work on analyzing change as a process and challenging dichotomous approaches to analysis began with the work of Ilene Grabel (2015, 2017). It would be unethical not to give credit to these insights that were not originally mine. It is thus important to acknowledge that this framework builds quite extensively on her work and application of Hirschman. Grabel's inspiration to this work can be summed with the following quote:

Change can and does happen in many ways. The romanticized view on the left and the right holds that institutional Armageddon followed by wall-to-wall, coordinated transformation is the only way to effect meaningful change. I argue not only that this view fails to capture the diverse ways in which change occurs, but also that it glorifies a form of change that is decidedly not ideal (Grabel 2015, p. 389).

Hirschman himself challenges grand theories and grand utopian ideas of transformation – whether the theories of economists that assume universality or the Marxist revolution to bring sweeping change, rather than dynamic processes of change (Hirschman, 1971). With development economists, he is critical of the tendency to generate theories that attempt roadmaps which delineate economics and politics neatly, where “self-regulated economic systems” would function without the spoilers of political forces and that economic forces are the predictors of political stability.

Meanwhile, Hirschman notes that his previous work had unintended similarities to the Marxist belief that economics will generate political outcomes to overcome “contradictions” from arising out of preceding systems, but that the major difference (and hence the unnoticed similarities) between the analysis were a result of Hirschman's focus on the small scale vs. Marx's proposition that revolutionary change would happen (1971, p. 16-17).

Indeed, Hirschman is equally critical of Marx's grand theorizing of change as he is to the theories of economists:

Marx thought here in terms of revolutions that sweep away all of the institutions of whatever ancien régime needs to be done away with, and that then set up ideal sociopolitical conditions ideal for the vigorous and unhampered unfolding of the 'productive forces' during a prolonged period until such time that a new batch of contradictions emerges. Most of the time, of course, historical processes are much less neat: sociopolitical change entrained by the contradictions is often partial, grudging, and with a lot of unfinished business left behind, so that the need for further change makes itself felt once again in fairly short order (Hirschman 1971, p. 18).

Hirschman proposes possibilism in place of grand theories - the idea that small-scale sequences of development activities that interact dynamically among social, economic and political forces (1971). These "messy, disparate" innovations revealed what could be; what reforms might be available (Grabel 2015). Additionally, his view on uncertainty was more favourable - that imperfect, deficient knowledge could be the harbinger of knowing what is and what might be (Hirschman 1971, Grabel 2015). Hirschman counterposed possibilism to the predominant 'futilitism' in the social sciences (and especially in development economics) - "the view that any initiatives that were not entirely consistent with the precepts of received theory were bound to fail" (Grabel 2015, p. 394).

Grabel builds on Hirschman's distrust of grand theories that assume tidy social relations:

Hirschman was deeply suspicious of 'coherence', which is predicated on the notion of the social world as a simple social system, where everything fits, and which dictates ex-

ante what can and cannot work. His view was that it is imperative to learn from multiple examples rather than to seek truth in blackboard economics (Grabel 2015, p. 396).

In applying this idea, Grabel convincingly argues we need to identify when governance is marked by discontinuity with neoliberalism, and not just when it demonstrates continuity. In doing so herself, her research finds that there are far more fractures in the neoliberal order than acknowledged in the post-crisis literature on global financial architecture. This leads her to argue we are in a post-neoliberal era.

Grabel's Hirschmanian approach points to several principles that target the "lamentable evaluation criteria" that reinforce the grand theorizing approach to change:

1. Institutional coherence and adherence to a strict model is not a legitimate objective. Diversity of development paradigms that are complementary and perhaps overlapping are more likely to address the complexity of development challenges on the ground.
2. Viability across time and space is not a priority. Rather, we might assume that innovative governance will adjust in the face of challenges.
3. A single response need not be sufficient, or address every element of a problem.
4. Scalability and universality is not a harbinger of success, pointing again to the necessity of diversity.
5. Fundamental change is not a mark of success. Minor changes have relevance. Fundamental change is largely a utopian, unattainable ideal (Grabel 2015 p. 397).

Grabel (2015) labels this approach "productive incoherence". It is a form of decentralization - not necessarily from the state - as a form of overarching institutional governance. Coherence itself, she reminds us, is a principle of neoliberalism. It centralizes power

and authority in governance, and gives less opportunity for democratic voice and representation, as exemplified in institutions such as the IMF. By contrast, decentralization and incoherence open space for diverse policies that are tied more closely to democratic voice, and give more opportunity for exit (Gabel 2015). A Hirschmanian approach embraces instead the diverse governance mechanisms that provide opportunity, without the expectation of sufficiency, scalability, viability, and, most importantly here, fundamental, overarching change.¹⁶⁶ It understands that social, political and economic forces interact dynamically so as to generate constant activity, which on one hand might present the eternal possibility of challenges, but on the other also provides the eternal possibility of opportunities as well. It is Hirschman's possibilism, a thoughtful and careful optimism for progressive change that the analytical framework that follows is anchored.

Reimagining Progress: a Framework for Analyzing Change

This chapter opens with two quotes. The first is from the late American folk musician and activist Pete Seeger encouraging us that "the key to the future of the world is finding the optimistic stories and letting them be known". Seeger, a tireless advocate for socioeconomic, racial, and environmental justice, known as much for his peaceful protests as for picking up trash as he walked up a street, saw his fair share of reasons to lose optimism. Seeger lived more than 90 years, through several wars, and was a target during the McCarthy era which saw him convicted (and later acquitted) of contempt of Congress and banned from performing as a musician throughout the country. The second is from the contemporary American folk musician and activist Dar Williams' song *The World is Not Falling Apart*. In the song, as I interpret it, Williams grapples

¹⁶⁶ Most of this comes from Gabel 2015. However, some parts are also from a talk she gave on her then forthcoming book (Gabel 2017) for the University of Ottawa International Political Economy Network lunch on April 7, 2016. The talk was titled "The Global Crisis and the Architecture of Development Finance". <http://www.cepicps.ca/event/the-global-crisis-and-the-architecture-of-development-finance/>

with the challenges of feeling limited in the small actions we take to change the world's many challenging problems. I reference it because I believe she is on to something when she presents in the song the notion that each action, however limited, "is not an end, it's just a start".

I chose these quotes as an anchor to the theoretical framework, which adopts a dynamic and fluid view of change, in contrast to the dichotomous grand theorizing on change. This framework eschews a sole focus on the shortcomings of the actions and strategies for change that are not fully transformational, and identifies positive contributions of these actions and how they can be considered a part of the process towards transformational change. In short, it helps find the optimistic stories, and situates them as not an end, but just a start.

(...)

As Hirschman wrote (1971, 27):

"In the natural sciences, the unexplained phenomena and alertness to it are also of the greatest importance, but only as a means to an end... In the social sciences...it is not at all clear which is means and which is end: true, most social scientist behave in this respect as if they were natural scientists; but they would be more surprised than the latter and, above all, considerably distraught if their search for general laws were crowned with total success".

And yet, Hirschman goes on, social scientists have developed a tendency to reduce the world to general laws...

This chapter has presented the analytical framework through which explanations and understandings of governance activities and tools can be analyzed. It rejects means to ends, and even ends broadly, as though the world operates in neatly operating poles and human social, political and economic activity ever begins and stops. It is premised on a theorizing of how governance, and change, happens, in somewhat general terms, but with much greater specificity than is found in most of the literature analyzing these

movements. A radical act of resistance may not transform the world, but it may open a door towards doing so, or close a door that thwarts change. At the same time, one small normative change can set the path for broader policy change. Building awareness on an issue can set the path for broader policy change. Taken in isolation, these might seem too small to be significant. But the field of Global Governance and theories on the processes underpinning change in practice situate small changes as part of a much bigger whole. An alternative market such as fair trade may not reach everyone or fix everything, but it may provide an opportunity for vulnerable populations while also generating increased awareness and different norms on trade (Burnett and Murphy 2014). The contributions of each small change are not ends, but new starting points, part of a dynamic process of creating and seizing opportunities, on which future change can be built. This is perhaps suitably analogous to rock climbing, where the climber has to locate spaces to place their feet and hands to bring themselves to their destined heights. This is neither an instantaneous process, nor is it always linear. There are times when the climber has to descend or move laterally in search of a place to grab hold in order to eventually meet their goal. But each step matters in getting from point A to point B. It is argued here that the same is true with the process of change.

This analytical framework is put forward cautiously. It is not to build a false optimism nor allow for complacency. Pete Seeger, less famously, also stated “the real revolution will come when people realise the danger we’re in...I’m not as optimistic as people think I am. I think we have a 50-50 chance of there being a human race in 100 years” (Helmore 2007). The point here is to endorse a balance of optimism with realism. I call this “critical optimism”. It is a cautious optimism for contesting injustice that still draws on Robert W. Cox’s “critical theory” to acknowledge and challenge institutional and social power relations. But it does not take the perspective that if you do not confront the entire system that you are ignoring its sway or being absorbed by it, as Cox supposes in the concomitant, and problematized, “problem solving” theory. This framework recognizes the significance of targeting the root and structural

causes of the problems social movements seek to change. But more moderate efforts at change and contestation must not be dismissed nor overgeneralized as part of hegemony. That is, discontinuity with, and not just counter-, hegemony matters to hegemonic change. This framework does not situate change on one of two poles. Nor does it situate change along a continuum. Change happens on a messy map that is perhaps most analogous to a constellation, that does not fit neatly on a simple straight line, but in the mess of dynamic, interacting social and political activities that are characteristic of humanity and our day to day lives.

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PART III

Reconsidering Albert Hirschman

This is of course a key subject of our Conference on Hirschman Legacy. It embodies our effort of understanding better, of continuity of our initiative, of coming together of intellectuals and operatives around Albert. But also of questioning, of deepening various aspects of Hirschman work in the light of our time and problems, so that his and our messages can be refurbished and restated. It is a never-ending exercise of freedom and on keeping people connected that – we think - Albert would have appreciated.

Christian Fleck

The Context of Otto Albert's Politicization

Albert O. Hirschman's own writings and Jeremy Adelman's fine biography provide a reasonably detailed picture about the Berlin years of Hirschman (for short: AOH). However, both sources sometimes lack contextual information, which one needs to understand particular developments and moves of AOH, his friends and contemporaries. For instance, in Adelman's chapter 2, which discusses the political coming of age of AOH the reader encounters only "Socialists" and "Communists" and thus might find it hard to apply this distinction to some of the factional tensions of these years. The present paper tries to round up what we do know about the politicization, or political socialization, of this young man of upper middle class background in troubling times, recently represented successfully in "Babylon Berlin", a German TV production where a young ambitious woman of working class background attempts a career beyond the narrow means of her family and her friends. AOH's Berlin was different from Charlotte Ritter's but one can find some resemblance in a recently republished novel by Gabriele Tergit, *Effingers*.

AOH himself contributed several anecdotes concerning his upbringing, one highly entertaining about an early disagreement with his father when he interrogated him about his convictions. Carl Hirschmann declared to his son that he lacks any such, followed by AOH's running down the apartment to the room of his sisters and informing them "Vati hat keine Weltanschauung" (Hirschman 1995, 111). AOH was about twelve or thirteen when this episode happened, and he lived half a decade longer in his hometown Berlin. He left it at the age of eighteen in April 1933. From today's perspective, it sounds surprising that someone that young was able to form

a stable *Weltanschauung* but we do have enough comparable cases at hand to see AOH not as singular or unique. (Bendix 1986, Gay 1998, Hobsbawm 2003, Kurzweil 2007).

In the interwar years, Berlin's nearly 4 million inhabitants made it the fifth largest city of the world. It was at the same time the capital of the so-called Weimar Republic, founded in 1918 as the first republican democracy in Germany, and the Free State of Prussia, the democratic successor of the Kingdom of Prussia, which ended also in 1918. The Weimar Republic, officially named German Reich, was a federal state, dominated by Prussia which covered five eighths of its territory. Tensions between Prussia and the Reich were endemic during all these years. Up to 1932 the Prussian Government consisted of a coalition of Social Democrats (SPD) (29 % of the votes in 1928), the Catholic *Zentrum* (15 %) and the liberal Democratic Party (DDP) (5%). This coalition lost its majority in the *Landtag* (i.e. the state assembly) elections in April 1932, when the Nazi Party (NSDAP) got 36 % and the Communist Party (KPD) remained at its previous level of 12 % of the votes. Shortly afterwards the Federal Government abandoned the provisional government of the former coalition. This so-called *Preußenschlag*, Prussian coup, was a major step in the direction towards dictatorship.

During the whole time of the Weimar Republic the Federal Government, the *Reichsregierung*, was much less stable than the Prussian government. Only during short periods, a stable majority in parliament backed it. Four elections in the years between 1920 and 1930 resulted in twelve governments, rarely surviving more than a year. In the 1928 election, more than a dozen parties won seats in the *Reichstag*. On the left: 153 seats for the Social Democrats and 54 for the Communists; in the center: 25 seats for DDP, 61 for the *Zentrum* and 12 more for two more parties; and on the right: 73 seats for the *Deutschnationale Volkspartei* (DNVP) and 12 for the NSDAP. The coming years brought the rise of the Nazi Party to gain the largest number of votes and seats in the summer of 1932, even more than the two parties on the left had together (the Social Democrats reached a little more than 20% of the votes and the Communists 14 % in this election). As a consequence of the deep division between the

political parties, no stable government could be formed during the remaining months of democratic rule. On 30 January 1933, *Reichspräsident* Paul Hindenburg handed over power to the Nazis by appointing Adolf Hitler *Reichskanzler*. The elections on 5 March 1933 happened under conditions of street terror by the storm troopers, incarceration of members of the parliament and political opponents of the Nazis. This resulted in 44 % of the votes going to the Nazi Party, compared with 18 % for the Social Democrats, 14 % for the *Zentrum* and 12 % for the KPD; besides being anything than a free and equal election, there was still an anti-Nazi majority.

The lack of compromise between the democratic parties was further exacerbated by the deep divide on the left, between the Social Democrats and the Communists. The German Communist Party was founded at the turn of the year 1918/19 in Berlin when former members of the Social Democratic Party (and a split off called USPD for Independent SPD) followed the Russian Bolsheviks. From the earliest days onwards, the relationship between the two parties on the left was marked by hostility and fighting. Communist attempts to seize power through revolutionary measures received fierce responses by exponents of the new government, where Social Democrats were in charge of the police and military forces. The murder of the most prominent leaders of the Communist Party, Rosa Luxemburg und Karl Liebknecht, in January 1918, increased these tensions. When the revolution finally failed, the Communists vilified the Social Democrats as traitors. After the victory of the Bolsheviks in Russia, the establishment of the Union of Socialist Soviet Republics and the accompanied creation of the Communist International in March 1919 the Communist Party of Germany (KPD) transformed officially into a section of what later became known as the Comintern. This leveled the way for the "Bolshevization" of the KPD which adopted any change of direction in Soviet Union's leading circles immediately.

On top of this development, the Comintern decided in 1928 that the end of capitalism is impending but the strongest foe of a

victory of the revolution is Social Democracy and therefore true revolutionaries should fight against these “social fascists”. The KPD followed the instructions from Moscow like an assiduous disciple.

On the other hand, the SPD of the interwar years was lacking attractive intellectual leaders of international standing. Their successful politicians were no longer interested in theoretical debates as in the decades before, and the few thinkers of social democratic conviction did not receive much resonance for their statements. The famous weekly *Die Neue Zeit* shut down in 1923, but had lost its uniqueness at least when Karl Kautsky was kicked out as its editor in 1917. A successor journal under the title *Die Gesellschaft* was edited from 1924 to 1933 by the former Austro-Marxist Rudolf Hilferding, who had moved to Germany at the end of WWI. This monthly did not reach a larger audience, even though some later well-known social scientists contributed to it (Ernst Fraenkel, Theodor Geiger, Otto Kirchheimer, Hans Speier and others).¹⁶⁷ In coincidence with the decline in intellectual profile, the SPD in the early decades of the 20th century abandoned its advantage as a strong anti-authoritarian movement when its members of the *Reichstag* voted in favor of war credits in 1914 and joined the anti-revolutionary forces at the end of WWI. To reach the wrong compromises could be as damaging as fighting compromises as such. The fizzling out of the German Social Democratic Party started during WWI, independent of the developments in the Russian Social Democratic Party but with some parallels.

After 1917 the Russian Revolution, its promoters and followers took center stage for all those longing for an anti-capitalist future. The Marxist debates of these decades were shaped by intellectuals who were members or former members of the CP, belonged to front organizations of the communist world movement or sympathized with the idealized Lenin of the Petrograd coup d'état, at least. Perry Anderson labeled the contributions of Georg Lukács,

¹⁶⁷ See as further proof of the decline of social democratic contributions to Marxism that Leszek Kolakowski did not mention one German Social Democrat for the years after WWI in his magisterial three volume *Main Currents of Marxism* 1978.

Karl Korsch, Antonio Gramsci, and others as Western Marxism (1976), and distinguished it (as Kolakowski 1978 did it around the same time) from the official doctrine of Marxism-Leninism (plus sometimes: -Stalinism). As Alexandre Dumas knew, nothing succeeds like success but also changing social structures made Communism attractive for the younger members of the middle classes. Their families' material bases had been destroyed by postwar inflation, their confidence into their own future died out during their military service in the war. The declining authority of traditional religious institutions did not erase a longing for revelation which made it relatively easy for a new millennial movement to find followers. Therefore it does not come as a surprise that authors looking back at their communist past very often use religious terms to explain to themselves and their audience why they became ardent followers of communism.¹⁶⁸

On the fringes of both parties of the labor movement groups of dissidents appeared on the scenery and formed their own organizations, sometimes boastfully labeled as parties. The ban of Leon Trotsky, followed by his expulsion from the Soviet Union was the beginning of purge measures in all CPs around the world, culminating some years later in the Great Purge, the show trials in Moscow and the execution of nearly all of Lenin's comrades. The German CP lost members on both sides or ostracized them, whereas the Social Democrats remained relatively stable and lost only small groups on its left. One of these groups started from its very beginning in the late 1920s as a clandestine circle of activists, trying to overcome the split of the labor movement into separate parties. Initially called "Leninist Organisation", later shortened to "Organisation" or abbreviated to "Org", the group became known by the title of its manifest published immediately after Hitler's inthronization "Neu Beginnen". The founders of this group anticipated the victory of the Far Right very early and consequently the end of the opportunities for

¹⁶⁸ See the classic collection *The God That Failed* edited by Richard Crossman 1949. A recent interpretation of the rise of Russian Communism as a kind of religion movement is Slezkine 2017.

undisturbed political action of leftists. Therefore, they prepared for survival as an underground movement, following the lead of the Bolsheviks in Russia after the defeat of the revolution in 1905. Another particularity was the attempt to expand its ideological influence by entering the existing organizations on the left, or actively recruiting members of these parties for the clandestine network. The activists had the vision to (re-)unite the forces of the left in one renewed party.

Beside the clairvoyance with regard to the strength of the Nazi movement and the need for leftist groups to be prepared in case of the Nazi take-over of power, "Neu Beginnen" shared some of the unchallenged convictions of the left in the interwar years. Above all, leftists expected that the turn to socialism would happen within a short period of time, and solve if not all problems then at least make it obsolete to consider the actual conditions of life: Socialism was just around the corner, let's move on. Whether this change would be the result of winning the majority in elections or through a revolution was the subject of heated debates but neither position elaborated in detail how this should be done and what might be the next steps afterwards. Those in favor of a parliamentary path did not offer an answer about the probability of winning a new ruling majority at the next election and the revolutionaries were not willing to disclose how the switch into their brave new world should be executed. Romanticism was accompanied by a view of the economic system which saw it as a huge machinery following its own "iron" rules, without any chance to intervene or change the rules. Capitalism was an economic system whose "anatomy" has been laid bare by Karl Marx, but could not be turned into another direction. According to him and his followers the laws of capitalist accumulation and exploitation will continue until the profit decreases to a point when capitalists can no longer sustain themselves. The Great Depression from 1929 was seen as the last crisis before the final breakdown of the capitalist system. This secularist millenarianism affected even the reformist wing of the Social Democrats who reacted

passively towards the crisis.¹⁶⁹ Consequently, the unemployed entrusted their votes to the Nazi party.

Beyond the consensual belief in the laws of historical development the debates within the left concerned what has been labeled “tactical questions”, such as whether the policies of the Soviet leaders against the kulaks were appropriate to improve industrialization, whether “democratic centralism” and the one-party-system were legitimate measures to reach socialism. Comparable differences in tactics divided the leftist organization after the Nazis seized power. Was the Hitler government just a short interlude or would it last for longer? Should one call members and supporters for mass rallies, or which measure of resistance seemed to be appropriate? Finally people on the left followed developments in the USSR closely and debated them heatedly; exiled Mensheviks transgressed the language barriers and Comintern officials announced their statements regularly in German, and negotiated informally with potential new recruits or party switchers.

A persuasive memoir of the mood of these days offers one former “Neu Beginnen” activist, Gerhard Bry, in his autobiography, written in the 1970s when its author was in his sixties and a retired economist expert at the National Bureau of Economic Research. Looking back at the 1930s he remembers the following:

“The war will find the Western powers and the USSR allied against the Nazis and Fascists. Although their different ideologies and goals might lead to friction, the fight against the common enemy will bring them closer to each other. The allies will be ultimately victorious. When this is recognized inside Germany, and the regime is weakened by external defeat, the workers and soldiers will rise in revolt. They will be supported by large parts of the middle class and perhaps of the bourgeoisie. The revolution will lead to freedom and re-establishment of democracy. The progressive political elements will see to it that this revolution does not only smash

¹⁶⁹ Mudge 2015 (expanded in 2018) offers a sound view on this for the SPD of the 1930s, Hilferding in particular.

the Nazi regime but also the old economic, military, and administrative power structure. Such radical conversion will not only prevent the recurrence of Naziism [!] but also lead towards democratic socialism". (Bry 1979, 224-225).

Another "Neu Beginnen" activist was Heinrich (later: Henry) Ehrmann¹⁷⁰ who befriended the young AOH. Ehrmann, seven years older than Otto Albert, became a sort of political mentor, advising the younger what to read from the Marxist literature and which meetings to attend. He even might have nudged AOH to become a member of the *Sozialistische Arbeiterjugend* (SAJ), the youth organization of the Social Democrats, standing somewhat to the left of the "mother" party. Joining an organization with official connections to the established Social Democratic Party was definitely less radical than becoming a communist but on the other hand it demonstrates a degree of independence from the zeitgeist. The environment of the SAJ had the advantage of getting in touch with a thought collective that offered more diverse and unorthodox ideas than the narrow-mindedness of both the SPD and the KPD rank and file. Berlin's SAJ opposed the SPD and turned for support to exponents of the party in neighboring Austria, where the Social Democrats remained the leading party on the left by dwarfing the Communists with their radical rhetoric. Austro-Marxists contributed to oppositional publications on the left of SPD and regularly gave speeches in Berlin.

AOH remembered that he attended one of the speeches given by Otto Bauer, which directed his interest to political economy and Nikolai Kondratieff's conception of long waves of economic ups and downs caused by crucial innovations like the steam machine, railways, or electrical engineering.¹⁷¹

¹⁷⁰ Heinrich (Henry) Ehrmann 1908-94, incarcerated in 1933, went into exile to Paris in 1934, and in 1940 to the USA where he held professorships in political science in Colorado and Dartmouth.

¹⁷¹ Bauer published in 1931 the first volume of his *Kapitalismus und Sozialismus nach dem Weltkrieg*, subtitled *Rationalisierung und Fehlrationalisierung*. Only a handwritten manuscript of the 2nd volume survived. It contains extensive references to

Summarizing the years of the politicization of AOH I'd like to emphasize the following aspects. By entering the milieu of "Neu Beginnen" the adolescent got the chance to encounter a wide spectrum of opinions, less narrow-minded and dogmatic than both the old SPD and the KPD environments. The insecurity on the side of the "Neu Beginnen" members about the near future and their own role in it enlarged the role set of the young man. Attending a talk of one of the most persuasive and rhetorically skillful Marxists of the interwar years introduced young AOH to economics, not as a boring academic study, but as a thrilling attempt to come to terms with present developments. It is revealing that a remarkable group of later social scientists, most of them some years older than AOH, belonged to the same micro-environment. Just to mention the historian Francis Carsten, sociologist Reinhard Bendix, political scientists Ossip Flechtheim and Richard Löwenthal, and the scientist Robert Havemann who survived inside Germany and later became the leading dissident in the GDR.¹⁷²

When AOH decided in April 1933 to leave Berlin for Paris, this "exit" was more a personal one than one approved by his political friends of "Neu Beginnen" background. They still intended to prepare for the underground fight and continued to do so relatively successfully for about three more years. Only later-on "Neu Beginnen" stopped their activities inside Nazi Germany and became another of the groups in exile. In a preface for the German edition of *Exit, Voice, and Loyalty* AOH considers that the "actual origin" of the basic idea of this book might have been a "carefully suppressed guilt" (Hirschman 1974, vii).

Another feature of AOH's persona, the propensity to self-subversion, has not been related by him or others to particular experiences made early in life. It might have been a trait of his person-

Kondratieff. His first paper "Die langen Wellen der Konjunktur" was published in *Archiv für Sozialwissenschaften und Sozialpolitik* in 1926.

¹⁷² See Bry 1979, Löwenthal 1985. Havemann's biography is discussed in Florath 2016.

ality but it seems to me that the political milieu described incompletely in this paper might have contributed to this leaning. Different to the two major political milieus on the left, the Social Democrats and the Communists, the tiny groups in between very early on developed a habitus of skepticism towards conventional wisdom, and a lack of orthodoxy in theoretical debates, both moments the reader encounters in AOH's writings. This attitude made is also possible to judge one owns past different to others. AOH neither voted for conversion as the authors of *The God that failed* (Crossman 1949) nor for denial, as e.g. his sometime co-worker Alexander Gerschenkron (Dawidoff 2002) but thought a second time about prior experiences to reach a more appropriate answer the second time.

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Fonna Forman

Hirschman and the Intermediary

My great-grandfather's legacy

My own possibilist imaginaries were kindled by my Great-Grandfather Abe Kaiman. Abe was a teenage gun-runner who smuggled weapons into Kolno, Poland a small town near the Soviet border, which became best known for the tragic successes of the *eni-satzgruppen* there over several days in July 1941. When Abe left Kolno for the US in 1921, 14 years old with his 13 year old bride Bertha, my great-grandmother, they made their way to Milwaukee, Wisconsin where I was born and raised.

Why Milwaukee? Because in 1910 the city had elected America's first socialist mayor, bolstered by rust-belt labor, and was committed to an agenda they called "public enterprise." For the next half-century Milwaukee embraced the vision of a "Cooperative Commonwealth" rooted in education and reform, and helped to anchor a tradition of Wisconsin progressivism that would come to inspire New Deal thinking on the national stage. As a young man, my great-grandfather became active in *Der Arbeiter Ring* (the Jewish Workmen's Circle) an immigrant labor movement; and he later opened a small shop that sold tires and motor oil; but family lore has it that he was very bad at business, and that the shop was little more than a front for the meetings that convened over many decades in its back rooms.

When Grandpa Abe died in 1973, I was five years old; and became beneficiary of his two prized possessions, one quite accidentally and one deliberately: a photo of him taken in 1926 at the funeral of Eugene Debs (wearing Debs' overcoat!) – a photo I liked quite innocently and which no one else in the family seemed to want; and a small *diamond ring* that he bought for my great-grandmother years later, after saving his pennies in this new American reality. Debs and the diamond, together, have always struck me as

frictional halves of my great-grandfather's life... but they really weren't. They are emblematic of the Jewish experience in America, and their unique place in the history of American socialism and capitalism. By the end of Abe's life, second and third generation Jews in America were rapidly entering the middle class, the Workmen's Circle surrendered its socialist commitments for liberal democratic ones and took on less economic, and more overtly cultural and political agendas. My great-grandfather found a *better life in America* than the Europe he escaped, no doubt. And he was determined that his children would study, and prosper, and have an easier path. *And they have.*

But I remember him worrying that other immigrant groups in America were not finding the successes that his children did. To this day, this noble concern lives on in the Jewish Workmen's Circle: they remain committed to the ideals of a "diverse and inclusive society" and "the dignity and economic rights of immigrants."

Today Milwaukee has remained a relatively progressive place, less because of labor and more because of its racial diversity; but the state of Wisconsin at large has taken a dramatic populist turn to the right, becoming a breeding ground for an extreme brand of Tea-Party conservatism that elected reactionaries and racists to state and national offices, including Donald Trump in 2016. It has been painful to watch Wisconsin's history of progressive populism give way to a right-wing variant of populism, and it raises important questions about whether populism is ideologically fixed, or rather, as I think Hirschman might have described it, as a collective habit, that can be triggered in new circumstances, and filled with shifting content.

But more excruciating is to witness the same shifting involvements in my own family, Abe's descendants, and other Midwestern American Jewish families like us. They too have moved to the right, some of it motivated by a determined Zionism that is drawn to hawkish American foreign policy; but most of it, I think, at bottom, is because of new-found wealth and a desire to protect it. In this light, the public sensibilities of Abe Kaiman's generation are

shelved as a European relic, something to shed like an embarrassing coat that betrays one's poverty and marginality.

My discovery of Smith and Hirschman

The photo stays with me as I move through life; and because of Abe I've always felt connected with public activism. As a graduate student at the University of Chicago in the 90s, this manifested as a deep curiosity about Adam Smith, and how to reconcile private with public and ethical dimensions of his thought. It was in this context that I first encountered Albert Hirschman, through the *Passions and the Interests*, and came to discover that much of Smith's thought had gone missing over two-and-a-half centuries in the ideological battles over capitalism. Liberals and Marxists alike had reduced his thought to a set of parsimonious clichés: economic man, rational actors, small states, trickle-down economics, and more recently neo-liberalism, privatization, austerity and little else. But Hirschman recognized Smith's complexity, the way he navigated tensions between economics and ethics, between self and society, between instrumental and non-instrumental ways of thinking, between consumers and citizens, between private and public benefits, and the role of the state in balancing them. Smith always located himself somewhere provisionally in the middle of these tensions – a realist in this sense, who resisted what he called the “dialectical” poles of abstract, systematic reasoning which typically failed to take humans as they are.. I imagine Hirschman saw much of himself in Smith's equipoise.

My curiosity about all this mushroomed into decades of research devoted to recuperating Smith's thought in support of a more public agenda. Smith in fact thought deeply about public well being, public goods, public infrastructure and public culture in the newly industrializing cities of Europe. He also thought deeply about the role government would need to play in balancing public and private considerations -- a dimension of Smith's thought conveniently sidelined by people who like to wear Adam Smith neckties, who say things like *Inequality Doesn't Matter*.

Much of my work on these themes has focused on the way Smith has been appropriated in strategies of Latin American development. I have come to believe there is no more fertile terrain to investigate Smith's divergent private and public legacies than in 20th century Latin America. Hirschman is my constant companion on this journey. I spoke at length about this in the inaugural conference on Albert Hirschman in Boston, so I won't explore that here for now.

Hirschman on grassroots activism

But I would like to say a few words about Hirschman's reflections on Latin American grassroots activism, where I believe the seeds of his passion for the possible took root. For Hirschman the possible always begins with comprehension of the real. It is not an abstract, speculative endeavor, or a systematizing activity designed to achieve predictive outcomes, to be measured against the formal arbiters of economic and human progress. Possibilism is an empirically-grounded activity of reforming what is into what might be. I am interested here in thinking about Hirschman's view of the possible as it emerges from his investigation of grassroots development projects in Latin America in the 70s and 80s, documented in his slim and extremely engaging book, *Getting Ahead Collectively*¹⁷³.

In 1952 Hirschman was appointed by the IBRD as an economic advisor to Colombia's National Planning Council. He was a real-world development newbie, and it was formative for him to work with a team of economic experts designing policy for a country struggling to emerge from poverty. Of course it didn't take long before he became exasperated with the logics of grand development planning, and its obsession with balanced growth, and probabilistic linear thinking, a resistance that would deepen and sharpen in the years to come

¹⁷³ Hirschman, A.O. (1984), *Getting Ahead Collectively. Grassroots Experiences in Latin America*, New York: Pergamon Press

He wanted to unshackle the future from stultifying paradigms, to understand what's possible not only probable, and this required a very different approach. So he quit his bank job and spent the next years traveling across Colombia as a private consultant, determined to understand how development there actually worked, how problems were solved in context by real people. As a foreigner, he believed there was no other way to understand but to go, and see, and listen.

By the light of what he would later call "an empirical lantern", he set out to observe the scrappy, incremental, bottom-up reform projects, animated by the sweat, ingenuity and creative collective adaptability of people navigating conditions of scarcity. As a Smithian, Hirschman was drawn to unintended, spontaneous, and unplanned phenomena; inspired by unexpected genius – all the interaction effects that were lost on the mid-century planner. His subversion of balanced growth, perhaps his greatest heresy ever, was incubated during this period of field work. It was on the ground that he discovered that disequilibria and tension exert healthy pressures on human ingenuity, and trigger latent capacities into motion.

Years later, in 1984 Hirschman would publish *Getting Ahead Collectively*, written in the days immediately following a 14-week immersion in grassroots development projects across Latin America, all of which had received funding from the Inter-American Foundation. The title *Getting Ahead Collectively* – note -- is an extrapolation from Adam Smith's famous line – "the desire of bettering our condition comes with us from the womb and never leaves us til we go into the grave" – but it is given a distinctively collectivist bend by Hirschman! He saw the book more as a journalistic than an academic exercise, but his case studies are propelled by familiar themes: inverted sequences, the motivations for collective action, and the intangible benefits of cooperation, like a heightened sense of collective capacity and possibility. These intangible benefits were closely related to a ubiquitous grassroots phenomenon he observed, which he called the "principle of conservation and mutation of social energy". This referred to positive social experience that remains

latent, in storage, even after collective failure, that can be reawakened in new circumstances.

Finally, Hirschman spent a lot of time reflecting on *intermediary organizations*, people and groups who take it upon themselves to do what he called “social promotion” among the poor. Typically young professionals – lawyers, economists, engineers, sociologists, social workers, architects, agronomists, priests etc. The phenomenon had exploded across the continent in the 70s and 80s among restless, educated middle-class youth who wanted reform, were increasingly cognizant of human rights, increasingly intolerant of the inequality around them, but resisted the current options of either stultifying professional careers that tended to bolster the status quo, or guerilla-fighting from the outside.

Hirschman recognized that grassroots activism tends to accelerate at moments of public withdrawal, when the private ascends, filling the vacuum left by the decay of other political institutions. And while he saw this as a rewarding avenue for young people, that would inevitably produce more caring and less private social relations more broadly, he was nevertheless conflicted about how these organizations were operating, and especially the assumptions they often brought with them into the field. This for me was an important lesson of *Getting Ahead Collectively*, given the sort of work that I do.

First of all, he didn't like the word intermediate, or broker, or facilitator to describe what these organizations do, since they all suggest some kind of opportunism, intended or not... that one profits through one's work promoting grassroots development. He often described them as naïve do-gooders, arriving really the same way the economists did, well-intentioned, and with blueprints for how to improve people's lives. Like the Visiting Economists Syndrome, they would descend with a copy of Paulo Freire under their arm, ready to “spread literacy” like the Gospel without much regard to people they wanted to save, the particularities of their challenges, or their priorities which may be something else entirely. Maybe desire for education would be a consequence rather than the cause of development, a different sequence, Hirschman suggested. He did not

hide his skepticism about this. His narrative is sprinkled with social promotion organizations that emerge orthogonally, only rarely organically... and *then* came the architects and engineers; and *then* came the social scientists and anthropologists... who usually mucked things up. So he really worried that charitable impulses can misfire when they lack local knowledge gained through the active participation of the grassroots actors themselves. He was preoccupied with this challenge long before it became fashionable in academic discourse to worry about development imperialism and epistemic justice.

And yet, though he didn't like the word "intermediary", he clearly valued the connective role that social promotion could play in the future, as a bridge to funding agencies, as a bridge to planners and other agencies for whom these sites and their practices were so often below the radar. He also recognized that social promotion can bring certain technical knowledge to help struggling communities make better decisions, to improve their condition from the bottom-up. The point though is that he did not envisage this as a one-way, top-down enterprise, of experts filling empty vessels, but rather a horizontal meeting of knowledges and reciprocal learning. When done well, intermediary processes and agencies can be helpful in illuminating the possible, and bringing the real and the possible closer together.

Andrés M. Guiot-Isaac¹⁷⁴

Dependency Theory Reassessed: Albert Hirschman on the Search for the Possible¹⁷⁵

Introduction

In the 50th anniversary of *Dependencia y Desarrollo*, the ground-breaking essay published by Fernando Henrique Cardoso and Enzo Faletto in Spanish in 1969, it is increasingly rare to find new elaborations about the relation between dependency and development in the social sciences literature, let alone the concept dependency itself. In Anglo-American academia, the concept had its heyday in the 1970s, but its usage declined steadily thereafter.¹⁷⁶ This conceptual decay should not obscure the influence that dependency analysis had on the evolution of the social sciences in the second half of the twentieth century. It contributed to shaping longstanding research agendas, such as the political economy of development and of the state.¹⁷⁷ It provided a devastating critique to economic reductionism and modernization theories from the so-

¹⁷⁴ I receive financial support for my doctoral studies from ICETEX through the scholarship program "Pasaporte a la Ciencia".

¹⁷⁵ A similar draft of this article was presented in the conference *50 years of Dependency and Development: Global Perspectives* in November 2019 at St. Antony's College, University of Oxford.

¹⁷⁶ A quick search in Google Books Ngram viewer reveals that the use in books published in English of the concepts "dependency" and "development" rose in the mid-1960s and reached its peak in 1980.

¹⁷⁷ See Jeremy Adelman and Margarita Fajardo, "Between Capitalism and Democracy: A Study in the Political Economy of Ideas in Latin America, 1968-1980," *Latin American Research Review* 51. no. 3 (2016): 3-22.

called peripheries,¹⁷⁸ which opened new avenues for other types of post-colonial studies.¹⁷⁹ It propelled scholars from the know-called Global South to the centres of academic production in the northern hemisphere.¹⁸⁰ Thanks to its diffusion in academic textbooks and curricula, it still has a formative influence on new generations of social scientists in different disciplines.¹⁸¹

Nevertheless, dependency did not become a Kuhnian paradigm for the social sciences, as a scholar from the University of Glasgow admonished in 1975.¹⁸² Since its inception, the definition of the field was a contested arena. During the 1970s, the internationalization and popularization of dependency as a theory of development in the Anglo-American social sciences coincided with its reassessment. While scholars observed how the concept dependency gained currency in the English-speaking world, they disagreed about its meaning, its referent, and its field of application. Researchers organized workshops and conference panels in the United States and the United Kingdom, and journals editors dedicated special issues to address these questions. In Riverside, California, Latin Americanists founded in 1974 the Journal *Latin American Perspectives* and devoted the first issue to “resolve some of the difficulties and confusions in dependency theory.” Across the Atlantic, development economists and economic historians organized that year a workshop on dependency in Oxford’s Latin American Center at St. Antony’s College. In Riverside, the editor of *Latin American Perspectives* tried to

¹⁷⁸ Cristóbal Kay, *Latin American Theories of Development and Underdevelopment* (London: Routledge, 1989), 194–195.

¹⁷⁹ Ramón Grosfoguel, “Developmentalism, Modernity, and Dependency Theory in Latin America,” *Nepantla: Views from South* 1, no. 2 (2000): 347–74.

¹⁸⁰ In particular, Fernando Henrique Cardoso and Osvaldo Sunkel. About the former see Fernando Henrique Cardoso, *The Accidental President of Brazil: A Memoir* (New York: Public Affairs, 2006).

¹⁸¹ Ingrid Harvold Kvangraven et al., eds., *Dialogues on Development Volume 1: Dependency* (Institute for New Economic Thinking, 2019).

¹⁸² Philip J O’Brien, “A Critique of Latin American Theories of Dependency,” Occasional Papers (University of Glasgow. Institute of Latin American Studies); No. 12 (Glasgow: Institute of Latin American Studies, 1974), 2.

synthetize the literature under an overarching theory of dependency.¹⁸³ In Oxford, Gabriel Palma drew methodological distinctions between dependency scholars. In a categorization that became a common place thereafter,¹⁸⁴ he distinguished neo-Marxist and neo-imperialist approaches from those informed by Cepal's structuralism. Even within the so-called structuralist branch, there was no consensus whether dependency referred to a theory of underdevelopment, or to a situation of associated development.¹⁸⁵ Other scholars, like Sanjaya Lall, questioned that, as a category, dependency had any analytical value for studying underdevelopment.¹⁸⁶

In this intellectual context the Latin American Studies Association (LASA) hosted the panel *Dependency Theory Reassessed* in its Sixth Annual Meeting in Atlanta in 1976. Albert O. Hirschman was appointed to chair the session. The 1970s was also a period of reassessment in Hirschman's intellectual life. In 1974 he left the Faculty of Economics at Harvard for a permanent position in the Institute of Advance Studies in Princeton, only months after he visited Chile in the prelude of Pinochet's coup.¹⁸⁷ The perceived failure of development economics to deliver its expectations, and its unintentional political consequences drove him to adopt a self-critical approach towards his own contributions to the field. The articles he wrote between *A Bias for Hope* (1971) and *The Passions and the Interests* (1977) reveal a constant effort to problematize explicitly the connections

¹⁸³ Ronald H Chilcote, "Dependency: A Critical Synthesis of the Literature," *Latin American Perspectives* 1, no. 1 (1974):4-29.

¹⁸⁴ Kay, C. *Latin American Theories of Development and Underdevelopment*.

¹⁸⁵ Gabriel Palma, "Dependency: A Formal Theory of Underdevelopment or a Methodology for the Analysis of Concrete Situations of Underdevelopment?," *World Development* 6, no. 7 (1978): 881-924.

¹⁸⁶ Sanjaya Lall, "Is 'Dependence' a Useful Concept in Analysing Underdevelopment?," *World Development* 3, no. 11 (1975): 799.

¹⁸⁷ Jeremy Adelman, *Worldly Philosopher: The Odyssey of Albert O. Hirschman* (Princeton: Princeton University Press, 2013), 333.

between economic and political change.¹⁸⁸ In this period of self-subversion, Hirschman took advantage of his position in the LASA panel to introduce some elements for a reassessment of dependency theory. He elaborated these ideas in an article he published two years later in a special issue about dependency of the journal *International Organization*.¹⁸⁹

This article revisits Hirschman reassessment of dependency theory against the background of the constitution of dependency as a scientific field in the Anglo-American academia in the 1970s, and of his self-critical reflections about the interrelation between economic and political change in the 1970s. In a nutshell, Hirschman rejected the necessary connection between trade asymmetries and political domination which pervaded, according to him, the writings of dependency theorists of the structuralist tradition. He criticised them for neglecting the search for built-in tendencies in asymmetrical international relations that opened avenues for self-determination. His reassessment was meta-theoretical, it problematized the philosophy of change underlying dependency analysis.

This article is divided in two sections. The first section will focus on the 1976 panel at LASA, to explore the genealogy and projection of dependency analysis from a Hirschmanian lens, in the context the introduction and popularization of dependency analysis in Anglo-American social sciences in the mid-1970s. The second section will analyse Hirschman's main argument against dependency analysis in the article he published in *International Organization* in 1978, and its underlying claims about the suitability of dependency as a model for the social sciences.

¹⁸⁸ Andrés M. Guiot-Isaac, "The Politics of Economic Development: Latin America through the Eyes of Albert O. Hirschman," in *Ideas in the History of Economic Development*, ed. Estrella Trincado, Andrés Lazzarini, and Denis Melnik (London: Routledge, 2020); Ludovic Frobort and Cyrille Ferranton, *L'Enquête Inachevée: Introduction à l'économie Politique d'Albert O. Hirschman* (Presses universitaires de France, 2003).

¹⁸⁹ I will use archival sources from LASA conference and the special issue of *International Organization* to trace how Hirschman's ideas about dependency theory circulated from the preparation of the panel in 1975 to the publication of the paper in 1978.

Dependency Theory Reassessed

In March 1976, Albert O. Hirschman chaired the panel *Dependency Theory Reassessed* in the Sixth Meeting of LASA. The subject of the panel was not his choice. When the members of the Program Committee offered him the position in the Summer of 1975, they had already decided that the reassessment of dependency analysis would be the central theme of the conference's main event.¹⁹⁰ In hindsight, the choice was natural, since the value of dependency analysis was a contested issue in Anglo-American social sciences in the mid-1970s, and leading Latin American scholars were in the centre of the debate. The senior professor of the Institute of Advanced Studies in Princeton, however, was not an obvious choice for chairing the panel. Although he was a renowned Latin Americanist in the United States,¹⁹¹ he had never published a piece about dependency theory. Despite this, he accepted and issued invitations to Tom Weisskops, Theodore Moran, Fernando Henrique Cardoso, Osvaldo Sunkel to present papers on the subject.¹⁹² As Hirschman informed Sunkel in his invitation letter, this was "the 'star' panel" of the conference, "without any competing event taking place at the same time."¹⁹³ Around 250 people attended the panel that closed the second day of

¹⁹⁰ Latin American Studies Association, "Sixth National Meeting Program Committee Report and Call for Participants," *Newsletter* VI, no. 2 (1975): 1-2.

¹⁹¹ It could be argued that, although working in economics departments, Hirschman debuted his academic career in the United States as a Latin Americanist. He wrote the *Strategy of Economic Development* after his experience working as foreign adviser in Colombia. *Journeys Towards Progress* (1963) and the articles reprinted in *A Bias for Hope* (1970) focused on Latin America. The Rockefeller and Ford Foundation sought his advice for evaluating projects in the region. See Adelman, *Worldly Philosopher: The Odyssey of Albert O. Hirschman*, in particular ch. 11-12.

¹⁹² He also invited Fernando Fajnzylber (CIDE, Mexico), and accepted the proposal of Robert Packenham (Stanford University) to comment on the papers. Latin American Studies Association, "Final Report, Program Committee, Sixth National Meeting," *Newsletter* VII, no. 3 (1976): 57.

¹⁹³ Hirschman to Sunkel, October 2 1975, box 10, folder 13, Albert O. Hirschman Papers, Seeley G. Mudd Manuscript Library, Princeton University, Princeton, NJ (AOHP)

conference.¹⁹⁴

Following the mandate of the Program Committee, *Dependency Theory Reassessed* had a balanced representation of scholars coming from the so-called centre and peripheries of knowledge production. Weiskopps and Moran were assistant professors of economics and political science from the University of Michigan and John Hopkins University. Sunkel and Cardoso, on the other hand, had made a career in Latin America but had been forced to continue their professional lives in the English-speaking world. At the time of the conference, Cardoso was officially affiliated to the Brazilian think-tank CEBRAP, which he created in 1969 after lecturing sociology in the University of Sao Paulo, but he spent 1975 as visiting scholar in the Institute for Advanced Studies. Sunkel was completing his first year in the Institute of Development Studies at the University of Sussex after two decades working for CEPAL. Sunkel and Cardoso had also worked with Hirschman in the Joint Committee on Latin American Studies of the Social Science Research Council, created in 1973.¹⁹⁵

Hirschman knew from first-hand the participants in the panel. Their professional backgrounds could have given him the perfect excuse for introducing a discussion about the reception of dependency in the United States and in the United Kingdom. But as he scribbled in pencil in the opening notes he prepared for the panel “stay for a minute to the generational {gap}.” While only ten years separated Sunkel and Cardoso, who were in their mid-forties, from Weiskopps and Moran, Hirschman exploited this gap to introduce the former as “Founding Fathers” of dependencia and the latter as dissenting youngsters.¹⁹⁶

¹⁹⁴ Latin American Studies Association, “Final Report, Program Committee, Sixth National Meeting.”

¹⁹⁵ Adelman, *Worldly Philosopher: The Odyssey of Albert O. Hirschman*, 337,342. About the Joint Committee of the SSRC, see also Adelman and Fajardo, “Between Capitalism and Democracy.”

¹⁹⁶ “LASA Meeting 1976, Remarks by Chairman”, c. March 1976., box 9, folder 14, AOHP. The words in brackets {} refer to the text Hirschman added in pencil.

From a Hirschmanian perspective, the rise of Cardoso and Sunkel as founding fathers of dependency theory was related to the decline of development economics in Latin America in the late 1960s. As Hirschman argued in a famous article published shortly after the LASA panel, the late 1960s saw the reaction of social scientist in the region against the easy hopes placed on development economics to transform underdeveloped societies. A first group of scholars contested the categorical distinction between developed and underdeveloped that justified theoretically the need for an independent subfield in the social sciences. A second group sustained the existence of a fundamental dualism in the global order but criticized, on both the theoretical and policy grounds, the corollary that strengthening commercial and financial relations with the developed world could yield overall benefits for underdeveloped societies.¹⁹⁷ The literature on dependency emerged from this second reaction.

According to Hirschman, this was the intellectual context “in the mid-sixties” in which the writings of Cardoso and Sunkel “made essential contributions together with a few others, to constituting the field.”¹⁹⁸ In an article presented at Chatham House in London in 1965, Sunkel lamented that “after almost three decades” of productive transformation in Latin America “there is no clear indication that the process of social change has in fact produced the expected results.”¹⁹⁹ In 1964, Maria da Conceição famously argued that Latin American governments had exhausted the “easy stages” of the import-substitution model.²⁰⁰ Some saw the political consequences of this in Brazil’s military coup, which forced Cardoso to exile in

¹⁹⁷ Albert O. Hirschman, “The Rise and Decline of Development Economics,” in *The Essential Hirschman*, ed. Jeremy Adelman (Princeton: Princeton University Press, 1982), 49–73.

¹⁹⁸ “LASA Meeting 1976, Remarks by Chairman”, c. March., box 9, folder 14, AOHP.

¹⁹⁹ Osvaldo Sunkel, “Change and Frustration in Chile,” in *Obstacles to Change in Latin America*, ed. Claudio Veliz (London: Oxford University Press, 1965), 117.

²⁰⁰ Maria da Conceição Tavares, “Auge y Declinación Del Proceso de Sustitución de Importaciones En El Brasil,” *Boletín Económico de América Latina*, 1964.

Cepal's headquarters in Chile. He joined the working group led by the Spanish sociologist José Medina Echavarría, who stressed that the social and political dimensions of development were as important as the economic ones.²⁰¹ The critical environment within Cepal pushed social scientists like Cardoso and Sunkel to develop new frameworks for explaining the interrelation between economic, social and political change.

This framework emerged from the self-criticism within CEPAL towards the optimism the institution had formerly put on economic development policies. When Cardoso joined CEPAL in 1964, this institution brought together the founding fathers of dependency theory. As Hirschman pointed in an influential article in the United States, CEPAL had become in the early 1960s the stronghold of a home-grown Latin American doctrine about development. The central idea was that there was a fundamental asymmetry between central and peripheral economics in international commerce which was self-perpetuating. Hirschman recognized that CEPAL's recommendations for peripheral nations were not static, ranging from import substitution policies to agrarian reform.²⁰² However, the perceived failure of these prescriptions by the mid-1960s led to a radical criticism from within, in which Sunkel and Cardoso were outstanding figures.²⁰³ This criticism was directed to the normative conclusions of CEPAL's analysis without necessarily questioning the assumption of a fundamental dualism in international commerce.

As Gabriel Palma pointed out, Sunkel and Cardoso's analyses took different roads. Sunkel sought to reformulate ECLA analysis, together with Furtado and others, from the perspective of a

²⁰¹ Instituto de Desarrollo Económico y Social, "Informe Del Grupo de Trabajo Sobre Los Aspectos Sociales Del Desarrollo Económico En América Latina," *Desarrollo Económico* 1, no. 2 (1961): 151-56.

²⁰² Albert O. Hirschman, "Ideologies of Economic Development in Latin America," in *A Bias for Hope: Essays on Development and Latin America* (New Haven: Yale University Press, 1961), 270-311, 282.

²⁰³ See Joseph Love, "The Origins of Dependency Analysis," *Journal of Latin American Studies* 22, no.1-2 (1990): 143-168.

“critique of the obstacles to ‘national development.’”²⁰⁴ In 1966, Sunkel advanced short-term development policies were insufficient because Third World economies faced structural obstacles for long-term economic change, such as inefficient land ownership patterns, income inequality and dependence on foreign trade. He argued that a new research agenda was needed that studied the “historical developments which are responsible for some of the main structural and institutional characteristics of these economies.”²⁰⁵ In 1970, Sunkel published with Pedro Paz, *El subdesarrollo latinoamericano y la teoría del Desarrollo*. This book provided the theoretical foundations for understanding development and underdevelopment as “partial but interdependent structures, that constitute a unique system.” Under this framework the fundamental problem of development was “to overcome its state of dependence.”²⁰⁶ In the panel at LASA, Hirschman introduced Sunkel as “one of the first to utilize the *dependencia* theme in his writings about the int[ernatio]nal system.”²⁰⁷

As he repeatedly pointed out, Cardoso did not attempt to reframe theories of underdevelopment in terms of structural interdependencies but focused on studying “concrete situations of dependency.”²⁰⁸ *Dependencia y Desarrollo* exemplifies this approach. This book was published in Spanish in 1969 but began to circulate internally in CEPAL in 1967. In its analysis of dependency, it opposed approaches that outlined “one previous, external determination which produces subsequent, internal ‘consequences.’” Instead, it sought to understand this determination as a historical process in which “the tensions between groups with divergent interests and

²⁰⁴ Palma, “Dependency: A Formal Theory of Underdevelopment or a Methodology for the Analysis of Concrete Situations of Underdevelopment?,” 898.

²⁰⁵ Osvaldo Sunkel, “The Structural Background of Development Problems in Latin America,” *Weltwirtschaftliches Archiv* 97 (1966): 36.

²⁰⁶ Osvaldo Sunkel and Pedro Paz, *El Subdesarrollo Latinoamericano y La Teoría Del Desarrollo* (México D.F: Siglo XXI Editores, 1970), 37.

²⁰⁷ “LASA Meeting 1976, Remarks by Chairman”, c. March 1976., box 9, folder 14, AOHP.

²⁰⁸ Palma, “Dependency: A Formal Theory of Underdevelopment or a Methodology for the Analysis of Concrete Situations of Underdevelopment?,” 898.

orientations find a filter by which merely economic influxes would find their way." The choice of the dichotomy dependence/autonomy had a semantic significance. Unlike developed/underdeveloped, and center/periphery, it posed that "the way national economies integrate international markets supposes definite and distinct forms of interrelation between social groups in the country, both within them and with external groups" (...) [without implying an] immediate connection between the distinctiveness of the economic system and the formation of autonomous decision centres." *Dependencia y Desarrollo* accomplished this by exemplifying with concrete case studies the "nexus and dynamics of the different aspects and levels of reality that affect the possibilities of development."²⁰⁹ Although this book became the "*locus classicus* of the dependency literature," as Robert Packenham would later put it, its first edition in English came out only ten years after the Spanish one.²¹⁰

Between the publication in Spanish of Cardoso and Sunkel's seminal works and their reencounter in LASA panel, *dependencia* — as economists and sociologists in Cepal understood it — became dependency. In less than five years, the theme gained popularity in Anglo-American social sciences. Cardoso and Sunkel contributed to this by moving to the United States and the United Kingdom, assisting conferences and workshops and publishing articles in English.²¹¹ The article Cardoso presented in LASA problematized how *dependencia* went from being a critical tool, embedded in a tradition of Latin American thought, to becoming a consumption good in the United States. This stem from the synthetic effort to bring together Cepal-inspired studies of dependency and what he characterised as "vul-

²⁰⁹ Fernando Henrique Cardoso and Enzo Faletto, *Dependencia y Desarrollo En América Latina* (México D.F: Siglo XXI Editores, 1969), 19, 20, 21, 25, 28.

²¹⁰ Robert Packenham, "Plus Ça Change ...: The English Edition of Cardoso and Faletto's 'Dependencia y Desarrollo En América Latina,'" *Latin American Research Review* 17, no. 1 (1982): 132.

²¹¹ See Osvaldo Sunkel, "Big Business and 'Dependencia': A Latin American View," *Foreign Affairs* 50, no. 3 (1972); Fernando Henrique Cardoso, "Dependent Capitalist Development," *New Left Review* 74 (1972): 83.

gar Marxism' under the umbrella of 'dependency theory.' In his article, published in 1977 under the title *The Consumption of Dependency Theory in the United States* he wrote:

"The most general and formal of Gunder Frank's works are taken as though they were his best, the formal definition of dependency furnished by Theotonio dos Santos is appended, the problematic of "subimperialism" and "marginality" is sometimes inserted, one or another of my works or Sunkel's is footnoted, and the result is a "theory of dependency"-a straw man easy to destroy."²¹²

Cardoso's criticism to the consumption of dependency theory was both historiographical and methodological. By conflating his contributions with Neo-Marxist thought the popularisers of dependency portrayed an intellectual history that ignored a long tradition of development thought in Latin America. Moreover, synthesizing both traditions under an overarching theory of underdevelopment, they reduced the dialectical nature of *dependencia* to a mechanic-structural analysis which denied that history — even the history of economic structures and domination — could be an open process.²¹³

²¹² Fernando H. Cardoso, "The Consumption of Dependency Theory in the United States," *Latin American Research Review* 12, no. 3 (1977): 14–15.

²¹³ Cardoso, 14–15. Hirschman shared this view about Gunder Frank's work when he suggested that the theory of the development of underdevelopment was undialectical because it could not account for situations in which development processes emerged from an initial condition of underdevelopment and political dependency. He cited examples in which small differences in technologies of production were correlated with considerable differences in socio-political arrangements. See Albert O. Hirschman, "A Generalized Linkage Approach to Development, With Special Reference to Staples," *Economic Development and Cultural Change* 25 (1977): 67–98. For an analysis on how this essay fits in Hirschman's broader work see Guiot-Isaac, "The Politics of Economic Development: Latin America through the Eyes of Albert O. Hirschman."

The younger speakers in the panel went further, questioning the distinctiveness of dependency as a theory of underdevelopment. After Cardoso and Sunkel set the foundations for the field, according to Hirschman's introduction of Moran and Weisskopf, "there appeared, in due course, a number of rebellious or doubting youngsters with urge to kill the fathers, founding or otherwise."²¹⁴ In his paper, Weisskopf argued that empirical evidence did not support that *dependency* had more explanatory power than global studies about the capitalist mode of production.²¹⁵ Moran showed that non-dependency frameworks in the social sciences could be used both to support and to delimit the conclusions of dependency studies about the effects of multinational corporations in the Third World.²¹⁶ Weisskopf and Moran's arguments were symptomatic of a generational renewal in which dualist approaches were losing ground to more unified scientific claims. Hirschman identified early on that this would be a major burden for dependency analysis during the following decades.

Beyond Asymmetry

From a Hirschmanian perspective, the generational gap between the participants in LASA panel illustrated the genealogy, and the projection of dependency analysis. However, Hirschman also used that metaphor to include his name in the family tree. After presenting the founding fathers and the rebellious youngsters to the audience, he introduced himself as "Albert O. Hirschman, and also Founding Grandfather of *dependencia* with [a] book written 35 years ago and published in 1945: *National Power and Structure of*

²¹⁴ LASA Meeting 1976, Remarks by Chairman", c. March., box 9, folder 14, AOHP.

²¹⁵ Thomas E Weisskopf, *Dependence as an Explanation of Underdevelopment* (Center for Research on Economic Development, University of Michigan, 1977), 2.

²¹⁶ Theodore H Moran, "Multinational Corporations and Dependency: A Dialogue for Dependencistas and Non-Dependencistas," *International Organization* 32, no. 1 (1978): 1.

Foreign Trade.”²¹⁷ The connection between dependency theory and his first published book was an idea Hirschman started exploring when he accepted to chair the panel at LASA. In a letter to a colleague dated October 23, 1975, he expressed he could “claim some paternity for that theory on the basis of National Power.”²¹⁸ He used his position in LASA’s panel to introduce the main arguments supporting this assertion, which grew into an article he published in a special issue of the journal *International organization* in 1978.

In the summer of 1975, political scientist James A. Caporasso submitted to that journal a proposal for a special issue about ‘*Dependence*’ in *International Relations*. This proposal shaped Hirschman’s reassessment of dependency analysis by focusing the discussion in the notion of “asymmetrical relational control.” According to Caporasso, this referred to the “unequal ability to structure roles, positions, and opportunities unequally.” He justified this choice by arguing that that concept captured the complexity of dependence in a sense that the literature had overlooked. He argued social scientists had focused independently on development obstacles, power asymmetries among states and domination strategies but there was a lack of scholarship studying situations of relational control across those variables. According to Caporasso, by studying the patterns of control resulting from asymmetrical relations the proposed issue contributed to an “original conceptualization of dependence.”²¹⁹

In the introduction of the special issue, Caporasso claimed that Hirschman’s *National Power* was the forbearer of that way of conceptualizing dependence.²²⁰ He identified this book as a modern

²¹⁷ Albert O. Hirschman, “LASA Meeting 1976, Remarks by Chairman”, c. March., box 9, folder 14, AOHP.

²¹⁸ Hirschman to Psomas, October 23, 1975, box 68, folder 19, AOHP.

²¹⁹ James A. Caporasso, “A Proposal for a Special Issue of International Organization on the Topic ‘Dependence’ in International Relations,” box 69, folder 19, AOHP.

²²⁰ James A. Caporasso, “Introduction to the Special Issue of International Organization on Dependence and Dependency in the Global System,” *International Organization* 32, no. 1 (1978): 1-12.

classic in the political economy of asymmetric and transnational relations.²²¹ As Hirschman put it to his audience in *LASA*, that book attempted to understand how “power relationships” could arise out of “peacefully” and “mutually beneficial” commercial relations.²²² As he wrote thirty years before, it studied how commerce could be used as an instrument to exert political influence over other nations “as a modern application of the old sentence *fortuna est servitus*.”²²³ *National Power* identified that international commerce was inherently asymmetrical: when gains from trade are subjectively greater for one nation, it becomes more dependent on its trading partners.²²⁴ The book analysed these dynamics during the interwar period, studying Germany’s sequential expansion of its commercial and political influence over *Mitteleuropa*. International commerce provided a means for reproducing and expanding original asymmetries because trade with Germany became indispensable for its neighbours.²²⁵ The observation that “unequal power and dependence relationship is inscribed in that simple fact,” Hirschman argued in *LASA*, brought together his younger self and the Founding Fathers of *dependencia*.²²⁶

The identification of international commerce as an instrument of political power between nations engaged in asymmetrical relations was the common ground between Hirschman’s work

²²¹ James A. Caporasso, “A Proposal for a Special Issue of International Organization on the Topic ‘Dependence’ in International Relations,” box 69, folder 19, AOHP.

²²² Albert O. Hirschman, “*LASA* Meeting 1976, Remarks by Chairman”, c. March., box 9, folder 14, AOHP.

²²³ Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley: University of California Press, 1945), 18.

²²⁴ A nation is enslaved to its fortune when, “after being rather elastic for small quantities of merchandises from the other nation, [its demand for foreign merchandises] turns out to be inelastic in the last (and most important) parts” Albert O. Hirschman, *National Power*, 25.

²²⁵ Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley: University of California Press, 1945), 18-25.

²²⁶ Albert O. Hirschman, “*LASA* Meeting 1976, Remarks by Chairman”, c. March., box 9, folder 14, AOHP.

about interwar Europe and the writings of dependency theorists in Latin America. Caporasso observed that, unlike behaviouralists, both addressed the link between unequal positions and opportunities from a systemic perspective. But their approaches differed in the unit of analysis considered. *National Power* focused on the policy capabilities and constraints of the state-as-actor while *dependencistas* like Cardoso approached dependency as a cross-sectoral, transnational phenomenon in which the balance of power between social groups was the relevant variable.²²⁷ In spite of this difference, the normative conclusion of both approaches was that trade was more indispensable for the powerless nation. According to Hirschman, the observation that “unequal power and dependence relationship is inscribed in that simple fact” brought his younger self and the founding fathers of dependency theory together.²²⁸

However, Hirschman’s paternity claim went beyond the redemption of a book that did not have the impact he had expected.²²⁹ His opening notes reveal a sincere effort of reassessment. He asked the audience to “[f]orgive [the] brief mention and return to that book,” which he had brought back “with intent less of making advertisement for my self {as a youngster} than of engaging in self-criticism and, in {the process}, of *dependencia* theories.” To the assertion that asymmetrical commercial relations could be used as an instrument of power, Hirschman responded: “So far so good. But question: how firm, how unchangeable is this relation of dependency?”²³⁰

²²⁷ James A. Caporasso, “A Proposal for a Special Issue of International Organization on the Topic ‘Dependence’ in International Relations,” box 69, folder 19, AOHP.

²²⁸ Albert O. Hirschman, “LASA Meeting 1976, Remarks by Chairman”, c. March., 1976, box 9, folder 14, AOHP.

²²⁹ The first edition of the book had limited circulation. The book had been reprinted again in 1969. See Luca Meldolesi, *Discovering the Possible: The Surprising World of Albert O. Hirschman*, (Notre Dame, Ind.; London: University of Notre Dame Press, 1995), f.n. 20.

²³⁰ Albert O. Hirschman, “LASA Meeting 1976, Remarks by Chairman”, c. March., 1976, box 9, folder 14, AOHP.

Hirschman addressed this question in *Beyond asymmetry: critical notes on myself as a young man and on some other old friends*, the article he prepared for an issue political scientist James A. Caporaso proposed for the journal *International Organization*. In his article, Hirschman argued self-critically that like his friends Cardoso and Sunkel, he had “tended to rest content with the demonstration that dependency relations are deeply entrenched in the structure of the international system.” But he added that from a normative point of view this proposition was of little use for identifying possibilities for change.²³¹ His younger self had trusted that the voluntarist creation of a multilateral system would stop nation-states from resorting to international commerce to expand their power.²³² Cardoso also concluded *Dependencia y Desarrollo* in an optimistic albeit more cautious note, hoping that “collective action guided by political will” would “make feasible what is only *structurally* probable.”²³³ According to Hirschman, after identifying systemic constraints both had invoked voluntarist political action as a “*deus ex machina*” but “hardly ever explored whether that system might contain the ‘seeds of its own destruction.’” This required a different type of analysis. One that instead of searching for the mechanisms of reproduction of power asymmetries would start by considering if there is “a slightly more reliable relation between the initial asymmetry and some built-in tendency towards its elimination or reduction.”²³⁴

In a provocative move, Hirschman argued that US-Latin American relations after the Second World War provided a good case for identifying built-in tendencies of that sort. He hypothesized that commercial asymmetries created reciprocal “asymmetries in attention” that favoured the dependent country:

²³¹ Albert O. Hirschman, “Beyond Asymmetry: Critical Notes on Myself as a Young Man and Some Other Old Friends,” *International Organization* 32, no. 1 (1978): 46.

²³² Hirschman, *National Power and the Structure of Foreign Trade*, 71–81.

²³³ Cardoso and Faletto, *Dependencia y Desarrollo En América Latina*, 166.

²³⁴ Hirschman, “Beyond Asymmetry: Critical Notes on Myself as a Young Man and Some Other Old Friends,” 47.

“A country whose trade or investment is dominated by ties into a large and rich country is, at some point, likely to devote its attention with single-minded concentration to this uncomfortable situation and to an attempt to loosen or cut these ties. But the large rich country which carries on only a small portion of its international economic relations with the country it dominates is normally preoccupied with its more vital other interests, for example, with its relations to other large powers”²³⁵

This excerpt echoes arguments Hirschman had developed in a discussion with Sunkel in a Conference held in Mexico in 1972.²³⁶ His argument was twofold.²³⁷ Initial power asymmetries reduced powerful nations’ ability to mobilize resources to keep that advantage. Shielded by its commercial position, US officials tended to underestimate the ability of Latin American nations “to put its mind to planning an escape from dependency.”²³⁸ This placed Latin American nations “in a favorable position to utilize what room of maneuver they have and may be able to widen this room.”²³⁹

Hirschman was not unaware that the room of maneuver dependent nations had was limited. He recognized that US intervention in the domestic affairs of the Dominican Republic, Cuba and in Chile during the post-war had shown that the dominant party could

²³⁵ Hirschman, “Beyond Asymmetry: Critical Notes on Myself as a Young Man and Some Other Old Friends,” 48. Meldolesi compellingly suggests this argument is reminiscent of Hegel’s account about the dialectical relationship between masters and serfs in the *Phenomenology of the Spirit*. See Meldolesi, *Discovering the Possible*, 17.

²³⁶ See Hirschman’s comments to Sunkel’s lecture in Víctor L Urquidí and Rosemary Thorp, *Latin America in the International Economy: Proceedings of a Conference Held by the International Economic Association in Mexico City, Mexico* (London: Macmillan, 1973), 29.

²³⁷ See Hirschman, “Beyond Asymmetry: Critical Notes on Myself as a Young Man and Some Other Old Friends,” 48.

²³⁸ Albert O. Hirschman, “LASA Meeting 1976, Remarks by Chairman”, c. March., 1976, box 9, folder 14, AOHP.

²³⁹ Hirschman, “Beyond Asymmetry: Critical Notes on Myself as a Young Man and Some Other Old Friends,” 48.

always use its economic and military power to halt dependent nations' efforts to widen the room for action. But Hirschman was less concerned with the probability of success of these efforts than with their possibility. He argued that the presence of corporate interests in the region –which Sunkel denounced as the new pattern of dependence²⁴⁰– made US foreign policy reasonably predictable:

From the point of view of Latin American aspirations, the advantage of day-to-day policy being in the hands of lower-level [U.S.] diplomats heavily influenced by an intrusive business community is precisely that policies so formed are usually short-sighted as well as reasonably predictable (...) For these reasons they are no match for a determinate adversary²⁴¹

This association between interests and predictability brings about a reflection from early modern thought that Hirschman was exploring in the elaboration of *The Passions and the Interests*. In this book he recalled Samuel Butler when he argued that the predictability of interested action entailed powerlessness because “tis not uneasy to foresee, by their interests, what wiser men are like in reason to design.”²⁴² The presence of a business community with commercial interests in Latin America influencing US foreign policy provided an example of this principle. It made US actions in the region foreseeable and therefore less effective in countering planned efforts by dependent countries striving for autonomy.

Hirschman's reassessment of dependency theory in *Beyond Asymmetry* differed from Cardoso's condemnation of the sublimation of dependency into an eclectic theory of development in the Anglo-American world. It also differed from Moran's and Weisskopf's scepticism about the value of dualist approaches in the social sciences. His criticism pointed to the philosophy of change underlying the analysis of the connection between economic and political

²⁴⁰ Osvaldo Sunkel, “Big Business and ‘Dependencia’.”

²⁴¹ Hirschman, “Beyond Asymmetry: Critical Notes on Myself as a Young Man and Some Other Old Friends,” 48.

²⁴² Albert O. Hirschman, *The Passions and the Interests* (Princeton: Princeton University Press, 1977), 50.

power. In his opening address in LASA's panel, Hirschman advanced that he found motivation for a reassessment of dependency theory in a comment about Tolstoy's philosophy of history in the preface of Harvey Leibenstein's *Beyond Economic Man*. He brought to the attention of his audience Tolstoy's criticism in *War and Peace* of those who predict the outcome of battles by calculating the material resources available to each army, neglecting the importance of unquantifiable assets such as fighting spirit and morale.²⁴³ This observation was relevant for reassessing dependency analysis because:

"[the] [i]ntroduction of such imponderables can leave the field wholly indeterminate, and this is repugnant to our aspiration to achieve the status of scientists. But Tolstoy's reminder can be useful if it invites us to be on the lookout for new factors, if it cautions us against the tendency to perceive only the mutual reinforcing features of dependencia"²⁴⁴

By focusing on ponderable variables such as asymmetrical commercial relations, his younger self and dependency theorists neglected the possibility that asymmetries of attention could operate as counterforce and create room for manoeuvre for dependent nations. But despite the misperception of social scientists the "{counter}tendency is there and serves to inject a contradictory, or, better a dialectical note into the process we are studying."²⁴⁵

Tolstoy's reminder invited Hirschman to conclude his reassessment with a reflection about scientific endeavour. He argued that the failure to discover countertendencies in any system

²⁴³ Albert O. Hirschman, "LASA Meeting 1976, Remarks by Chairman", c. March, 1976, box 9, folder 14, AOHP. He made reference to Tolstoy again in "Beyond Asymmetry," 46.

²⁴⁴ Albert O. Hirschman, "LASA Meeting 1976, Remarks by Chairman", c. March, 1976, box 9, folder 14, AOHP.

²⁴⁵ Albert O. Hirschman, "LASA Meeting 1976, Remarks by Chairman", c. March, 1976, box 9, folder 14, AOHP.

of power relations “must be attributed to an intellectual orientation that is both undialectical and what I could call antipossibilist.”²⁴⁶ In his writings about development, Hirschman had opposed the intellectual disposition of scholars that contributed to hinder social change in Latin America opposed. He criticized development theorists for their obsession with obstacles, and Latin American intellectuals for overemphasizing failures, arguing that these dispositions created images of change that obscured possible futures and obstructed learning from the past.²⁴⁷ Now he criticized dependency theorists because they also considered “beneath their scientific dignity to deal with possibility until after it has become actual and can then at least be redefined as probability.”²⁴⁸ At this point, Hirschman was not only addressing his younger self, and his old friends Sunkel and Cardoso. This was an invitation to future generations to look beyond what is only ‘structurally probable,’ and to be open for the possible.

Concluding note

Fifty years after the publication of *Dependencia y Desarrollo*, we could ask which are the lessons of Hirschman’s reassessment for the grandchildren of dependency theory? Cardoso argued in his memoirs that his book had been influential because it grasped the emerging challenges of its time: “In retrospect —he wrote—I think it was so popular because it was a timely recognition of a new force that had just started to transform the world: What we were really writing about was the beginning of globalization.”²⁴⁹ Today that

²⁴⁶ Hirschman, “Beyond Asymmetry: Critical Notes on Myself as a Young Man and Some Other Old Friends,” 49.

²⁴⁷ Albert O. Hirschman, “Land Reform in Colombia: Some Ideas,” in *Land Reform and Social Change in Colombia* (WI: Land Tenure Center, 1963), 5; See also discussion in the first pages of Hirschman, *The Strategy of Economic Development*.

²⁴⁸ Hirschman, “Beyond Asymmetry: Critical Notes on Myself as a Young Man and Some Other Old Friends,” 49.

²⁴⁹ Cardoso, “The Accidental President of Brazil: A Memoir,” 67.

global order is challenged by trade wars, patriotic political discourse, and diverse calls for self-determination at national and sub-national levels. However, Hirschman's reassessment reminds us that in the past, untamed national sovereignty also proved to be a fertile ground for the use of trade and finance (and even more atrocious means) as a tool for domination. Being aware of this danger allows us to avoid the dilemma between globalization and national sovereignty, and to concentrate our efforts in conceiving a type of cosmopolitanism adequate for the environmental and social challenges of the present.

Moreover, Hirschman's reassessment of dependency theory brings our attention to the intellectual disposition required to address the challenges of a changing social world. He invites social scientists to avoid becoming prophets of doom and to embrace the possibilist search for avenues of change. As Cardoso acknowledged in his memoirs, this was the spirit behind *Dependencia y Desarrollo*: "The primary message of Dependency and Development was that the people of Latin America had control over their own fate. Under *certain circumstances*, we could indeed operate within the existing system."²⁵⁰ But the popularization of dependency analysis in the Anglo-American academia emphasized the stringency of that "certain" over the possibilities for action that remain open in specific historical *circumstances*. It is up to the grandchildren of dependency theory to take the opposite road.

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²⁵⁰ *Ibid.* My emphasis.

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Luca Meldolesi

For a Better World: the Political Continuity in Hirschman's Life and Work

For quite some time I have been trying to “capture” Albert’s political inspiration; or perhaps I should say political inspirations, considering the way they presented themselves in his successive experiences. Because the relationship between inspiration and experience is generally interactive – so that taken individually, each of his experiences had peculiarities that (probably) were reflected back onto the inspiration that suggested it, while the inspiration accompanied the experience as it developed²⁵¹.

And yet in the midst of this multiplicity it is in my view possible to find a common thread, an element of significant political continuity in Hirschman’s long “life and work.” Hence the title of this note. My purpose is to suggest this key point as a general hypothesis and to document it, not losing sight of the twists and turns and variety in Albert’s experiences (nor, therefore, of the subsequent adaptation of his political inspirations to the changing concrete conditions he faced), but focusing attention on several central issues that I consider especially useful for my purpose.

Hirschman’s “fundamental experience”

1 – My starting point is Hirschman’s statement (Coser 1984) to the effect that, from the standpoint of what was achieved, he

²⁵¹ Already, this complexity is present in the quote from the forward to the second edition to a classic book by Erwin Panofsky (1960) that opens the Preface to the Third, Expanded Edition of Albert O. Hirschman *National Power and the Structure of Foreign Trade* (1980, p. v): “It is only too clear that in such a long time [35 years since its first publication - 1945] not only has scholarship as such gone forward, but also the opinions of the author himself, even if fundamentally unchanged, have been altered in many details”. In the following I am basically interested in “the opinions of the author [...] fundamentally unchanged”... and developed.

placed the reckless anti-fascist and anti-Nazi activities of his youth (mostly in Italy and France) above the intellectual successes that followed. So right from the start, then, action—the great struggle for freedom—came before thinking. This is why it seems to me reasonable to seek in the 1930s and 40s, that time of “fire and steel”, the deepest roots of Albert’s intellectual achievement. This is also because Albert’s statement confirms an overall impression—that in Hirschman’s life there was a “fundamental experience” (as the sociologists say) that directly or indirectly inspired him ever after.

Be that as it may, an immersion with this in mind in Hirschman’s (quite uneven) education (in Germany, France, Great Britain and Italy) and in his youthful writings (his bachelor’s thesis, statistical work, economic journalism on fascist Italy, work with the League of Nations on exchange controls and international commerce)²⁵² might seem disappointing, unless... Unless, in addition to representing his first intellectual products as such, these writings are also examined as a useful (indeed, necessary²⁵³) companion to his truly daredevil underground activities.

It thus seems to me correct to suppose that when Hirschman took refuge in California after Eugenio Colomi’s arrest and after his ups and downs in the French army and his adventure in Marseilles (to save two thousand European intellectuals together with Varian Fry²⁵⁴), his decision to write *National Power* in 1941-42, while serving his professional needs, also (and perhaps mainly) reflected a political desire to finally and freely put his abilities to use—as an intellectual contribution to the ongoing struggle.²⁵⁵ Actually, Albert

²⁵² Most of which not available in English yet.

²⁵³ Because under the eye of the fascist police Albert had to appear as a young German who for reasons of opportunity (the presence of his sister and brother-in-law) had decided to complete his studies in Trieste. Indeed, both locally and in his frequent trips to Paris, Hirschman played the card of his impeccable German passport in his relationship with officials. He probably also made it clear to the fascist police officers that they should feel honored to host him in Trieste...

²⁵⁴ See Fry (1945).

²⁵⁵ In fact, he later wrote (1987, p. 42) that until the end of the war what he wrote could not help but frame itself within the ongoing conflict.

considered himself an integral part of Eugenio's (personal and political) private circle—so much so that he told Eugenio at a certain point, in a letter to Ventotene, that he had met a young Russian woman, an expert in literature who was studying philosophy ... And that Eugenio, passing Albert's letter on to Ursula (who was then on the mainland), adds “could this be the right moment?”²⁵⁶

Federalist universalism

2 – My hypothesis, then, is that *National Power* (1945) is - and will remain - a key text that *also* needs to be explored from a political standpoint that is linked in a certain sense to Eugenio's federalist universalism. Proof of this is that in 1944,²⁵⁷ when Hirschman learned in Algiers of Colorni's murder, he wrote two heartbreaking letters to Sarah, in part because he had thus lost—and this is perfectly understandable—his own cultural and political point of reference²⁵⁸. The meaning of all this is that if we want to understand how things actually went, we must avoid being taken in by Albert's retrospective self-irony when, in 1978 (and in the 1980 reprint of *National Power*), he considered the political intentions of the book to be

²⁵⁶ End of May 1941 (courtesy of Eva Hirschmann). Meaning: to fall in love, and marry Sarah Chapiro: “my first reader and critic for fifty years”, Albert wrote dedicating to her *The Rhetoric* 1991 [“per cinquant'anni primo lettore e critico dei miei ghiribizzi”, he wrote *alla maniera di Francesco Guicciardini* in the Italian edition]. In this regard, I would add another detail. Hirschman decided to write *National Power* even though the prevailing advice from his friends in California was to enroll in a PhD program in economics. To quiet their objections he claimed that he had already obtained a doctorate in Trieste—a half-truth told for a good political reason. Not a completely false one (because the Italian degree, although corresponding to the Anglo-Saxon BA, required the writing, acceptance and presentation of a degree thesis), that also fit with a kind of reasoning (a habit, a way of seeing things) that recalls the semi-illegality in which he had operated up to that time...

²⁵⁷ With the book by then finished (although, as is known, it would not be printed until 1945).

²⁵⁸ Albert wrote to Sarah: “It is pointless to describe to you what I feel – it is a great pain and a great loss”. And a few days later: “I can think of nothing else. I have the feeling that the wound this has caused me will only grow. It is only now that I realize what a fount of hope Eugenio still represented for me – what an example, what a idol I had”. (Adelman 2013, p. 231).

“infinitely naive.”²⁵⁹ Naive, yes, I would say, but nevertheless important, as I will now explain, to an understanding of the perspective from which it is possible to grasp the general meaning of his own work.²⁶⁰

Seen from this point of view, therefore, *National Power* reveals the following characteristics:

1. It brings to completion, with noteworthy wisdom, some of the previous studies referring to Nazi expansionism and the nationalistic and imperialistic tendencies of the great powers (regarding smaller and poorer countries). It shows that a work of such “weight” was by then within Albert's reach.
2. It has a professional purpose built on a type of standard economic reasoning (à la Keynes—as Asso and de Cecco wrote in their Introduction to the Italian edition of the book)²⁶¹ that Albert would later abandon to its fate.²⁶² Indeed, in Hirschman's research program a leading role would be filled by the study of types of relations between economics and politics that *differed* from the standard model.
3. It has an explicitly political purpose: to support the need for a world authority that keeps international trade under control—probably perceived by its author, while he was writing it, as a contribution to the birth of a planetary government.²⁶³ It is therefore an idea that can be connected

²⁵⁹ Meldolesi 2017.

²⁶⁰ Again: it is not perhaps the case that both Eugenio and Albert considered “navety” to be useful as a starting point.

²⁶¹ Asso and de Cecco 1987.

²⁶² But such reasoning would continue to be influential (even in the birth of the euro) in the relation between economics (base) and politics (consequence) – a line of reasoning going back to Saint-Simon (!)

²⁶³ This thesis is also supported by his having worked previously for the League of Nations and by his association with Condliffe (which had allowed him to reach California and also to be able to count on a period of leave to write the book); naturally it is also favored by the particular historical period, which allowed the opening of the mind to conjecture and hope.

to the federalist universalism of Eugenio.²⁶⁴

4. It acknowledges the key idea of economic-political verticality as a key aspect of the world we live in; and it thus indirectly draws attention to the existence of entire chains of relations of domination/subordination²⁶⁵, which are in any case in contrast with the universal aspiration to human equality (and freedom, fraternity, prosperity, social justice, democracy, etc.).

Thinking about these four characteristics, one cannot help but admire the “magic” of Albert's famous 1978 correction,²⁶⁶ according to which if the large and powerful countries have an economic advantage over the small and poor ones, this relationship is reversed on the political level. At a stroke, in fact, it

- corrects point 2, introducing an interactive relation between economics and politics—this is Albert's first “self-subversion”;
- readjusts the overall structure of the work—point 1—for a predominantly democratic (rather than dictatorial) era;
- disconnects the line of reasoning from point 3, placing it, in a sense, below the radar;
- avoids commenting (in the sense of tacit consent) on point 4.

²⁶⁴In Colorni's vision, in fact, European unity was meant to be an intermediate phase in a general federalist transformation

²⁶⁵That is to say: by developing a specific point (the gains from trade of the pure theory of international trade), *National Power* helps the reader understanding a general aspect of the world we live in (verticality) – a typical (sometime implicit) procedure followed by Hirschman.

²⁶⁶A solution suggested by the prolonged observation of economic-political relations between Latin American countries and the United States (that, at a certain point, – he told me personally – made him remember a well-known page of Hegel's *Phänomenologie des Geistes* [1807] on the relationship between servant and master: see Meldolesi 1995, p. 17). And proposed at a meeting with some illustrious Latin American intellectuals (like Osvaldo Sunkel and Fernando Henrique Cardoso) with the aim of encouraging them to do the same...

All in all, it is an extraordinary demonstration of skill (and dexterity) that focuses on the interaction between economics and politics at all levels of the world's pyramidal structure—the European Union included. And thus (in the last analysis) it directs the question of dominance/subordination to where it is constantly manifest—in everyday life.

I would add, finally, that it has not been easy to understand what Albert actually intended to gain from this “correction.” I remember the discussions on the subject—both for the strength of old ways of thinking (built up over the decades by theories of imperialism), and because the chosen path may seem at first glance rather weak, exposed to the winds and tides (and vagaries) of politics. But it is an impression that fades the moment the complexity of social and political conflicts comes into play—including their influence on partisan politicking, lobbying, etc. One then effectively enters the laborious processes of action and reaction that constitute real life.

And what is more, if this complexity is linked with some of Colorni's ideas—such as the necessity of working both in opposition to the present state of things and as a link for channeling the protest to a successful conclusion; such as the oscillation of great powers between different policies and the possibility of causing policies that most favor subordinate peoples to prevail—we enter an extraordinarily fertile order of ideas that provides important insights into what actually happened after the war; and even into the Europeanist choice that Hirschman himself made from within the Marshall Plan.

3 – Actually, after the war, on the advice of Alexander Gershenkron, Albert found a job at the United States Federal Reserve and was given the task of “following events in France and Italy” in the context of the Marshall Plan. He would later say that he found himself “on tap” (and not “on top”—as he would be in Colombia)²⁶⁷, compelled to write a myriad of papers, most of which appeared in an internal bulletin. It was nevertheless at this point, thanks to the job he had to do and the basically favorable situation

²⁶⁷ Hirschman, Geertz, Cardoso 2010.

he was in, that Hirschman succeeded in detaching himself from the so-called cogency of economic theory.²⁶⁸ Asso and de Cecco²⁶⁹ maintain that this was when he effectively became the economist *sui generis* that we knew—especially in several articles concerning the comparative economic analysis of France and Italy²⁷⁰ and the interpretation of the apparently unreasonable economic policy followed at the time by Italy.²⁷¹

Following this, he was given the task of sorting out plans concerning inter-European payments—a job he completed successfully²⁷² and which brought him into contact with the ECA and American State Department circles favorable to the idea of launching a process of European unification. Adopting their position, Albert—as I said already—wrote two extraordinary essays that anticipated no less than the creation of a European Monetary Authority and the European Common Market²⁷³. He took part in the battle for this within the US government, in which the European position prevailed. But the decision came down to the US Treasury, which was against it (and from which, via Federal Reserve, he belonged). So at the end of the Marshall Plan he contemplated a change of scene.

The success of the Marshall Plan in Europe gave credence among Western progressives to the idea that similar policies could be launched to promote the development of less-developed areas. “For a better world” is the catch phrase that at this point begins to assert itself in his writings—perhaps because it unites the double lesson of the positive experience of the Marshall Plan that Albert had just experienced. That is, that we need to aim for concrete results,

²⁶⁸ Having proved himself an economist in the strict sense of the word in an article on balance-of-payments theory (Hirschman 1949a).

²⁶⁹ Asso and de Cecco 1987.

²⁷⁰ Hirschman 1947, 1947a, 1947b, 1947c, 1948, 1948a, 1948b, 1948d. Hirschman, Lichtenberg 1947, 1947a. Hirschman, Rosa 1948.

²⁷¹ Hirschman 1948c: for this reason he was received at the Quirinale by the then President of the Republic, Luigi Einaudi.

²⁷² Hirschman 1949b, 1949c, 1950a, 1950b, 1951.

²⁷³ Hirschman 1949, 1950.

but they should be part of a perspective based on human liberation and emancipation.

And again, this attitude turns out to be very close to that of Eugenio Colorni. Because Albert doesn't offer a single word of explanation concerning the nature of this better world that we should aspire to. He lets it be known that all we need for this, as Eugenio said, is good instincts,²⁷⁴ and at the same time he concentrates his efforts in each case on achieving the outcome, be it great or small, that actually moves in the right direction.

Economics and politics

4 – And so Hirschman began to take an interest in development economics.²⁷⁵ He initially thought of moving to Italy to work at Portici (Naples) with Manlio Rossi Doria, a noted agrarian economist and family friend whom Albert knew and admired²⁷⁶. Then the Colombia opportunity came along and he opted for Bogotá—a courageous choice, professionally speaking.²⁷⁷ There, as we know, Albert began a long journey (18 years) almost exclusively involving development and Latin America, a period which also saw the uninterrupted growth of his interest in applied economics and politics, examined theoretically in his famous books: *The Strategy* (1958), *Journeys* (1963), and *Development Projects* (1967).

The Colombian experience, much appreciated (for many reasons) by his wife and daughters, was nevertheless uneasy. Initially, Hirschman worked at the highest levels—he was even the author of several of the government's executive orders. Then, however, after nearly two years, there was a coup d'état. Albert's contract was about to expire, and rather than requesting its renewal, he and Geroge Kalmanoff opened a consulting office for businesses. He was thus increasingly brought into contact with the real conditions

²⁷⁴ Colorni 2019, p. 154.

²⁷⁵ Taking part in a conference (with an essay on international economics – 1951a) along with Alexander Gerschenkron.

²⁷⁶ Hirschman 1951a, now in Rossi-Doria 2011 p. 63-6.

²⁷⁷ Especially for someone like Hirschman, who could have opted for Paris.

of the country—an important experience which, among other things, gave rise to one of his most important theoretical discoveries: the linkage effect.²⁷⁸

A result of the essays he wrote in 1954 and 1957²⁷⁹ was that Albert initially considered writing two books, one on development economics and the other on Latin American policy-making. However, this was not based on the traditional division between economics and politics, but on the prevalence of one over the other. The development economics of *The Strategy*, while focusing on policy (indeed, it is built around the need to optimize the indirect governing capacity of the Colombian economy) would then, in the case of some of its results, also be applied to politics;²⁸⁰ while the Latin American policy-making of *Journeys* (dedicated to two masters of ‘reformmongering’: Carlos Lleras Restrepo and Celso Furtado) considers key economic problems encountered in three countries: drought, agrarian reform, and inflation.

Typically, once these results were achieved, Albert followed up on some of their consequences in texts that were then brought together in his first collection of essays—*A Bias for Hope* (1971) -- which was opened by a wide ranging “Introduction: Political Economics and Possibilism” that even now remains Hirschman’s main text on the subject.²⁸¹ Especially memorable in this collection is “The Search for Paradigms as a Hindrance to Understanding” (1970) which would later be included in a famous book of readings in social science methodology.²⁸² Examining among other things the extraordinary political story of Emiliano Zapata and Magagna (his successor), Albert took up (from the point of view of succession rather than

²⁷⁸ The first formulation of which can be found in Hirschman 1956 - a two-volume consultancy work dedicated to the pulp and paper industry (see Hirschman 2016).

²⁷⁹ Hirschman 1954, 1957.

²⁸⁰ Hirschman 1986, Ch. 1.

²⁸¹ It is this essay that finally makes explicit a point of view already implicit in his work (and even more so, as I have explained elsewhere [Meldolesi 2019] in Colomi’s work).

²⁸² Hirschman 1970. Reprinted in Rabinow and Sullivan ed. 1979.

contemporaneity) one of the concluding theses of *Journeys*, according to which a political function can sometimes be served by several protagonists, as had happened in the Italian Risorgimento with Cavour, Mazzini and Garibaldi.

In addition—and also typically—Albert thought of using the notoriety he had by then gained for a political purpose. He agreed to participate in a government commission on United States policy toward Latin America and wrote some notes of significant interest on the subject²⁸³. But then, faced with the prevailing attitude on the commission, he withdrew from it (and he later explained to me personally that the commissioners... were not up to the task).

Finally, he accepted a proposal from the World Bank to re-examine the entire problem of development from the standpoint of development projects themselves—that is, starting from numerous small scale experiences in diverse contexts and continents, in the hope that a comparison of these stories could lead to the birth of a new and useful conceptualization.

This gave rise to another masterpiece, *Development Projects Observed* (1967), which (only apparently paradoxically) concluded his development trilogy with a key episode of his self-subversion—the acknowledgment that his observations on the Nigerian railways partly contradicted the observations on the Colombian airlines from which *The Strategy* had originated.

Thus it was that in an effort to overcome this incongruity and to reach (Colornially) a new and convincing arrangement of his thinking, Hirschman discovered what still today remains the most famous and general of his economic-political constructions. This is contained in *Exit, Voice, and Loyalty* (1970a), an agile little volume, stingy with words, that leaves one breathless. Its main theme, according to which exit can cut off voice, in the last analysis reflects the author's remorse at having abandoned Berlin's Jewish community in 1933²⁸⁴. After numerous developments (and citations in

²⁸³See Meldolesi 1995, p. 128-31.

²⁸⁴ See the Introduction to the German translation of the book, 1974.

droves coming from all social sciences), the book finally found a further (self-subversive) accommodation thanks to a striking example in which exit powerfully strengthens voice rather than weakening it—the Fall of the Berlin Wall, contained in “Exit, Voice, and the Fate of the German Democratic Republic”²⁸⁵.

5 – When Nicoletta Stame and I met Albert Hirschman for the first time at the Institute for Advanced Study at Princeton in the spring of 1983, I told him right away that I was born in Rome a stone’s throw from the spot where Eugenio Colorni was shot dead and that I knew how things had gone... That was how we became friends. But to announce myself I had sent him in advance an essay of mine on “*The Passions and the Interests* and the origin of capitalism”, so that we could talk about the topic. Albert’s grandchildren laughed out loud when I reconstructed the following scene for them. Hirschman was a man of few words—cautious, reserved and somewhat austere. He began by saying that what I had written was too long, that it had no introduction or concluding synthesis, that he had no “fil rouge” for the reader, that it was written in unconvincing English. He stopped abruptly at a verb that he didn’t like (but that exists in the dictionary), and which I still remember: “to refute”. In short, as his criticisms went on I seemed to sink deeper and deeper into the earth. Except that then, at a certain point, Albert concluded with: “but the main point [on the genesis of capitalism] is right.”²⁸⁶ A narrow escape...

Actually, as an economist trained in a systematic and oppressive (Keynesian) school who, like many others, had long been embroiled in the labyrinth of economic theory, I wanted to know above all from Albert how he had managed to go against the grain—that is to say, how he had managed to avoid the severe training (of which he had spoken in *Exit*), to pursue “trespassing” alongside

²⁸⁵ Hirschman 1993.

²⁸⁶ Meldolesi 1991-2. Except that Albert forgot about it later, so that I found in his papers at the Mudd Library at Princeton a note according to which *The Passions* is supposed to be the only book by Hirschman that does not need self-subversion. I insist—this is not the case.

economics, and to exalt (rather than mortify) his own creativity in discovery and analytical elaboration—to the point that in *The Passions and the Interests* (1977), he had questioned the very foundations of the discipline.

This is a query that engaged me for quite a time. But I never would have imagined that such a question, examined from a different angle, would be with me on and off for an additional handful of decades, to the point that even today I can still wonder about the true meaning of the Hirschmanian striving “for a better world.”

When we met, Albert had already rounded other “capes of good hope.” He had managed to keep up with the interest of others in the exit-voice relationship²⁸⁷, he had written *The Passions* at the Institute at Princeton, where he had moved, bag and baggage, he had built (mainly with Clifford Geertz) at the Institute’s School of Social Science an extremely important cultural reference point, he had published *Shifting Involvements* (1982), and he was finishing “Against Parsimony: Three Easy Ways of Complicating Some Categories of Economic Discourse” (1984).

At the same time, however, American politics, starting in the White House, was taking an ugly turn. I can testify, in fact, that the forced liberalization (and globalization) under the neo-liberal brand, and especially its pretense of progressively dissolving the American welfare state in favor of private efficiency really worried Albert and his democratic friends, especially those shaped in the Roosevelt era. It looked like a full-blown inversion of the democratic socio-economic edifice they had helped build. They questioned themselves about what to do. Albert didn’t see the point of getting involved in the umpteenth analysis of the mind of homo reactionarius. He looked elsewhere until, with the support of the Ford Foundation and in collaboration with Ralf Dahrendorf, he found a convincing direction—one which led him in the end to *The Rhetoric of Reaction. Perversity, Futility, Jeopardy* (1991). At the same time,

²⁸⁷ Actually, the unexpected and prolonged success of *Exit* pushed Albert to work on the subject more than what he desired. “I am not the one who unravels the skein” – he told me ironically.

Hirschman's interest in Europe was growing, and this led him, among other things, to publish many of his books in France, Germany and Italy. This attraction was later extended specifically to Berlin after the fall of the wall.

To conclude

6 – On 12 November 1987, on the occasion of the laurea honoris causa conferred on him by the University of Turin, Hirschman declared²⁸⁸ that something that to him had “always seemed admirable [...] as a way of looking at political activity and bringing together public and private life” was the attitude of Eugenio Colorni and his friends, which he had directly observed in 1937-38. “In fact,” he added, “this kind of coexistence of a commitment in public life and great intellectual openness was the ideal micro-foundation for a solidly democratic society.”

Since Albert was writing *The Rhetoric* at the same time, I have always felt that this meaningful conclusion to his speech in Turin had a lot to do with his argument against political intransigence.²⁸⁹ But in recent years I have begun to think that the comparison is valid in part (if only because Eugenio Colorni was also a politician, a political leader of his time); and that to really understand Hirschman's political inspiration it is necessary to go deeper, even into the logic of the last phase of his work—the “German” phase (that did not overlooked, however, what was happening in other European countries, in Brazil, in Us...).

The fact is that Albert, after having agreed to join the Wissenschaftskolleg and to make a full-fledged re-entry into the German cultural ambiance, toyed with the idea of spending six months a year in Berlin giving life to a cultural and political project based on his work, in which he intended to involve Nicoletta Stame and me.

²⁸⁸ Hirschman 1990, p. xxxi; now in Albert O. Hirschman *A Propensity* 1995, p. 118-19.

²⁸⁹ This was in fact how I interpreted it in Ch. 8 of my *Discovering*, which Albert liked, as he told me, “for the political tension that runs through it.”

What, I wondered, was the political inspiration behind this last battle, which he was unable (we were unable) to fight, for reasons beyond our control? One hypothesis came to me when I was reading Wolf Lepenies's extraordinary book, *The Seduction of Culture in German History* (2006), dedicated, not coincidentally, to the School of Social Science of the Institute at Princeton. Yes, in his last phase, as indeed throughout his brilliant and industrious life, Hirschman wanted (in my opinion) to show "everyone" that it was possible, and even a duty, to work within a cultural and political framework *opposed* to the one that had taken hold during that historical tragedy.

In other words, my conclusion is that the pole star of thinking and acting "for a better world" must never be lost from sight...

How would Albert have reacted if I had communicated to him this rather challenging research outcome? I don't think he would have opened his mouth; he would have looked at me in an enigmatic way, lost in thought (as he sometimes was), but with a smile...

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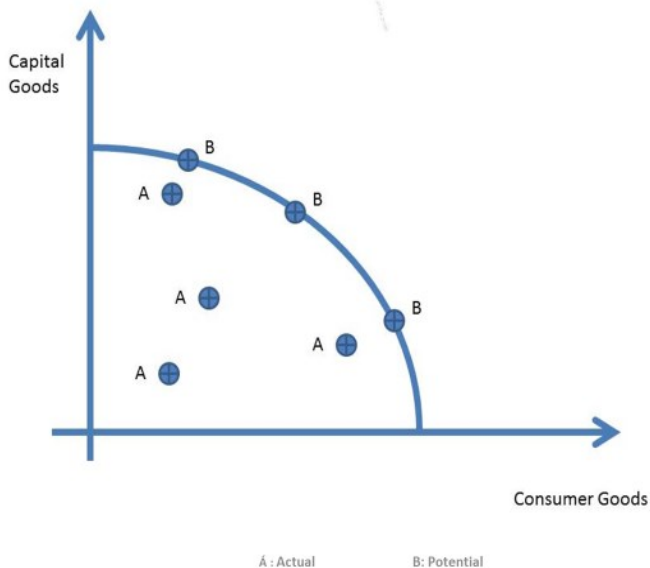
Oswaldo Feinstein

Possibilism and the Dynamic Possibility Frontier

In preparing a presentation for a conference on “A Passion for the Possible” in honor of Albert Hirschman at the Berlin School of Economics it seemed appropriate to explore the extent to which standard economics can be used for a possibilist approach or if there is a need to trespass traditional economics.

The possibility frontier

The “possibility frontier” is a tool of economics that depicts the maximum combinations of goods and services that can be achieved given a state of technology and capabilities. If for simplification only 2 goods are considered, say capital goods and consumer goods, and with a further simplification (to avoid problems of aggregation that are not relevant in this context) only one capital good is taken into account (e.g., tractors of a certain type), and a basket of consumer goods, then tractors can be represented in the vertical axis of a Cartesian diagram and baskets of consumer goods in the horizontal axis. Thus, a concave curve (corresponding to another simplifying assumption, i.e., decreasing returns to scale) shows the set of maximum combinations of both goods that can be achieved given the available resources and technology.



Any of the A points are within the possibility frontier curve (BBB) and correspond to combinations of capital and consumer goods that do not reach the maximum combinations, as any point along BBB does. Being this the case it may seem that this is a tool that can be used in a possibilist framework. The following paragraphs will show how this could be attempted, the limitations of such an approach and an alternative possibilist formulation.

Is the possibility frontier an appropriate tool for a possibilist approach?

A positive answer to this question may seem plausible: “a passion for the possible” could be considered as a motivation to reach the frontier of possibilities, maximizing the use of resources, minimizing the slack, maximizing the use of available capacities. Thus, if the maximum level of available possibilities is designated by B, and the actual use by A, then

$$B - A$$

would indicate the “possibility gap” and “the passion for the possible” would trigger a set of measures to eliminate this gap, such as higher utilization of existing plant capacity (e.g. through more intensive use of machinery through the introduction of a second shift of work, etc.).

However, possibilism à la Hirschman consists of a mindset that searches for a persistent widening of possibilities²⁹⁰, which may involve the perception of yet unperceived possibilities and/or the identification or creation of new possibilities.²⁹¹ This is not captured by the possibility frontier, as it implies a fixed set of possibilities. Therefore the answer to the initial question is negative and it leads to a new concept which is the theme of the next section.

A dynamic possibility frontier

The limitation mentioned in the preceding section is due to the static nature of the possibility frontier. A dynamic possibility frontier could not be represented by a possibility frontier curve, but would require an open set of expanding curves, which may require a video representation rather than a diagram in the Cartesian plane.

Movements towards the frontier may not reduce the possibility gap if the frontier moves more than the movement from the actual. For example, if A was 80 and B was 100, then if A increases 10% reaching 88 and there is a concomitant move of 10% in B, so it becomes 110, the possibility gap increases rather than decreases in spite of the increase in A.

A possibilist use of the dynamic possibility frontier (DPF)

When thinking about options that can be considered to deal with an issue, e.g., the development of a country, the DPF may serve

²⁹⁰ As Hirschman wrote in “Political Economics and Possibilism”, “the fundamental bent of my writings has been to widen the limits of what is or is perceived to be the possible (...) these persistent widening attempts -or what I shall call my “possibilism” (Adelman, ed., 2013: 22). The article was included originally in A.O. Hirschman (1971).

²⁹¹ On the origins of possibilism and on possibilism and social change see the rich discussion in the prologue and chapter 5 of Luca Meldolesi (1994)

as an heuristic device to avoid restricting the attention to the set of options that are perceived as existing, suggesting two question to policy makers and/or their advisors:

- i) are there unperceived possibilities that may be relevant?
- ii) Is it possible to expand the range of possibilities?

The two questions can be used in a dialogue with stakeholders and with experts, trying to tap their implicit and explicit knowledge.

Furthermore, when evaluating development (or even other) interventions the DPF could help in focusing attention to unperceived and therefore missed relevant possibilities as well as on the neglect or the search for additional possibilities, for example through the use of new sources of information, knowledge or energy.

Lateral thinking and the DPF

A few days after the death of Albert Hirschman, in December 2012, *The Economist's* Schumpeter column was dedicated to him.²⁹² The subtitle of the note was "A great lateral thinker died on December 10th". As stated in *The Elgar Companion of Development Studies* (Feinstein, 2006: 229), he combined "direct observations of development processes with creative (lateral) thinking".

Hirschman was indeed a lateral thinking avant la lettre, as the phrase and concept of "lateral thinking" was introduced by Edward de Bono (1967). It is worthwhile to note that several of the techniques and devices suggested by de Bono can be applied to generate possibilities, expanding the possibility frontier. So the possibilist practitioner can find in lateral thinking a portfolio of tools helpful to trespass the static possibility frontier, making it dynamic through the generation of new possibilities.

²⁹² <https://www.economist.com/business/2012/12/22/exit-albert-hirschman>

Conclusion

Whereas the static possibility frontier of standard economics is not an appropriate tool for possibilism, the dynamic possibility frontier is a suitable instrument for a possibilist thinker, who can use it for diagnosis as well as for the development of a strategy to change a given situation and also in the evaluation of interventions. Lateral thinking tools can be used to dynamize the possibility frontier. But the most important attribute of a possibilist is an open mindset, always searching for the possible and for ways of creating possibilities.

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Helmut Anheier

Of Hiding Hands and Other Hands – an Essay on a Hirschmanian “Petite Idée”²⁹³

Albert O. Hirschman’s *Principle of the Hiding Hand* (1967a) is enjoying a comeback (Adelman 2013; Lepenies 2008; Offe 2013; Özçelik 2014; Flyvbjerg and Sunstein 2016). Yet similar to its initial reception some 50 years ago, two main deficits remain: first, the Principle is somewhat under-theorized and has not generated testable propositions or hypotheses that could be examined by systematic empirical tests; and second, despite its seeming face validity and indeed charm, its implications have yet to be explored in relation to other social science principles, and in particular the causes and other factors that might be implicated in the Hiding Hand phenomenon.

Hirschman writes:

“Creativity always comes as a surprise to us; therefore, we can never count on it and we dare not believe in it until it has happened. In other words, we would not consciously engage upon tasks whose success clearly requires that creativity be forthcoming. Hence, the only way in which we can bring our creative resources fully into play is by misjudging the nature of the task, by presenting it to ourselves as more routine, simple, undemanding of genuine creativity than it will turn out to be.” (Hirschman 1967b:13)

²⁹³This paper draws on Helmut K. Anheier. “The Principle of the Hiding Hand Revisited”, in: A. Mica, R. Wiśniewski, I. Zielińska & K. Wyrzykowska (eds.). *The Sociology of the Invisible Hand*. Bern: Peter Lang. 2018.

Two dimensions of the Hiding Hand

The dual under-estimation embodied in the Principle of the Hiding Hand involves two dimensions: the state of knowledge at the start of the project, in particular whether obstacles, challenges or difficulties likely to confront the project are known or unknown, including the possibility of not wanting to know. The second dimension refers to the under or over-estimation of the complexity of the tasks ahead. These two dimensions yield four combinations, as presented in Table 1. It becomes apparent that the Hiding Hand is only one of other possible outcomes of the relationship between knowledge and estimation. Specifically:

Table 1: Typology of Hands		STATE OF KNOWLEDGE	
		Ignorance	Awareness
TASK COM- PLEXITY	Underestima- tion	<i>Hiding Hand</i>	<i>Malevolent Hand</i>
	Overestima- tion	<i>Protecting Hand</i>	<i>Passive Hand</i>

The *Hiding Hand* results from the combination of ignorance and underestimation of task complexity, as Hirschman suggests. Both are necessary conditions for the likelihood of stumbling into success, for finding solutions to seemingly insurmountable problems and for creativity to take hold. It is the equivalent of “Houston, we’ve had a problem here” in the Apollo 13 mission (Orloff 2004). Referring to Merton’s (1968) distinction between latent and manifest functions, the latent function of the Hiding Hand is to make active

problem-solving under conditions of ignorance possible,²⁹⁴ to facilitate, as a coping strategy, the transitions from uncertainty to certainty. Its function is latent because actors must be unaware of the Hiding Hand when engaging to trick themselves by the two offsetting underestimates of knowledge and task complexity.

The *Protecting Hand*, by contrast, requires no latency but performs a manifest function of addressing ignorance by risk management and a planning approach that assumes worst-case outcomes. The Protecting Hand assumes its clearest expression in what has become known as the precautionary principle of policy-making and planning (Jordan et al 2004). It states that threats of serious or irreversible damage *and* lack of full understanding are no reason for abandoning or postponing preventive measures. Awareness of a lack of full knowledge and an over-estimation of complexity are the necessary conditions of the Protecting Hand to take hold.²⁹⁵

The *Malevolent Hand* is, as Flyvbjerg and Sunstein (2016) remarked, the “evil twin” of the Hiding Hand. With the awareness of fuller knowledge and willful under-estimation of complexity as necessary conditions, it describes a kind of information asymmetry easily leading to profiteering and other kinds of planning and market failures. It is not about stumbling into error but an approach to capitalize on the greater ignorance of third parties such as investors who are tricked into believing that the project is sound, and planned with care. There is no latency involved, but the manifest function of the Malevolent Hand is profiteering, and would, in Merton’s terminology be more properly labeled a manifest dysfunction.

²⁹⁴ Latent functions are consequences that are neither recognized nor intended by participants in a relevant context. In contrast, manifest functions are consequences that are explicitly stated, expected and understood by those involved (Merton 1968).

²⁹⁵ The precautionary principle is a main policy approach of the European Union (*Treaty on the Functioning of the European Union*, Article 191). Through preventive decision-making in the case of risk, it aims to protect the environment as well as human and animal health. For example, it can be invoked to withdraw products from the market if they might be hazardous – even if a complete evaluation of the risk is impossible(<http://eur-lex.europa.eu/legal-content>)

The *Passive Hand* is about known and revealed knowledge that may lead to overly cautious approaches, even inaction. Here, planners over-estimate the complexity of the task even though the state of knowledge is such that few unknowns should come as a surprise. What ought to be steady state and routine is made problematic, even controversial. There can be a latent function involved, but in contrast to the Hiding Hand, it is not about triggering creativity but to stifle it, and compared to the Protecting Hand, it is not about risk management but risk avoidance, similar to the self-defeating prophecy, and likely dysfunctional.

Table 2: Hands, Behavioral Patterns and Outcomes		TYPES OF HANDS			
		Hiding	Malevolent	Protecting	Passive
OUTCOMES	Advantages	Entrepreneurialism	Gameful Unblocking	Precautionary principle	Planification
	Disadvantages	Adventurism	Profiteering	Over-regulation	Catastrophizing

Benefits and disadvantages

Each hand is associated with characteristic advantages leading to potential benefits and disadvantages leading to potentially detrimental outcomes, as Table 2 summarizes.

The Hiding Hand invites entrepreneurialism - the active problem-solving behavior under conditions of uncertainty, as was the case in Hirschman’s own example of the Karnaphuli pulp and paper mill in Eastern Pakistan (today’s Bangladesh), but one could also refer to the Channel tunnel connecting the UK and France, or

Sydney's Opera House. In each of these cases, there was considerable risk-taking and uncertainty that required creative problem solving. At the same time, the Hiding Hand can result in adventurism, i.e. seemingly daring but ultimately dilettante ways of approaching uncertainty.

The Malevolent Hand allows actors to take advantage of information asymmetries and other market and governance failures. It is essentially about profiteering and various forms of corruption. However, under some circumstances, and through successful gaming, the malevolent hand can help avoid planning obstacles and system blockages generally. In situations of what Crozier (1973) described as structures *blocquées*²⁹⁶, malevolent hands “play the system” not only for personal gain but to get things done somehow.

The Protecting Hand is the quintessential incarnation of the precautionary principle when facing a combination of unknown risks and latent risk communities. The rational calculation and management of risk is part of the ‘master narrative’ of modernity, and at its best, a corrective of its optimism bias, i.e. the underestimation of costs and overestimation of benefits. At worst, the protecting hand can lead to overregulation and planning environments with high transaction costs and long gestation periods for even the most routine of projects.

Finally, the Passive Hand can lead to what could be called the planification syndrome, i.e., the notion that planning for more contingencies is the preferred option, even though many eventualities may either never materialize or with the lowest of probabilities. Its inherent risk avoidance implies slow and long-drawn out planning and implementation processes that may, at high cost, nonetheless lead to acceptable results. Its negative version, “catastrophizing”, assumes worst-case scenarios as the base line, and can result in over-bureaucratization at best. At worst, with an emphasis on

²⁹⁶Crozier describes 1960's France as a “blocked society”. Overregulation and top-down bureaucratic rules create a system prone to stalemate, ultimately causing distrust and a system that can only change through crises rather than through some evolutionary development through compromise (Crozier 1973).

wanting certainty in controlling what may well be uncontrollable, the passive hand can trigger off tendencies towards a do-nothing approach.

Indeed, the four hands suggest rather distinct planning and policy-making cultures and even personality types. For the principle of the Hiding Hand to work, entrepreneurs, planners or policy-makers require limited knowledge and under-estimation of task complexity while letting themselves be tricked for creativity to kick in and for innovations to unfold. It requires a culture of accepting failure while rewarding trying as much as success itself.²⁹⁷ The malevolent hand, by contrast, expects and rewards gaming and cheating, creating a culture if not corruption then at least an acceptance of rule avoidance and “playing the system.” The protecting hand suggests a culture of policy and technocratic foresight and caring, with an emphasis on risk anticipation and management. Finally, the passive hand connotes with a bureaucratic, administrative culture, stressing predictability and standard procedures.

Perhaps because Hirschman did not extend his treatment of the Hiding Hand to the other concepts and hands described above, and because he did not build a theoretical connection between the two dimensions of knowledge and complexity on the one hand and behavioral and cultural responses on the other, the Principle remained ultimately an underdeveloped insight of his rich oeuvre. As it stands now, and even having placed it into a family of hands, we are still some way off from a theoretically embedded argument and, subsequently, a set of testable propositions.

Of course, each of the combinations and resulting hands in Table 1 deserve much attention, and comes with many implications yet to be explored, as Table 2 illustrates. However, even the cursory discussion here has shown that Hirschman’s hiding hand is a rather special case, resting on a double conditionality that may limit its actual manifestation across the many infrastructure and development

²⁹⁷ See <http://www.forbes.com/sites/darden/2012/06/20/creating-an-innovation-culture-accepting-failure-is-necessary/#613181a54e19>

projects that have been and are taking place across different countries and fields.

Unfortunately, we do not know the relative frequencies of each of the four hands, nor do we have a systematic empirical base as to the extent to which advantages and disadvantages actually materialize. What is more, we do not know if hands can change into other hands, and under what conditions. Can Hiding Hands become malevolent, and protecting ones hiding, and could they be present simultaneously? What would such changes and co-presence mean for potential outcomes? Can some stakeholders be captive to, or lean towards, different hands?

Despite its 'tongue in cheek' quality, the Principle of the Hiding Hand is not necessarily a benign principle where two necessary conditions coincide with a certain organizational and administrative culture that value individual dispositions such as taking initiative and risks, engaging experimenting and exploring. The entrepreneurialism and creativity embodied in the Hiding hand Principle has a downside, a tendency towards adventurism and risky behavior. The hiding hand may well lead to failure.

Infrastructure and development projects today

As we have seen, the Principle is part of a family of hands, with three other siblings. Yet how does this family fare over time? Compared to some half century ago when Hirschman formulated the Principle, large-scale infrastructure and development projects have continued to be planned and built. They remain numerous, and also large in scale and scope. Experiences have been gained, and infrastructure and developments projects today are more and perhaps better regulated than in the past,²⁹⁸ in part due to the impact of disasters and failures of many kinds such as Bophal, Three-Mile-Island, and Love Canal in last decades of the 20th century, and the 2004 Indonesian earthquake and tsunami, Hurricane Katrina (2005), the

²⁹⁸ For example, Stern (2006) reports a significant growth in the number of infrastructure regulators, with over 200 created between 1995 and the mid 2000's, covering major fields like telecommunication, electricity, water, and transport.

Fukushima Japan earthquake (2011), the 2010 blowout of Deepwater Horizon and the massive blackouts in India in 2012.

One could argue that consolidated, well-regulated fields are those in which awareness easily trumps ignorance, and with lower probabilities of unanticipated events and consequences that would require the under-estimation of complexity. Conventional air or road transport would be examples of such consolidated, well-regulated fields, as would water and sewage systems. By implication, other hands become more important: the malevolent hand depending on the extent to which information asymmetries can be exploited; the protecting hand relative to the institutionalized practice of the precautionary principle, and the passive hand contingent upon the density of regulatory-administrative penetration of the field.

For newer or emerging fields such as digital infrastructure, transport systems for semi-autonomous vehicles or climate change adaptation, the situation may well be different. The balance between awareness and ignorance favors the latter, and underestimation of complexity is more functional. In other words, such fields may offer more room for the Hiding Hand to work. The same would apply for fields that are undergoing major changes, for example health care or even educational infrastructure.

Infrastructure policies and planning embody a strong belief in rationality, of the mastery of the world, to evoke a Weberian image, and in the sense that some form of orderly change is possible if planned and executed well for reaching better outcomes. For the planners and policymakers alike, action is better than no action; and any plan -- however insufficient for navigating the complex and messy patterns of ever-changing modern societies -- is better than no plan at all. Policymakers can identify and grasp concrete facets of social causality, i.e., a 'theory of change,' and they can use them to achieve the desired outcomes. This seems to be the core premise of the rationalist approach to infrastructure planning.

One lesson the Hiding Hand Principle offers is that there is more to planning than a belief in rationality and the 'best laid plans' that come with it. It can be a process involving trial and error rather

than putting in place known procedures. It is also more than the intentional, systematic, and rational pursuit of an outcome, and there may well be -- and under some limited set of circumstances -- other ways to increase the chances of meeting significant challenges: through the creative acts of 'inventing and re-inventing the wheel' as we are 'falling towards success,' as Hirschman would have put it.

Yet falling into success out of ignorance of ignorance may be one way toward progress; another path is suggested by the consoling insight Tilly (1996) offers: learning from experience and past mistakes to find less failure-prone ways to approach complex and uncertain tasks, a phenomenon he labels the "invisible elbow." By yet another word play on the invisible hand, Tilly simply means that repeated tasks under anticipated yet not fully known uncertainties allow actors to develop routines that increase chances of successful or at least satisficing performance. Perhaps another way forward is to examine when the Hiding Hand principle involves or invites learning, or if indeed, it applies to "one-shot", singular events only.

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Nicoletta Stame

Possibilism, Change and Unintended Consequences

Two kinds of change

Speaking about change, in the Introduction to *A Bias for Hope*, Hirschman distinguished between “voluntaristic change” and “change as a result of unintended side-effects” (Hirschman 1971a: 37). *Voluntaristic change*, “brought about consciously by some change agent, be he a revolutionary or an agricultural extension officer”, is the result of a purposive action, as is perceived in the “blueprint approach” to development²⁹⁹. According to Hirschman, it can be less revolutionary, because “the imagination of the change agent is severely limited by his immediate experience and historical precedent” (1971a:37). *Change as a result of unintended side-effects* of actions conducted for other purposes can be more revolutionary, because it is more difficult to detect and to block by the forces opposed to change.

In both cases, his point had been worked out as a response to pessimistic views, unable to detect the promising features of reality, that he called *fracasomania*. In the case of voluntaristic change, any deviation from the expected causal sequence was seen as disruptive. Dealing with development, Hirschman had been struck by “exaggerated notions of absolute obstacles, imaginary dilemmas, and one-way sequences”: on the contrary he had tried to “figuring

²⁹⁹ In *Development Project Observed* (1967:35) Hirschman wrote: “the term ‘project’ conjures up the notion of a set of blueprints, prepared by consulting engineers, which, upon being handed to a contractor, will be transformed into three dimensional reality within a reasonable period”. And he noted that similar projects implied “far more certainty and knowledge than is available in most cases, as those that had made up the object of his research. Rondinelli (1983) has brought forward the criticism of the “blueprint approach” to development projects.

out avenues of escape from such straitjacketing constructs in any individual case that comes up" (1971a: 29). Up to the point of imagining that the alternative roads could even be better than the planned ones. Something he could do by attributing a special role to *surprise*.

In the case of un-intended side-effects, he followed the "prestigious ancestry" of the concept of Unintended consequences (UC), the original hopeful meaning of which had been betrayed by a slip into that of perverse effect, something that he will thoroughly address in *Rhetoric of Reaction* (Hirschman, 1991: 36).

Among the alternatives to those dreary attitudes (negative, depressing) are three conceptual devices (blessing in disguise, inverted sequences, unintended consequences) by which change may occur, that he sees framing *possibilism*. The first two speak of a change that can take place as an alternative way than that purposefully planned, but in the same domain. The third one speaks of a change that takes place in an area different from the one where an action was started: i.e. as a side-effect.

Alternative avenues for a change action

Blessing in disguise. It is the idea that in certain situations it is possible to turn a negative occurrence in an asset or a spur. Theories of development are full of asserted regularities that imply either the need for certain positive pre-requisites, or conditions (be it political consensus, a given culture, family structure etc.) to be present, or of obstacles (conflict, centralism, family structure etc.) to be overcome, before change may happen. Hirschman wittingly mocks similar rigid notions when he finds beneficiaries or implementers that are able to work out alternative solutions to their predicament, due to their creativity (something he blames researchers for not considering) (Hirschman 1971a: 29).

Two articles exemplify this attitude. In *Obstacles to development: a classification and a quasi-vanishing act* (Hirschman 1971 b) Hirschman criticizes the use of the concept of obstacle that have to be overcome - a generalization of what has already happened in countries that have developed - and finds that so called obstacles "may turn into assets", there are "obstacles whose elimination turns

to be unnecessary” or “whose elimination may be postponable”. In *The search for paradigms as a hindrance to understanding* he criticizes the dogmatic cognitive style: when laws and models are imposed on an actual setting claiming that it corresponds to them, hopeful developments that might suggest other interpretations are either not perceived or are considered exceptional and therefore not relevant. Most paradigms and models tend to “[lay] down excessive constraints on the conceivable moves of individuals and societies” (Hirschman 1971c: 352-3), thus “propounding that there are only two possibilities – disaster or one particular road to salvation” , ignoring that there can be other roads (purgatory as a third way).

Inverted sequences. This is an expansion of the criticism of necessary pre-requisites, or of supposed cause-effect relationships, and has been strengthened by the utilization of the theory of cognitive dissonance (Festinger, 1957). According to the latter, changes in beliefs, attitudes and eventually personality can be entrained by certain actions instead of being a prerequisite for them; analogously, inverted sequences can be alternatives to certain “orderly” sequences forecasted for development (Hirschman 1971a: 30): what was considered a cause of change may become its effect. Numerous examples are offered in *Getting Ahead Collectively* (Hirschman 1984: 6,9): improvements in squatted housing were found to be a prerequisite for security of title of ownership, instead of its consequence; education was induced by development rather than being a precondition for development.

In the cases under study contrary to what was expected the situation evolved in a favorable way: obstacles could be overcome, change happened by taking an inverted sequence than expected, solutions were found because the agents’ creativity could be unleashed. But that happened because people took advantage of the surprising situation they found themselves in. A subjective element combined with an objective one.

Thus Hirschman combined a theory of decision-making with a theory of change, and stated it explicitly in the *Hiding Hand* principle, according to which we would not undertake a program if we knew the difficulties we would have met, but in this way would

not be able to appreciate the solutions that concerned actors might have found thanks to their creativity – the very virtue of adaptive agents. “Creativity always comes as a surprise to us; therefore we can never count on it and we dare not believe in it until it has happened. In other words, we would not consciously engage upon tasks whose success clearly requires that creativity be forthcoming. Hence the only way in which we can bring our creative resources fully into play is by misjudging the nature of the task, by presenting it to ourselves as more routine, simple, undemanding of genuine creativity than it will turn out to be” (1967: 13)

Side-effects of other actions

Unintended Consequence of human action (UC). Here (1971a: 34-35) Hirschman referred to a notion that “has of course a distinguished ancestry” (Vico, Mandeville, Smith), and had a “rich potential for understanding and expecting social change”; this notion - he regretted - had not been exploited, or had even been criticized by social reformers that believe in equilibrium, rationality, optimality and think that “social change is something to be wrought by the undeviatingly purposeful actions of some change agents”. Instead, Hirschman argues, “change can also occur because of originally unintended side effects of human actions which might even have been expressly directed toward system maintenance”.

Of course, not only had the concept of UC a prestigious ancestry, but - especially with the building of new development projects and socio-economic programs - it also came to be frequently utilized in the opposite meaning. In fact, in the meantime it had lost the serendipitous meaning of something *un-anticipated*, and had more often taken up that of *un-desired* consequence, or *perverse effects*. A tendency that Albert Hirschman has considered as “a betrayal of the idea of unintended consequences because it cancels the open-endedness (the open-endedness to a variety of solutions) and substitutes it by total predictability and fear” (Hirschman, 1998: 93).

UC today

What happens today? Because of a growing sense of complexity and uncertainty, UC are all over. But certainly not in the “prestigious ancestry” meaning. Not only the blueprint approaches and *fracasomania* still go hand in hand (the rallying cry that “nothing works!”), but also that same original meaning is contested, or even kept irrelevant.

In guidelines for evaluating complex programs³⁰⁰, funded by international agencies, aiming at solving specific problems (poverty, inequality, inefficiency in governance, etc.) complexity is considered as something unescapable, but difficult to control. Therefore, they require looking for “challenges” and “unintended consequences”, seen as “wicked problems” that have to be contained, limited: *unintended as undesired*.

The prestigious ancestry is then contested in various ways. First, because of its link to surprise. Morrell has devoted an entire book to the topic. Change is seen as the realization of an intentional chain of desired events, in a sequential order, and UC are seen as a case of deviation from the desired outcome, hence a *failure*. Referring UC precisely to complexity of systems and uncertainty of decisions, Morrell distinguishes between unforeseen and unforeseeable consequences, considers that the surprise created by them is disruptive, and maintains that “there are techniques to minimize surprise and maximize adaptability to what we cannot predict” (Morrell 2010: 26).

Second, there is even an aversion to the possibility of “serendipitous” UC. de Zwart (2015), who is credited for having recently revived the concept of UC, considers desired UC only conceivable in a world of “spontaneous order”, as the one when the concept of UC was originally conceived, but not in a planned order, where what is desired has been clearly established; hence, unexpected consequences are adverse because un-desired. Yet, counter-intuitively, de Zwart is interested in accounting for a notable excep-

³⁰⁰ See Vahamany and Verger (2019).

tion: actions that forecast un-desired effects but are nonetheless undertaken (for a lesser evil) ... and that is why he calls for the need for distinguishing un-anticipated from un-desired consequences, and draws a table that crosses anticipation with desirability, leaving empty the cell that matches un-anticipation with desirability.

Third, on the development intervention side, positive UC have even been considered irrelevant, as mere “chance”. The *Manual for the Implementation Completion Results Report* of IEG-WB (2017) states:

“As the Bank is an objectives-based institution, achievement against the project development objectives (PDOs) are paramount. Thus, the benchmark for evaluation is the project’s own stated objectives - not any absolute standard or someone else’s conception of what good performance is.

What if there are unintended positive outcomes? If a project achieves positive outcomes that were not part of the objectives statement, then credit is not given for those positive outcomes in the Outcome rating. The rationale for this is that neither the Bank nor IEG want to encourage ‘serendipity’ – the fortuitous chancing upon favourable outcomes without realizing that they were materializing”.

Another situation in which the concept of UC is widely utilized today is in system thinking approaches to evaluation, that oppose the idea of linear causality present in the blueprint approach. Here UC are seen as *emergence*, or characteristics of systems, which are defined as “the whole greater than the sum of its parts” (holism). Unintended consequences are seen as *unanticipated* changes, with no focus on desirability, because there is no idea of intentionality. Hence, the concept of UC becomes irrelevant for change.

Unintended Consequences and change

All these positions disconnect UC from change, thus thwarting the real base for possibilism. On the other hand, the distinction between un-anticipated and un-desired consequences can

offer more room of maneuver than the detractors of the UC concept may admit.

We would rather be reminded that a distinction between un/desired and un/expected consequences had already been advanced, first, in the famous Merton's article of 1936 that is considered the forerunner for the introduction of the concept of UC in modern social science. Merton proposed a new topic of study: "unanticipated consequences of purposive social action": here the idea was that actions with a purpose, be they "(a) unorganized" or "(b) formally organized" (Merton 1936: 896), may obtain "unforeseen consequences" that "should not be identified with consequences which are necessarily *undesirable* (from the standpoint of the actor). For though these results are *unintended*, they are not upon their occurrence always deemed axiologically negative. In short, *undesired* effects are not always *undesirable* effects. The intended and anticipated outcomes of purposive action, however, are always, in the very nature of the case, relatively desirable to the actor, though they may seem axiologically negative to an outside observer. This is true even in the polar instance where the intended result is 'the lesser of two evils'" ³⁰¹ (Merton 1936: 895, italics added).

Then, in a contribution of as early as 1972 (*Evaluation Research. Methods for assessing program effectiveness*) Weiss had dealt with the matter of "unanticipated consequences" her way: "The program has *desired* goals. There is also the possibility that it will have consequences that it did not intend. The discussion of *unanticipated* results usually carries the gloomy connotation of *undesirable* results, but there can also be *unexpected* good results and some that are a mixture of good and bad." (Weiss 1972: 32, italics added). Remarkably, she distinguished between anticipated and desirable consequences of a program (a purposeful action), she criticized the identification of un-anticipated with un-desirable and recognized that un-anticipated could be good. And then she ironically hinted at pos-

³⁰¹ As is evident, the idea of "lesser evil" was already present in Merton, which frustrates de Zwart's claim of originality vis-à-vis Merton.

sible side-effects of programs: “reformers trying to sell a new program are likely to have listed and exhausted all the positive results possible”, so that if they happen they are hardly unexpected (Weiss: 1972: 33).

In his turn, Vedung (1997: 54), based on the example of an energy conservation program in Sweden, drew an “effects tree” in which he considered anticipated / unanticipated effects of an intervention as beneficial or detrimental, in target area (main effects) and outside direct area (side effects).

In all these cases, it is a matter of considering changes as the final result of actions undertaken for a desired goal. Parallel to this, the seed of possibilism had thrived in all those analyses that had focused on the positive unexpected solutions to predicaments that concerned actors have found in the implementation of programs. From the outstanding work of Judith Tendler (2019)³⁰² to current evaluation approaches of positive thinking (appreciative inquiry, positive deviance, etc., see Stame 2016).

All together what is considered is a vast array of alternatives, for which the distinction of unintended effects into un/anticipated and un/desired is still useful. Positive change can occur not only as something desired and expected of a purposive action, but also as desired but with unexpected means, or with desired effects but from other intended actions.

In Stame (1997) I had drawn a table that included all these cases ³⁰³. I reproduce it here with a few new inputs from the literature.

³⁰² See also Stame (2019)

³⁰³ Contrary to de Zwart’s table (see above) cell C is rather full.

Table 1: intended (anticipated and desired) and unintended (un-anticipated and/or un-desired) consequences of purposeful social action

		Desired	
		Yes	no
Anticipated	Yes	<p>A Success</p> <p>Merton: desirable for the actor</p> <p>Vedung: beneficial in target area</p>	<p>B</p> <p>Merton: action oriented to value (of some actor): lesser evil</p> <p>Weiss: unintended but anticipated</p> <p>DeZwart: lesser evil</p>
	No	<p>C</p> <p>Merton: unforeseen, not necessarily undesirable</p> <p>Hirschman: blessing in disguise, inverted sequence</p> <p>Weiss: unexpected good results, spillovers</p> <p>Vedung: beneficial side-effects</p> <p>Appreciative inquiry, positive deviance</p>	<p>D</p> <p>Failure</p> <p>Perverse effect</p> <p>Merton: effect not desirable for someone</p> <p>Vedung: perverse effect in target area</p> <p>Detrimental side-effect</p>

As is clear, this table considers UC in the current usage of effects of a purposive action, not in the sense of “prestigious ancestry” of unintended side-effects of actions conducted for a different purpose. For this, look at table 2.

Table 2: side-effects of actions conducted for a different purpose

		Intended effect	
		For system maintenance	For change
Side-effect	Stability	No change	Futility (Leopard) ³⁰⁴
	Change	UC in the “prestigious ancestry meaning”	More change than expected? The irony of C. Weiss

How to “exploit the rich potential for understanding and expecting social change”?

In concluding *Development Projects Observed* (1967: 187), Hirschman stated: “some of the most characteristic and significant events in the career of projects are ambiguous .. and the decision to give them a positive or negative sign in the course of project appraisal requires considerable knowledge of the country no doubt, but also – and this is what I have been trying to convey – an awareness of the ways in which projects create entirely new openings for change”.

So, how to “exploit the rich potential for understanding and expecting social change”? The possibilist devices we have started with are some of Hirschman’s ways of accounting for change ³⁰⁵.

³⁰⁴ Futility is a case of the rhetorics of reaction analyzed by Hirschman (1991)

³⁰⁵ In Hirschman’s thought one could mention many more instances of this: processes that become the goal (the happiness of the pursuit), implementation as a learning process (Hirschman 1967), etc.

Also other voices that we have reviewed above have utilized the concept of UC in a hopeful way, assessing the value of the alternative courses that an action can take. What they all have in common is being equipped with doubt and openness to surprise. But, given the traditional upbringing of the researchers, this attitude is not granted, and should be cultivated: as Merton had warned, you need a “prepared mind”³⁰⁶ to be able to detect serendipitous events (Merton and Barber, 2004). Remember also Hirschman’s quest for appreciating creativity, for nourishing our imagination.

And then, our problem becomes one of bringing together the open-endedness of the possibilist analysis with the possibilist ability to utilize it in our craving for improvement, self-assurance, democracy, in other words, “for a better world”. A matter for a never ending effort.

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³⁰⁶ I am grateful to Veronica Lo Presti for this suggestion.

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Concluding Remarks

Luca Meldolesi

Concluding Remarks

By and large, Albert Hirschman's work has been published in liberal democratic societies, while the whole contribution of Eugenio Colorni was written under fascism. Its new availability in English³⁰⁷, useful in itself, represents also, in my view, a great opportunity for initiating a stream of studying on possibilism under non-democratic and semi-democratic conditions. It is a great news for everybody, and particularly for that big part of humanity that suffers for the latter situation (many Chinos, Russians, Arabs, Indians, Turks, Africans, Asians, Latinos etc.). It is a new field of research that should include all struggles for freedom from the recent past to the present. For instance: how much possibilism has been traveling de facto underneath the Samizdat or Solidarnosc movements? Or: what may one rapidly learn to boost possibilist understanding and initiatives in the contemporary autocratic world?

Actually, Albert Hirschman's first book, *National Power and the Structure of Foreign Trade* (1945), was written in 1941-42, while Eugenio was alive. Therefore, it should be read as a contribution offered by Hirschman urbi et orbi from within Colorni's cosmopolitan perspective. As I said already in my Introduction, in the late '80s and the early '90s of last century Albert and his friends (myself included) passed through an extraordinary, unexpected and happy period in which theoretical advancements on democracy (and conflicts) were matched by (and intertwined with) historical events of enormous importance - like the fall of the Berlin Wall and the Presidency of Fernando Henrique Cardoso in Brazil. We learned, at that time, that democracy is a fortunate outcome of unresolved conflicts.

³⁰⁷ Colorni 2019a, 2019b. These are the first two volumes of a project of five (see the Appendix below).

That should be liberated from the “rhetoric of intransigence”³⁰⁸. That should be renewed and reformed by conflicts. More: that it needs “*a steady diet of [manageable] conflicts*” to work properly³⁰⁹. And we connected all that with real life of an exit-plus-voice peaceful revolution; and with the awakening of a previously dominated Latin American world. We tried hard in that period to work effectively on three continents, brotherly bringing together, more specifically, part of Central and Eastern Europe just liberated, Brazil, Mezzogiorno and American Academia; and producing a high tide of “universalist” fervor (that was unfortunately short-lived).

Sometime after the fall of the Berlin wall, the Department of Urban Studies and Planning at MIT hosted in Cambridge Ma. a Conference on the comparison between ex-communist countries, particularly East Germany, and the Mezzogiorno. I was asked to explain the Italian side of the matter³¹⁰. The people representing East Germany strongly denied any comparison possible. But our experience (with Albert, as well as with the present Conference) shows the opposite. We can (and we will) work together in the interest of both European regions; and of the numerous ones around the world that urgently need the speeding up of their development.

Possibilism helps the sorting out of the sterile opposition between ineffectual reformism and impracticable “revolutionism” that produce de facto discouragement and passivity. It suggests the existence of a possibilist responsibility for everybody, and particularly for those who think that “something” anyway should be done. It offers to them a vast set of intelligent ways of thinking and acting, and a field of interesting applications in eternal expansion. If understood, it enlarges continuously its influence on a vast professional and political zone: in each and every domain.

³⁰⁸ Actually, this is the proper title of the book *The Rhetoric of Reaction* because it includes the rhetorics both of the right and of the left. For that reason, Hirschman gave that title to the book in Italian and in other languages.

³⁰⁹ Hirschman 1995, p. 243.

³¹⁰ Now in Meldolesi 2000, Ch. 2.

Conclusion. Yes, but – one may ask - what does all this mean? How could that early '90s high tide happen? The truth is that when Hitler invaded Benelux, France, Poland, Russia etc. and uprooted, one after another, the traditional élites that governed those countries, the political anti-fascist and anti-Nazi reaction (typical of a rapidly rising movement in its early stage) was to see at arm length the democratic and federalist future alternative to the whole of that: in Europe and in the world. Indeed it was a mirage. But it contained a key aspect of reality: a precious perception that later... could not be forgotten!

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Appendix

A series of books in the Albert Hirschman's Legacy

Publishing books related to the Colorni and Hirschman intellectual tradition is one of the main tasks of A Colorni-Hirschman International Institute. It develops along a few channels.

Eugenio Colorni

We are editing a series on Colorni's work published by the Bordighera Press of New York.

Two 2019 books of *Excerpts of Political Writings and Correspondence* are already in print:

- *Critical Thinking in Action*
- *The Discovery of Possibilism*

Three more books are in preparation:

- *The Ventotene dialogues* by Eugenio Colorni and Altiero Spinnelli
- *The last year, 1943-44*, by Eugenio Colorni
- *The philosophical illness*, by Eugenio Colorni

Albert Hirschman

We are editing the series "Albert Hirschman's Legacy: Works and Discussions" by Peter Lang Publishing, New York. The first two books in the series are:

- *How Economics Should Be Complicated* (edited by Luca Mel-
dolesi). An anthology of writings on economics (and tres-
passing to other disciplines) selected by Hirschman himself
in 1988.
- *Follow events in France and Italy*. (edited by Luca Meldolesi).
A collection of (mostly) unpublished papers written by
Hirschman between 1945 and 1947 when he was working
for the Marshall Plan and the Federal Reserve.

Judith Tendler

Edited by Nicoletta Stame, 2019, Italics Digital Edition has
published already.

- *Beautiful pages by Judith Tendler*.

AC-HII Hirschman's Legacy Conferences

Italics Digital Editions publishes books of excerpts from the
Hirschman Legacy Conferences: Theory and Practice.

- *For a Better World: First Conference*, Pardee School of Global
Studies, Boston University, Boston 2017
- *A Bias for Hope: Second Conference*, Independent Evaluation
Group. World Bank, Washington D.C. 2018
- *A passion for the possible: Third Conference*, Berlin School of
Economics and Law, Berlin, 2019.

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