

Research Agenda

Max Planck Sciences Po Center on Coping with Instability in Market Societies

Status quo: Two major and intertwined shifts in Western societies

The last thirty years have seen profound shifts in the social organization of Western societies. First, the “embedded liberalism” (Ruggie 1982) characteristic for the political economies of postwar industrial democracies has given way to a model which exposes actors much more directly to market forces. Due to deregulation, liberalization and privatization, which were in part triggered by the globalization of factor markets, market forces exercise their influence today much more directly on individuals and society. This first shift was favored and at the same time resulted in profound cultural shifts which led to more social differentiation, a more individualized culture and contributed to a destabilization of traditional social structures, for instance in the family.

The increased reliance on markets and cultural shifts have led to more short term pressures for individuals, organizations and politics to cope with less stable economic, social and political environments. From this instability results a higher degree of strategic uncertainty involved in life perspectives, economic and social relationships, and policy making in the broadest sense. How does social life, the economy and politics organize around the uncertainty actors and institutions are facing?

Impacts on the economy, the society and the political system

In the economy increased instability can be observed for instance in labor markets, where unstable labor relations have increased. Moreover, the introduction of quasi-markets and the planning instruments of the new public management in organizations such as the health-care industry or universities have led to new competitive pressures and uncertainty. Financial markets have become much more volatile as a con-

sequence of their liberalization, with dramatic effects on firms and the state which needs to prevent in crises situations the collapse of the financial system by spectacularly increasing its own debts. Firms are much more exposed to competitive forces due to globalization, making it necessary for them to adapt more quickly. The organization of supply chains on a global scale exposes firms to hitherto unknown risks creating a need for new regulations.

In society the last forty years have witnessed a profound cultural shift which led to the erosion of social structures once forming the bedrock of the stability of social relations. This process of detraditionalization can be seen in the family from increases in divorce rates, and the pluralization of family forms, documented for instance in the remarkable increase of children born outside of formal marriage. These changes are part of the emergence of a more liberal and individualized culture. Other elements of detraditionalization are secularization processes and the growing ethnic and religious heterogeneity of contemporary societies due to increased immigration. The political system of Western democracies has likewise seen in many countries the erosion of stable party systems, leading to more pronounced difficulties in forming governments. Formal participation to the political process is under pressure, or in decline, while alternative forms of participation are not stable over time. The state apparatus has been profoundly restructured with the multiplication of ad hoc agencies, decentralization trends and internationalization processes. Classic questions about what is really governed and how are even more salient when the fiscal room of maneuver is shrinking, individuals are more mobile, and collective organizations less able to mobilize. Regulating is not governing and the rise of the regulatory state may reveal a more modest role for governments to change society. At the same time, however, states are regaining capacity to control, to centralize and to impose market regulations and more competition in more sectors. Increasing inequalities and the making of superrich groups together with the generational inequalities and downward mobility are changing the social order and may fuel new political instabilities arising from class conflicts and protest.

Exploring the consequences at the individual and collective levels

Over the last thirty years we can observe a decrease in the protection of individuals from the vagaries of market forces and reduced opportunities for long-term personal planning. The processes leading to the multiple developments described have been studied intensively in the social sciences. The consequences of these changes have yet to be examined systematically. Research at the Center will therefore not look at the origins of destabilization but rather focus on the strategies of individuals, organizations and the political system to cope with a more unstable world. How is such a society managed? What are the consequences for individuals, families, or firms? How do actors respond to this kind of social structure? How do political institutions react to it? How do organizations cope? The effects of the developments described are clearly multifaceted. The literature argues, for instance, that although market forces may destroy traditional social structures (Polanyi), markets may also create new relations and social groups (Hirschman). On the societal level the de-traditionalization of family relations and greater flexibility in life-course choices have opened tremendous opportunities for individuals; at the same time these developments have caused in many instances insecurity and an increased need to adapt to changing life

situations. Not only can market forces and cultural shifts have different effects on societies, they also interact with social structures, institutions, regulations and actors' coping strategies.

Research on the coping strategies of societies to more instable social structures will establish a new field of research for both institutions participating in the Center which nevertheless connects to the respective existing research programs. Research at the Max Planck Institute for the Study of Societies concentrates mostly on the investigation of the processes of institutional change associated with the transformations mentioned and on the question of the social preconditions for the functioning of markets. Recently, several projects have emphasized the effects of these institutional shifts, investigating the consequences of changing family structures (Streeck), the impact of economic destabilization on political participation (Schäfer) and the coping strategies of employees working in instable employment relations (Apitzsch).

Research at Sciences Po has focused in particular on the way different markets operate, on the restructuring of state regulations and the creation of new agencies (Le Galès), the increasing role of private actors in public policies, on the development of inequalities, and on interactions between markets and politics by analyzing, for example, the financing of politics and modes of corruption. Much research has also focused on the transformation of firms in the international context and on the development of new forms of organizing, managing careers, and recruiting within firms (Musselin).

While these questions remain highly relevant, it is now also possible to ask what consequences the institutional and cultural changes during the last thirty years have had for the fabric of society and how actors are coping with the newly emerged social environment. Based on a more solid understanding of the causalities involved, the main focus of research at the Center will be on the detailed investigation of the copying strategies of individuals, firms and politics through which social life becomes organized under conditions of heightened instability. Research will expose also the paradoxes stemming from the individual adjustments to less stable life-worlds, visible from the effects for other parts of the social system. Some examples: (1) If increasing demands for flexibility on the labor market, the economic need for employment of both partners and the attraction of women to the labor market lead to decreasing fertility rates in middle class families, the state reacts by introducing policies to provide institutional support to middle class families with uncertain success. (2) In Great Britain and the United States the reductions in welfare state provisions went along with an increase in availability of consumer credit and the expansion of home mortgages, exposing not only the individuals to the risks of not being able to pay back these loans but also contributing to the real estate bubble triggering the financial crisis in 2007.

Coping with instability must not necessarily be limited to the adaptation of individual decisions but can also consist of collective action, attempting to reduce uncertainty for specific social groups and shifting the risks to others. Political conflicts around access for underprivileged social groups to (elite) institutions of higher education or conflicts around migration policies or estate taxation are political controversies on the distribution of uncertainty within society. How these developments are related to the institutional remodeling of the economy, but also to cultural shifts during the last thirty years will be investigated at the Center. Shifts in collective action will also be investigated in the transformation

of private and public organizations: how are production systems affected by the increased instability in markets, labor forces and social structures?

In theoretical terms research will investigate the links between economic, political, cultural and social dynamics. Researchers will investigate a limited set of cases in which the coping strategies of actors and their consequences can be observed. It will aim at a precise analysis of the social changes, and the strategies actors use to deal with the new conditions. For many of the projects it will be necessary to use a comparative approach. Comparing France and Germany will play an important role, though not an exclusive one. Comparisons with Anglo-American societies will be especially insightful because the developments of destabilization of the social structures of embedded liberalism have been especially pronounced there. The specific projects still need intensive debate and will depend on the research expertise of the researchers working at the Center.