

Economic Identities: Four Paths Out of the “Iron Cage”¹

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Keynote

This paper discusses ways out of an approach adopted in the late nineteenth and early twentieth centuries, which I refer to as *instrumental rationalism* (pl. *racjonalizm instrumentalny*). It was to determine, *inter alia*, the place occupied by humans within an organization construed as a machine in the self-proclaimed modern era. It is one in which the substance of what we refer to as “here and now” is determined by rationality, functionality, utility, usability, effectiveness and efficiency. This approach was best captured by Max Weber’s metaphor of the “iron cage” (German “Stahlhartes Gehäuse”, translated as “iron cage” by Talcott Parsons), although Weber himself refers to “like a light cloak, which can be thrown away any moment [...] shell as hard as steel” (Weber, 1994, p. 181).

Weber remained hopeful when observing the progress of rationality. Yet he did not refrain from pointing out its dark side and even foretold the collapse of the idea of progress that originated in the Age of Enlightenment, i.e., during the period in which its outlook was most optimistic (Krasnodębski, 1991). Individuals are deprived of their freedom of choice, since the value system in which they live is the “only one” and becomes a “necessity” (Weber, 1998, p. 132). Numerous competing systems of values (gods = polytheism) were replaced with a single value system of “impersonal forces” (as its god) that belong to the so-called “disenchanted world” (Weber, 1998, p. 132).

A hundred years have passed since then and the same “disenchanted world” is again becoming a battlefield of different value systems. I intend to outline four alternative “exit” paths out of the “iron cage”. I refer to them as four identity types, but they can also be classified as four engagement cultures. More such identities and cultures exist as the return of polytheism (superseding henotheism) has become evident in both “the only” Western world and “other worlds”, which includes those that are not classified

¹ Paper delivered during the Interdisciplinary Seminar organised by Professor Andrzej K. Koźmiński at Kozminski University, May 2016.

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as Western. Each of them separately, and all of them together, defend their own definitions of identity.

Instrumental Rationality

Let us start by deciphering these “impersonal forces”. Weber equates them with bureaucracy and all related methods of exercising power. The phenomenon is not limited to organizations operating as machines, but affects all spheres of human life: political, cultural and psychological. The world is governed by impersonal, abstract rules of a formal and legal nature. Our position in the world is one of subordination or superiority, and not only for reasons of convenience, as the organizational hierarchy is also expected to reinforce the hierarchies of wealth, power and prestige. No situation is easily reversible. It is a world of mostly imitative or derivative roles. Those that wield power use organizations as a weapon. Philip Selznick presented an interesting interpretation of this in his analysis of the Bolshevik Party as an “organizational weapon” (Selznick, 1960).

In the world of instrumental rationalism, the new and the future are celebrated, while tradition – and traditionalism in particular – are condemned. An individual is reduced to the role of a cog in the machine (organization). Here, economists evoke the concept of *homo economicus*, which became more resonant upon the advent of marginalism at the end of the nineteenth century and was theoretically developed by the school of neoclassical economics. *Homo economicus* is an individual who rationally maximizes usefulness and is therefore concerned only with his/her self-interest. However, this model can be challenged in the real world as people generally take into account numerous other values, such as justice, altruism and reciprocity. Smith explored compassion in “The Theory of Moral Sentiments”. New behavioural and cognitive approaches bring a wealth of empirical knowledge about the non-economic dimensions of human behaviour (Kahneman, 2012). By holding on to the old model, we sustain an orthodox view. According to Richard Thaler, president of the American Economic Society:

Most of economic theory is not derived from empirical observation. Instead it is deduced from axioms of rational choice, whether or not those axioms bear any relation to what we observe in our lives every day. [...] Behavioural economics is no longer a fringe operation, and writing an economics paper in which people behave like humans is no longer considered misbehaving, at least by most economists under the age of fifty [...] After a life as a professional renegade,

I am slowly adapting to the idea that behavioural economics is going mainstream (Thaler, 2015, p. 347; 348).

Therefore, what must go away is what the West used to present as a model for others, considering itself the core of the world, while all the rest of it was relegated to the periphery. Western models have always been geared towards gaining a comparative advantage. Indeed, such advantages have been evidenced by countless successes of such empires as the United States, Great Britain and Germany. We now live in a world of “many worlds”, as the “Great Others” have awakened.

Let us briefly outline the practices that inspired the patterns from which the world is now departing. In his theory of bureaucracy, Weber referred to, among others, the Prussian army and the administration of the German state. In the case of the United States, he cited Taylorism and its improved version, Fordism. These practices were even recommended by Lenin, who advocated that they be studied and implemented. Thus, the subsequent embodiment of this model was the centrally planned and command economy. Last but not least, concentration camps were conceived as an effective organizational solution, evidence of a modernity that carried a totalitarian gene (Arendt, 2008; Bauman, 2000).

Functionality, efficiency and productivity were all common denominators of these practices. They were presented as key values representative of modernity. These values were to determine and dictate all forms of organization, production, aesthetics, and even personality. These were all names of the only god referred to by Weber. When he compared Western solutions to other formulas, a note of superiority was clearly discernible. Expectations were indeed quite different. For example, Chancellor Bismarck expected that the army and the state bureaucracy would prove effective institutions of social inclusion. His conservative vision of the world as an organic pyramid was to be practically extended with the migration of peasants who came to the cities with a view of finding employment in industry. These expectations were never met. Worse still, Hannah Arendt claimed that totalitarianism had its roots in the failure to appropriately embrace and incorporate in society the castaways of rural communities.

Seeking Alternatives

The first attempts at creating alternatives to the philosophy of instrumental rationalism emerged in the 1930s. By the 1950s and 1960s, they had evolved into advanced concepts focused on ways to quash ideas and practices related to the concept of a human

as a cog in the machine. Studies focused on ways in which individuals formed a part of groups and consequently, techniques of building relationships based on trust and cooperation in teams were developed (first in the context of the human relations school). After World War II, much attention was paid to political variables, e.g., employee participation, industrial democracy or the potential of liberal corporatism. It was important, as the rival Communism did not have a lot to show for itself in this regard: the rule of the party-state apparatus and the ritual operation of workers' self-governing bodies within state enterprises. The fall of Communism clearly hampered these endeavours as the neo-liberal doctrine and economic globalization practices of the free market and liberal (representative) democracy led to the “end of history” (F. Fukuyama) and a new version of the “historical inevitability”. The financial crisis of 2008 swept this delusion away. “The Black Swan” (the unexpected economic crisis as referred to by N. Taleb) also dealt a blow to the “smug” West.

The search was therefore resumed. Again as Weber puts it, “the different value-orders of the world stand in irresolvable conflict with one another. [...] something can be true, although it is neither beautiful, nor holy, nor good” (Weber, 1998, p. 131). New forces are contributing to the rise of the so-called new capitalism, or its new incarnation. These forces are yet to be identified. According to Richard Sennett, four practices are aimed at breaking free from the “iron cage” (or at becoming “un-caged”). The first is the practice of investors who are oriented towards achieving short-term goals. The second is increasing the power of shareholders at the expense of the authority of managers in large corporations. The third is the development of new information and communication technologies conducive to immediate action (impatient capital). The fourth is automation (Sennett, 2006, p. 37–50). These four practices apply to virtually all dimensions of socio-cultural life as they also encompass trust, community life, and collective and individual identities. Sometimes, however, they are reduced to correlations between economic organizations and evolving market conditions.

The issue of identity has entered the mainstream of modern economics. Representative of this approach is the book by George Akerlof (Nobel Prize winner) and Rachel Kranton entitled “Identity Economics” (Akerlof and Kranton, 2010). The authors outlined a network of terms that can serve as tools for the analysis of new phenomena reflecting the growing prominence of the notion of identity in the sphere of work, education and the functioning of households over the past 50 years. They identified research challenges related to the utility function, i.e., choices that people make to strike a balance between gains and losses when standards, professed ideals and values are taken into account in decisions. “Something is done at the expense of something else”, which denotes the predominant trade-off approach. The book presents empirical approximations that

take into account three aspects. The first is the market, which is neither perfectly competitive nor monopolistic. The second is decision-making in situations of information asymmetry. The third is a shift away from full rationality towards bounded rationality. Naturally, Gary Becker's findings are referred to as Becker developed a more sophisticated cause-and-effect interpretation. For example, he expounded quantitatively how market mechanisms can and do restrain, at a faster or slower pace, different types of discrimination (always in the name of specific identities).

All these references are the starting point for my hypotheses on various ways out of the "iron cage". I have identified four paths, rooted in conservatism, traditionalism, liberal economics (combining equal opportunities and meritocracy) and post-modernism.

Ways Out of The "Iron Cage"

Conservatism

Although this path is the oldest and has a rich tradition, it is probably the least significant of the four discussed here today. However, it has great potential, provided that it is adjusted to take into account the requirements of social conservatism. Several varieties of conservatism exist, but they have generally been stripped of a stronger social component, even though, historically, this was not completely absent from conservatism. For instance, certain ideas and practices of the welfare state were applied by Chancellor Bismarck, a determined proponent of conservatism.

The type of conservatism typical in the U.S. since the 1950s (W. Buckley, R. Kirk), has championed the ideas of a natural aristocracy; it applauds people of virtue and talent (Mitchell, 2016). It recognizes hierarchy as something natural, alongside so-called high culture, while dismissing popular culture. More generally, it considers culture as a factor of stability as opposed to abrupt changes that are perceived as risks (since E. Burke). Private property is sacrosanct for conservatives as is religion (transcendence). In a few words, it holds in high esteem the various mysteries of life.

Conservatism can be both innovative and consciously build tradition. As argued by Anthony Giddens, Islamic conservatives take advantage of various technical solutions, such as the Internet, while women wearing the niqab may think of it as a 'symbol of their liberation' (Giddens, 2014, p. 156).

As just mentioned, the programme proffered by social conservatism is promising since it is based on broad moral foundations as confirmed by social psychology research conducted in the United States. Jonathan Haidt claimed that while libertarians focus

on individual freedom and fair play, and liberals add their concern for those less fortunate, proponents of social conservatism (in addition to the above values), are placing an emphasis on loyalty, authority and the sacred (Haidt, 2012, p. 356–361). This formula is inclusive and attractive.

Traditionalism

In opposition to abstraction and formalism, both typical of instrumental rationalism, traditionalism strives to raise the status of culture. Tradition steers social processes and mentality types based on past experiences are reproduced (Friedman, 2005). These are ways in which to restore the dignity of social groups and recognize the direct relationships forged within them.

Traditionalism refers to race, blood ties, gender and class, and therefore assumes that each individual's identity is bestowed upon them at birth. Although these mechanisms had proven effective for many centuries, their stature in the modern era has diminished. It is rather implausible that they could serve as a moral binder for communities, or society as a whole, if reinstated today. Now we live in a world in which individuals shape or design their own lives. Another problem is the definition of such criteria as gender or race, as well as the manners in which to apply them to organize social life. For instance, a quota is imposed on a university for the number of women or African-Americans that it has to employ. Such actions create traps or dilemmas that are difficult to solve in the traditionalist approach.

Tradition and experience may also be a natural advantage, for instance through boosting mutual trust, but they do not guarantee success. Global, regional or even local interdependences and ties require openness to change and constant experiments within an environment that keeps evolving. In short, innovation brings opportunities for gaining a competitive advantage (March, 2010).

Liberal Economists

There is not a single liberal tradition, but if we equate modernity with any kind of liberalism, we must always take into account individual freedom. This value defines the institutional framework of liberal democracy. As claimed by Piotr Sztompka, We must assume that:

[...] in the modern era, identity acquired through one's own decisions, as well as the multiplicity of concomitant identities, are increasingly important. The division of labour gives prominence to professional identity, vertical social mobility makes advancement of individuals possible, mobility encourages people

to change their place of residence and their nationality, religious tolerance allows one to convert to a different faith or become an atheist, and even gender is a question of psychology, as with the advancements in medical technology, physical adjustments are no longer an issue. The individual is not sentenced to a specific identity, but can build or construct its own, or rather a bundle of identities. Perceived as one's own achievement, identity is now of utmost importance for the individual, who wants to manifest it, demands its recognition and respect for others (Sztompka, 2016, p. 137).

Postmodernists

Taking into account the views and theories of Hayek, von Mises, Friedman and many others, as well as the line of argument of social liberals (for example, Keynesians), we must accept that the starting (though rarely the final) point is what all of them propound. First, it is simply equal opportunities for access to the system. Second, it is meritocracy, or the proportionality between "payments" (salary, position, prestige etc.) and inputs (effort, education, talent, skills etc.). This means accepting the inequality of payments for those in the midst of the system. The flaws and traps of this solution can be attributed to so-called short-termism ("impatient capital"); the impact of information and communication technologies on the spread of instant thinking/action; and a shift of power from managers to shareholders in large corporations (although this claim can be challenged). Clearly, the system based on these principles works, but it produces growing economic and social inequalities. At the moment, these inequalities are so immense as to prompt criticism not only among those on the left of the political scene (e.g. Piketty), but also in the centre and even on the right.

Postmodernists are exponents of progressivism who refer to identity politics most frequently and explicitly. Instead of tradition, they prefer to focus on nature or biology. They proclaim the need to free one's desires from any control (Friedman, 2005). Hard facts, wildness and exaggeration are all accepted within this perspective. Content seemingly prevails over form, but demarcation lines and divisions are blurred. If they claim that nature is strong and society is weak, the question remains whether institutions can serve as dams keeping human desires under control. With this perspective, for instance, it is highly unlikely that religion is accepted, but is defined very broadly.

Proponents of progressivism are optimistic. They have no precise agenda. Nature may well serve as their anchor, but it does not render their behaviour predictable. Culture follows nature, which means that the regulatory impact of cultural norms is very weak, if not altogether liquid. This philosophy does not care for a mainstay. Some people may have strong convictions, while those of others are faltering. The problem with

this perspective is that the underpinnings of these convictions, whatever they are, remain undefined.

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