Institutional change and Experimentation
Blockages, Traps and Triggers

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From Cohesion to Diversity

- Forming national institutions and constituting shared fates in the post-war settlement in developed economies
- State Control and uniformity in the Soviet system
- Third world; national liberation, commodity dependence and subsistence agriculture plus limited industrialization

- ‘National’ Communities of fate
Breaking up the national communities of fate

- Across societies
  - Rapid growth rates in emerging economies
  - Declining growth rates in developed economies
  - Flows of FDI and MNC production into some emerging economies as well as into developed economies
  - Creation of global value chains and innovation networks
  - Enabling technologies, e.g., hardware and software standards that are open access
Graph 10
Relative growth of GDP 1950-2010 in selected regions

Breaking up the national communities of fate

- **Within societies**
  - Growing inequality – top 1% moving away
  - Slowing social mobility – reproduction at the top and the bottom; stagnation in the middle
  - Increased regional diversity – growth of mega cities and specialised clusters.
  - Welfare systems; greater differentiation in treatment – workfare state and discipline
  - Employment conditions – precariat, temporary, part-time, zero-hours contracts
Breaking up the national communities of fate

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- Flows of FDI and MNC production into some emerging economies as well as in developed economies
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- Enabling technologies, e.g., hardware and software standards that are open access
- Global market competition in some areas
- Transnational regulation

Gini Index - Income Disparity since World War II

where 0 is perfect equality, and 100 is perfect inequality (i.e., one person has all the income)
Consequences: two routes to experimentation

- Disembedding of markets and loss of control – market experimentalism and market governance
- Developing new forms of communities for experimental governance
  - Around political identities: can political forces lead an experimentation towards new forms of market embeddedness?
    - Relative weakness of the ‘old states’
    - Rise of ‘old wine in new bottles’ states – Scotland, Catalonia, Quebec?
    - Regional identities around specialities
  - Around economic identities
    - Firm level solidarities
    - Local
    - Trade union solidarities
    - Transnational social movements
    - Occupational/professional solidarities
Blockages and traps

- **Blockages**
  - Social actors in conflict over change: Zero-sum games
    - Disembedding the market
    - Reconstructing communities and institutions

- **Traps**
  - Social actors trapped in sub-optimal patterns. Non Zero-sum games?
    - Low skill equilibrium trap
    - Resource dependence trap
    - Technology traps
Blockages: unblocking the market

- Deregulation of labour market
- Deregulation, privatisation and contracting out
- Deregulation of finance

- Emergent experimental forms
  - The financialised firm
  - The networked firm

- Outcomes
  - Increasing inequality
  - Insecure work
  - Regional vulnerabilities
Blockages: rebuilding communities

- Around localities and institutions
- Supply chains
- Innovation networks
- New forms of state engagement
- Social movements

Emergent experimental forms and outcomes
- Upgrading firm activities
- Higher skilled employment
- Local embeddedness
Traps

- Actors in sub-optimal set of relationships
- High level of inertia
- Alliances and experimentations to spring trap
  - Low skill equilibrium model – changes in Korea post 1997 vs failure to change in Brazil
  - Resource dependency trap – Norway, Australia and Canada (moving to added value and investment) vs Brazil
  - Technology traps – in telecoms Finland (moving on from Nokia by diversification) vs Japan (trapped inside its own technology – Galapagos effect)
Triggers for change: overcoming blockages and traps

- Economic crisis: external forces and internal capacities for response
- State capacities and state structures – Alliance and electoral politics and decentralisation
- Regional alliances
- MNCs and supply chains
- Demographies:
  - Young and old in the labour force
  - Women in the labour force
Conclusions

- Old forces for cohesion and constructing a shared fate are dissolving
- Offers the opportunity for new experimental forms
- One track is new experimental forms which maximize market relations
- The other is rebuilding new communities of fate
- These futures are playing out through struggles over
  - Blockages
  - Traps
- They are being triggered by a range of forces in the political, economic and social arenas.
- Diverse outcomes are revealing themselves on a global scale