

ever, post-Soviet Russia presented in exaggerated form what had become a worldwide predicament.

*China.* The China contemporaneous with post-Soviet Russia exemplifies similar constraints and opportunities for constructive deviation from the doctrine of the one true way, only with one fundamental difference. This difference helps place the practices of voluntary and involuntary institutionalism in a different light. The Chinese organization of the market economy exceeds, in originality and ingenuity, the reluctant Russian departures from the Western models that the renovated Russian elites are so anxious to imitate. Yet so long as the communist regime survives, these innovations have to stay within the iron framework established by the interests, ideas, and fears of the Chinese rulers. The material of institutional innovation is there lying all around, ready to be taken as a starting point for the development of an alternative. It remains, however, truncated by the consequences of a political paradox.

While the regime continues, no such development can take place; the innovations will follow the pattern – familiar in Chinese history – of peaceful coexistence between mercantile greed and political despotism, and easy transposition of public office into private privilege. If the communist regime disintegrates, however, and joins the ranks of the frankly postcommunist states, all remaining impediments to the doctrine of the one true way will break down. What seems to be promising innovation might appear in retrospect to have been merely part of the fleeting compromise between greed and despotism. The organizational innovations of the time might then seem to have only superficial significance.

The “iron law of convergence” dictates that the catch-up of backward countries, like the cognitive development of young children, will follow a predictable pace: about two percent of the gap between richer and poorer states, or among regions of a single country, can be expected to vanish each year according to familiar

wisdom. Gross governmental incompetence may slow this pace down, and special favors (as in the assistance of Germany to its new eastern provinces) may speed it up. However, the average will prove remarkably constant over a broad range of circumstances. Institutional variations, when not so wild as to smother the market, will matter, when they matter at all, for their effects upon the distribution of benefits and burdens.

Consider what some of these Chinese institutional variations of the turn of the century are. The “township–village enterprise” establishes an original form of association between government and “private” initiative at the same time that it shows how quasi-public entities can compete and innovate in a market just as well as traditional Western-style firms. The “shareholder–cooperative system” combines, in the design of corporate governance, the principle of “one share, one vote,” with the principle “one person (that is to say, one worker), one vote.” It also demonstrates how such a combination can preserve entrepreneurial initiative while broadening the recognition of stakes and stakeholders in productive resources. The older system of rural industry, itself an innovative response to the problems of economic development in a country of hundreds of millions of peasants, has resulted in a wide range of forms of industrial deconcentration. Even the sector of state industries, caught in a wedge between employment and benefits obligations to workers and constraints upon the power to raise prices, includes whole networks of firms on their way to productive vanguardism. These firms have secured the margin of maneuver that makes possible progress toward more advanced practices of production. In many places, a measure of local democracy, of accountability of local governments to local communities, helps sustain these economic innovations, and receives support from them.

Consider two contrasting interpretations of these Chinese novelties. According to the first interpretation, they are specific

and ephemeral adaptations to the joint effect of two sets of circumstances. The first circumstance is that China continues to be a nation of peasants, or at least of workers combining agriculture with other economic activities, unlike the many developing countries in Latin America and Africa where urbanization has run ahead of industrialization. The second circumstance is that an institutionalized collective dictatorship clings to power, trying, with uneven effect, to curb only the most exorbitant forms of corruption by its officials. This regime perseveres in an idea of its mission to which, however, it can no longer give any definite or shared meaning.

Some of the institutional innovations just mentioned represent ways of reconciling the turn to markets and to market-oriented industrialization with a rural population that remains enormous in relative as well as absolute terms. These ingenious arrangements turn constraint into opportunity. Other innovations ensure that economic decentralization follows a course that serves the interests of the state elite by creating new ways to turn public place into private opportunity. Such ramshackle compromises give cover to the private business of officialdom while leaving the shell of administrative domination in place. Turning public office into a chance for profiteering and celebrating the conspiracy between political despotism and private greed, the masters of the state merely spin new variations on the most persistent theme of Chinese history. This runaway patrimonialism finds its limits in the dangers of social unrest created by the division between the participants and the outsiders to the new social contract. Viewed in the light of such a social future, China's institutional heresies would turn out in retrospect to be convenient byways, often ingenious and sometimes grotesque, on the road to convergence toward the standard version of the market economy.

According to this convergence-supporting view, the relative size of the rural population will slowly diminish, and the multi-

plication of new groups and new interests will ultimately help bring down the communist dictatorship. Once the special circumstances have ceased to exist, the apparent organizational novelties will lose their point. China will continue to have distinctive arrangements – expressing the influences of history and circumstance – but the innovations of this time will seem in retrospect to be the cunning of history: heresy in the service of orthodoxy.

There is, however, an alternative reading. According to this contrasting interpretation, the organizational innovations of this period represent possible points of departure for the development of a political and economic order resisting institutional convergence with the leading industrial powers. By resisting it, they can better advance the cause of democratic and productive experimentalism in China. The Chinese inventions include anticipatory and fragmentary variations on many of the themes in the progressive alternatives this book explores.

The association of local governments with private entrepreneurship could sow the seed of multiple regimes for the decentralized allocation of productive resources. The regional base, public support, and flexible forms of many of the new types of initiative could turn into a version of cooperative competition sustained by a decentralized and pluralistic practice of strategic coordination. The “one person, one vote principle” in corporate governance could show the way to worker empowerment without consolidating the most valuable property rights in the hands of a self-serving or asset-wasting coterie of tenured job-holders. The old record of rural industrialization could become the prehistory of a new dispersal of economic activity, helping, in a more distant future, to soften the contrasts among work, leisure, and family life. Even the limited forms of participatory local government, hemmed in as they are by the dictatorship of the state elite, could provide some of the early materials for combining representative and direct democracy once the Chinese dictatorship has been overthrown.

Which of these two readings of the Chinese experience is true? Will the future, by leaning more in one direction or another, tell? There is a sense in which choosing between such accounts is like choosing between alternative accounts of a natural object, and there is a sense in which it is not. The sense of the similarity is that, in social understanding as in natural explanation, insight implies imagination of the possible. The sense of the difference lies in the power of belief to change constraint. Every discourse about the social future can become a self-fulfilling prophecy. It need only tell a story about the transactions between the actual and the possible that people can act upon with institutional or ideological materials lying at hand. The story cannot become reality just by being told but it can liberate or inhibit so long as people can use it to inform action or justify conformity in the here and now.

In China one such story, its authority seemingly renewed by recent experience, continues to enjoy great influence in the political nation. According to this story, China needs strong and unified authority imposed from the center and the top if it is not to lapse into violent anarchy as it did during the Cultural Revolution. The belief in an inescapable choice between repressive order and costly disorder in a country as large and as poor as China amounts to a pointed instance of "structure fetishism." Institutional fetishism, remember, is the belief that abstract institutional concepts such as the ideas of a representative democracy, a market economy, or a free civil society have a natural and necessary expression in a particular set of legally defined arrangements. Structure fetishism is the higher-order counterpart to institutional fetishism: the view that, although we may be able to revise a particular institutional order, and even occasionally to replace one institutional system by another different one, we cannot alter the character of the relation between institutional structures and the structure-defying, structure-transcending freedom of the agents who inhabit them.

Structure fetishism has had countless manifestations in the history of social thought. One example is the existentialist equation of freedom with the doomed but redemptive rebellion against institutional structures. Another example is the thesis in conservative American political science that political mobilization and political institutionalization are locked into a simple inverse relation. No version of structure fetishism, however, has commanded greater influence than the one that opposes remorseless repression to destructive chaos, social peace to political instability. In all its many faces, structure fetishism fails to acknowledge that the relation between people and the institutionalized worlds they find, remake, and colonize is itself up for grabs in history. Institutional orders differ crucially in the extent to which they are there on a take-it-or-leave-it basis, entrenched against effective challenge in the midst of people's ordinary practical and discursive opportunities.

For the second of these two Chinese futures to prevail over the first, there will have to be democratizing innovations in the institutional setting of politics as well as in the facilities for the independent organization of civil society. Some of these innovations will have to ensure a sustained heightening of the level of political mobilization in the context of political pluralism. They will nevertheless also have to preserve in central government a capacity for decisive action and repeated reform. On the basis of such changes, there will have to emerge a state at once strong and accountable, refinanced through the high tax take needed to fund investment in people, physical apparatus, and public venture capital. Only then can the national government universalize social benefits rather than allowing such benefits to be funneled through a shrinking sector of public firms. Only then can China heal the deepening division between the beneficiaries and the victims of the entrepreneurial economy.

Such changes will create the practical means with which to seize upon the democratizing potential of economic innovations

that have already occurred, and prevent them from being reduced to the role of transitory adaptations. At the same time, these reforms will give the lie to the alleged dilemma of repression or anarchy that in China has so often helped disconnect experimentalism in business from experimentalism in democracy.

The point is not that politics – narrowly understood as conflict over the mastery and uses of governmental power – enjoys a causal priority over change in other dimensions. It is rather that although a country may embark on a path of institutional divergence in one domain of its life, such as the economy, it cannot persist in its divergence, or radicalize it, unless it is willing to carry the rebellion to other parts of its life. Productive experimentalism may go a long way, as it has in China, in peaceful coexistence with political despotism. However, the development of the practices of collective tinkering and learning, of cooperative competition and decentralized coordination, puts pressure upon the devices for maintaining such a coexistence. On the one hand, the disciplines of practical, productive experimentalism create a dilemma for the dictators and their underlings: with engagement in the new entrepreneurial economy come corruption and dispersal; with disengagement comes a dangerous estrangement between the interests and experiences of the state elite and those of the economic innovators. On the other hand, the innovations cannot remain quarantined within firms. The innovators seek to establish forms of education, community life, and local government congenial to themselves, initiating a contest with the central government over the order and spirit of civil society. This contest creates an opportunity for action.

To make the second of the two social futures I have described prevail over the first, the reform movements will need ideas as well arrangements. The detailed image of an alternative is an insufficient condition, but it may also be a necessary one. The builders of an alternative will need such an image both to resist the gravitational pull of the dominant conceptions and to work

out the operational logic of the institutions they establish. They will also need to tilt the scales of the understanding of recognized group interests away from the institutionally conservative and socially exclusive approaches to the definition and defense of group interests toward the transformative and solidaristic approaches. The vision of larger individual and collective possibility must make up for the absence of immediacy, for the sense of heightened obscurity and risk, that any such break with inherited arrangements and familiar ideas demands.

*Brazil.* Like the other major Latin American countries and many other developing countries around the world, Brazil devoted the forty years after the Second World War to the practice of import-substituting industrialization. By general consent, the capabilities of this strategy of economic growth were nearly exhausted by the time of the oil shocks of the 1980s. Moreover, the state that presided over this strategy had sunk into inflationary public finance. Having disorganized the public sector, the finance of easy money began to threaten big private business by raising the specter of hyperinflation.

After the monetary stabilization of 1994, the road seemed open to abandon all pretense of heresy and conform to the doctrine of the one true way. To achieve this goal it would be necessary, according to the Brazilian votaries of the doctrine, to consolidate monetary stabilization through a "fiscal adjustment" and to redefine the role of the state through rapid and radical privatization of the large public sector. Once the national government rid itself of the state enterprises and dedicated itself to its proper mission of regulating the economy while promoting public health and education, the country could begin to moderate its extreme inequalities. The advanced sector of the private economy, already integrated into the world economy, would then begin to incorporate increasing parts of the population.

In its Brazilian setting, as everywhere in the world, the program