

# Response to comments: The elevator approach to theory

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Thanks to all for very interesting and diverse comments. My responses are a mix of clarifications (minor points) and, more important, several comments inspire me to expand or change my views.

**Han Sang-Jin** and **Jongtae Kim** both point out that South Korea is no longer a state-led market economy (SME) because of the growing power of business in the course of the 1990s and the influence of the IMF following the crisis of 1997/98. They point, as do many others, to neoliberal trends in Korea. According to Han, ‘Korean capitalism has rapidly moved towards a neoliberal market economy, forcing the labour market, education and even the family to adjust to this structural pressure ... new battlefields have emerged, and politics and society remain severely divided over the question of where Korea should move further.’

I agree South Korea is no longer an SME; this was a slip-up in the article. Also France, the other major SME, should now for various reasons rather be viewed as a CME. According to the ‘Add Context and Stir’ principle, developments in Korea require detailed engagement, which lies beyond this discussion; but in brief, my sense is that state and civic institutions such as trade unions remain robust. The increase in Korean welfare spending *concurrent* with liberalizing reforms in the 1990s and onward (Teichman, 2014) and government and judicial pressure to regulate the chaebols (with corruption investigations in Hyundai, SK and Samsung; stricter regulations on accounting, inheritance taxes and in antitrust law, measures against tax evasion and antitrust investigations in banks) all point in this direction. So it makes sense to view Korea as a

CME, with government no longer in command (as during the era of the developmental state) but playing a coordinating role, coordinating business, labour and civic institutions. How well different administrations play this role is a different matter. That 21st-century Korea is an arena of struggle between various factions and perspectives comes across in many accounts.

This criticism raises the issue of limitations of the VoC literature. As discussed in the article, VoC has been mostly concerned with developments in the 1980s–1990s and tends to be static in its analysis; the successor literature, comparative capitalisms (CC), takes a wider and more flexible approach.

According to Han, ‘the model countries of the cluster CME ... such as Germany are incapable of addressing the root causes of the financial and economic crises severely hitting the southern part of the EU’, which is ‘a serious limitation of the CME cluster’. Several points apply. First, this takes us outside the scope of CC arguments. CC literature is concerned with *comparative institutional advantage*, which means that certain institutions are good at achieving certain objectives, not that any are good for achieving *all* objectives. (A familiar example is innovation. LMEs in view of flexible labour markets and liberal capital markets [with greater concentrations of capital] are relatively good at disruptive innovation [in the US, rather than in the UK], while CMEs because of stable institutions and labour conditions are better at incremental innovation [note the lead of Japanese and German companies in automobiles with Toyota and VW as the world’s top carmakers].) Second, the CC analysis refers to national settings because this is where

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institutions develop and function. Arguing that because Germany doesn't fix the eurozone problems CME is limited is like saying that jogging is no good because it doesn't solve backache.

While it is a different problematic, it is relevant to look at how national institutions function at a transnational scale and in relation to regionalism. The lead question then is which variety of capitalism is more capable of functioning at a regional level? This is a large discussion, beyond the scope of this response, so these are only brief notes. For instance, compare NAFTA and the EU, the former as a case of liberal market regionalization, the latter as a case of broad institutional cooperation in which CMEs play a significant part. In NAFTA Mexican peasants and American workers have paid the price for trade liberalization; the Zapatista movement in Chiapas has been one of the fruits of regional free trade. In the EU, the Mediterranean countries now carry the heaviest burden.

Built into the EU architecture is a compromise of capitalisms, including the CMEs of Nordic Europe and France; the LME of the UK; and Mediterranean societies with corporatist and state-patronage leanings. Literature on the EU increasingly describes this as 'a clash of capitalisms'. The Maastricht Treaty (1991) took shape during the heyday of neoliberal thinking and established the euro on the basis of tight monetarist criteria. The arrangement worked for many reasons, also for Germany, but was inherently unstable because of uneven development between northwestern and southern Europe that was bound to come to a head at some stage. Austerity policies embedded in the euro contract and reinforced in the wake of the 2008 crisis added to the burden (Blyth, 2013). Recently budget criteria have loosened in line with post-crisis conditions and the European Central Bank has also loosened its monetary policies. Since the EU is based on a clash of capitalisms and has uneven development built in, EU problems cannot simply be put on the ledger of CME. But they do pose wider problems: how do national institutions function at a transnational level? Does CME just refer to coordination of national interests or can it extend wider? A limitation of social democracy (one of the major strands of CME) is that it is a *national* social contract and has had difficulty dealing with immigration all along. Nordic Europe faces several challenges, notably how to rein in the financial sector and how to expand the social contract and the scope of CME to include southern Europe, on a long-term mutual interest basis. A parallel, but also a stretch, is the unification of Germany.

Han brings up the horizon of risk society and second modernity, along the lines of Ulrich Beck:

'today's world is increasingly characterized by the high degree of uncertainties, global risks and crisis tendencies resulting from the very way in which modernity and capitalism have been set to move. ... In view of the paramount significance of the view of "capitalism in crisis" as well as "the crisis of modernity", it seems quite understandable to shift focus from democratic politics to risk governance. Behind this paradigm shift, one can sense the burning question from many in the world, particularly among the ordinary people suffering from polarization, poverty and social isolation: what is the use of democratic politics in regard to the increasing difficulties they face in life?'

How would this burning question be addressed by shifting from 'democratic politics to risk governance'? What is risk governance? How does risk governance differ from crisis management, in which institutions take a backseat to technocracy? Is the Chinese approach of policy brinkmanship, juggling multiple contingencies an example of risk governance? The question is what kind of democracy, what kind of governance, what kind of risk? Generally, which institutions and which variety of capitalism are better able to address crisis (economic, ecological, etc.)? Offhand, one would say the stakeholder approach because it takes on board the interests of diverse stakeholders whereas the shareholder approach primarily caters to a narrow set of interests. According to a study of how the 2008 crash was managed, *The System Worked* (Drezner, 2014). Mark Blyth in a letter to the *Financial Times* responded to a review of the book by asking: 'worked for whom exactly?'

During the crisis the assets and incomes of the top 30 per cent of the developed world were bailed out by the collective public purse as private debts were turned into public debts. The resulting cost was dumped on to the bottom 70 per cent of those societies, those with no such assets, in the form of unemployment, public spending cuts and diminished expectations. Given this, rather than either celebrate or bemoan 'the system', we should perhaps recognise what actually saved it: an epically large class-specific put option. (*Financial Times*, 20 August 2014)

Thus in transnational economic governance of a crisis of capitalism, governance functioned according to class lines. In relation to ecological crises we would expect the same.

According to Han, 'I find it questionable if the idea of compressed modernity, for example, is understood as predicated upon a neoliberal project of convergence theory.' Brief notes are: my article didn't argue this; only that 'compressed modernity' implicitly refers to European or western modernity as a

standard. Modernities are not the focus of this paper; they are discussed elsewhere.

**Jongtae Kim** cites Schmidt, who argues that the concept of modernities ‘is sociologically meaningless because its advocates fail to spell out sufficiently clearly what they mean by modern as against non-modern societies’, so ‘the breakpoint should be between modern vs non-modern, rather than among modernities’. As Kim notes, ‘his way of conceptualizing modernity is typically Eurocentric’.

I don’t think there’s much music here; it’s the usual complaint about definition, which actually means shifting the terrain of discussion. If we use modernities, capitalisms plural, they obviously still refer to a common core of modernity, capitalism. Therefore the use of the plural doesn’t in itself settle the problems of the singular, but does shift the agenda. The problem however is not the definition; the problem is the institutions. Kim also brings up Fernand Braudel’s distinction between the market economy and capitalism, which is an interesting discussion. A brief take is that *laissez-faire* ways of organizing the market economy (LMEs) give capitalism (in Braudel’s sense of big corporations, monopolies and power plays) a freer rein; SMEs have an inbuilt state capitalist bias (as in China’s state-owned enterprises); while CMEs potentially give smaller and medium companies a fairer chance. Generally, monopolistic tendencies (‘capitalism’ in Braudel’s sense) are a risk factor *across* the varieties of capitalism, so indeed varieties of capitalism are still capitalism.

Following a claim in my article, **Aashish Mehta** asks, ‘is it indeed the case that medium-range theories and specific hypotheses only derive meaning from larger, macro narratives, which are generally totalizing?’ He observes, ‘In fact, it is because context is king that policy-relevant analysis is often small- or medium-bore’. A limitation of these approaches, as Mehta notes, is whether they are applicable in a different setting. Is the implication then that all we are left with is micro hypotheses and mid-range theory? Because of this, according to Mehta, besides interdisciplinary comparative studies, the article offers ‘no theoretical path forward’. Quoting Mehta: ‘I conclude that either the argument that macro theory is necessarily totalizing is too strong, or (my preferred option) that the conditions under which medium-range theory is useful and meaningful are less stringent than the essay requires.’

I concur on *both* points. In my paper this question received shorthand treatment. Inspired by Mehta’s discussion I want to develop this and propose a different way of arranging the approaches.

First is *pragmatism*, as in Deng Xiaoping’s crossing the river by feeling the stones, trial and error, specific policy analyses, etc. A parallel view in social science is Popper’s piecemeal change (as an alternative to utopian large-scale social engineering); a perspective that inspires Soros’s Open Society institutes.

Praxis is often ahead of theory and can generate new theory – as happens often enough in pharmaceutical research and chemistry. Theory can be inductive, from the ground up, rather than deductive, from general principles downward. An example is John Berger’s book *Ways of Seeing* (1972). Practice needs theory (as in Lenin’s saying there is no revolution without theory), and vice versa. This is familiar terrain in development studies, as in participatory action research (PAR). If we redefine development not simply as progress or improvement but as a collective learning process, development becomes reflexive development (Nederveen Pieterse, 2010). In parentheses, inductive theory need not be pushed all the way to the paradigm level. In a discussion of alternative development approaches I argue that we have arrived at the post-paradigm stage (Nederveen Pieterse, 2010: Ch. 6), in the sense that the search for master narratives and a master key may be a bit old fashioned. So for several reasons this isn’t necessarily the cul-de-sac that worries Mehta.

The second level is *middle-range theory* that is self-reflexive and critical of inbuilt macro assumptions, assumptions that creep in as cognitive stow-aways via concepts and indicators. If micro or mid-range theory is extrapolated in general terms and macro assumptions slip in through the side door, these approaches lose focus and traction and turn into annexes of grand narratives. This is where reflexivity should come in; in other words, middle-range theory for grownups.

The third level is *heterodoxy*, i.e. the critique and revision of theory. Mehta mentions institutional economists and theories of learning-by-doing, but notes they almost all involve only medium-range theory. I don’t think this is true. The heterodoxy of Keynes, Galbraith and more recently Stiglitz, Amartya Sen, Krugman, Baker and others (heterodox in relation to neoclassical economics) does add up to wider claims, as in new institutional economics, Stiglitz on information asymmetry and Sen on famine and democracy.

Mehta views development economics as ‘a field of study that has from the start emphasized context-specificity’. This applies to development studies generally and reflects its problem-centred and policy-relevant character. Arguably, the upshot of most heterodox approaches is that they bring context and specificity back in, as in ‘undercover economists’ seeing how economic transactions actually work, and

institutional economists who focus on the role of institutions. They are equivalents of the ‘anthropological turn’ unfolding in economics.

Sociology of knowledge suggests that heterodoxy triumphs when the centre cannot hold. The crash of 2008 spelled the *échec* of orthodoxies, such as efficient market theory (EMT), and rehabilitated heterodoxy, which cropped up in myriad forms such as behavioural economics, cultural economy, freakonomics, neuro-economics, etc. Heterodox approaches that lounged in the interstices came to the foreground in meetings of the American Economists Association.

The smart option is the *elevator approach to theory*, shuttling up from the ground level to the higher floors, and back again, up and down. At issue are not just the different levels of theory but also the relationship among them, which to some extent is implied in Robert Merton’s work when he distinguished the levels of theory (1957). In fact, we all practise this approach already – when we give a concrete example to illustrate and clarify a general theory or principle, thus ‘grounding’ a general idea; and conversely, when we examine a specific instance or case as an exemplar of a wider principle, thus placing it in a wider context of understanding, for instance in the case study approach. In this sense, *all* levels of theory matter.

According to Mehta, ‘many of us treat social science principally as a means of making better social choices. Policy relevance is the key criterion.’ I agree, though I would rather say policy relevance is *a* key criterion. Another role of social science is to understand and explain, and ‘informing social choice’ works better if social science explains better.

**Zawawi Ibrahim** recalls his days as a sociology student ‘when we were enthralled by being exposed to micro-sociological perspectives that posed the much needed counter-theorization to the “grand narratives”’, such as conflict theories, the sociology of everyday life, sociology of knowledge, ‘thick description’, the work of Barrington Moore Jr, Geertz, Laclau, new economic anthropology, Said and Foucault, and so forth.

It is as if Ibrahim is saying what is all the fuss about, don’t we already have micro knowledge? Yes we do, but we also seem to have lost it, or lost track of it. Why, given the treasure troves of micro-sociology, is it macro-sociology that has recaptured the limelight? Is it a case of social science amnesia – forget the micro, retain the macro? Is it part of the way sociology and social science is taught that grand narratives (and grand *maîtres*) overshadow the mid-range and micro theories? Is it along the lines of Connell’s ‘Why is classical theory classical’ (1997)?

Why go back to 1970s literature to recover alternative perspectives? We could go to contemporary anthropologists (James Scott, Tsing, Rosaldo, Ong) and geographers (Doreen Massey). Meanwhile besides the general points above, there may be two other factors at work – the comeback of American hegemony, especially during 1980–2000, and globalization.

With the postwar triumph of American hegemony came structural functionalism in sociology and modernization theory in development studies. These were stranded and gradually unravelled in the arenas of social movements (civil rights, women’s, anti-war, ‘1968’), decolonization and the battlefields of Vietnam and the Tet offensive. The micro sociology that Ibrahim recalls from his student days was precisely the *counter* to structural functionalism – conflict theory (read: Marxism), structuration theory (read: agency), dependency theory (read: autonomy), the Birmingham School, Gramscian Marxism, cultural studies, and so forth. These, however, were sidelined in turn by the new phase of hegemony – which came along with ‘There Is No Alternative’, the Chicago School, monetarism, rational choice, efficient market theory, neoliberalism, the Washington Consensus, and so forth. Along with claims to power came claims to truth. Many of these claims were a backlash against 1960s rebelliousness, and they received a magnum boost from the 1989 collapse of the Soviet Union. Fukuyama’s ‘end of history’ and Huntington’s clash of civilizations set the stage for the neoconservatives – which led to imperial overstretch in Afghanistan, Iraq and the so-called war on terror, while rampant neoliberalism led to the crash of 2007–2008 (1929 revisited).

These notions received a further boost because they seemed to manifest and materialize in globalization, that is in 1990s globalization-as-Americanization (the refrain is familiar). Globalization generated a demand for macro knowledge and understanding and the tenets of neoliberalism seemed to provide that knowledge and seemed to be in sync with dominant economic dynamics. The macro-scale momentum of globalization propelled the need for macro explanations, and macro theories came to the fore – with world-system theory and neoliberalism as forks in the road. The micro knowledge of anthropologists, geographers and policy analysts receded to the background or was enlisted to serve the macro paradigms. In the 1960s the CIA hired anthropologists to assist in counterinsurgency programmes (the Phoenix programme); in the 1990s the World Bank hired anthropologists to ground and hone their structural adjustment programmes.



According to **Habib Khondker**, 'Capitalism will remain the dominant mode of production in the years to come. Capitalism will have staying power because at heart human beings prefer freedom than bondage. Although it is often the idea of freedom and not the substance of it, the idea of freedom remains alluring.'

My comments are, first, the terminology of freedom and bondage is the language of Hayek, the Cold War and the comparison between capitalism and Soviet socialism, which isn't helpful or relevant at this stage. The choice of words shows an 'idealist' bias, which also comes across in another observation: 'Colonialism was defeated by the idea of freedom, a highly universalistic idea.' Second, the present discussion is about capitalisms, varieties or modalities of capitalism. Khondker short circuits the discussion by cycling back to capitalism per se; already implied in the discussion of capitalisms is that capitalism is a common ground, and the lead question is: which capitalism? Khondker doesn't address this question. Khondker makes an interesting query:

Now why should we assume that to capture or understand a micro, decentred or a fragmented reality, we need a decentred theoretical framework? ... In order to measure a mega earthquake, we use a small tool and to 'see' the behaviour of an invisible (to the naked eye) particle, we use a super collider. In social sciences, sometimes by using a macro-perspective, we can capture the micro-changes in institutions leading to macroscopic consequences. Besides, macro and micro are only heuristic devices, analytical divisions we make for reasons of convenience.

The simple answer is because otherwise we cannot see it. If we approach a decentred reality with a centred framework, the likelihood is that it will *appear*

as a centred reality, or its decentred character will be viewed as an anomaly, a temporary, marginal or unimportant deviation. Description in social science functions like a black box, input matches output. In addition, description is prescription. This is why the anthropological turn matters.

While the comments on my article are interesting they are diverse and go in different directions, towards risk (Han), modernities (Kim), policy analysis (Mehta), anthropology (Ibrahim) and capitalism and methodology (Khondker). They suggest that the theme of capitalisms and institutional analysis remains fairly new.

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