

The Institutionalization of Modernity

Shocks and Crises in Germany and Sweden

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The notion of crisis is one of the most common in our political vocabulary, yet it is rarely used with any degree of precision. In 1990s Sweden there were constant references to the “economic crisis,” or simply, if more vaguely, “the crisis.” What was meant by a crisis here was, it seems, the reduced ability of the state to tax the people, and the concomitant inability to maintain previous high levels of welfare provisions at a time of rising unemployment. Yet the word crisis is also often used in references to German history. Here the crisis that comes to everyone’s mind is located in the 1920s and 1930s—the defeat in World War I, the economic collapse, and the subsequent rise of Hitler. To compare the Swedish crisis of the 1990s with the crisis of Germany after World War I would, however, seem inappropriate, even morally questionable. Comparing such disparate entities is like comparing the holes children dig in the sand at the beach with the holes made by bombs during a war.¹ The two are indeed holes, but they have nothing much in common apart from a verbal label. To look for a theory that explains the existence of all holes is surely madness! Similarly, we could argue, crises depend too much on historical contingencies—on a particular political leader, on a war that was lost or on an economy that was mismanaged. Swedish crises will for this reason always be different from German crises—or, for that matter, different from American, Portuguese, Peruvian, or Nigerian crises. There can be no theory of crisis that explains all cases.

Accepting this point, we could still argue that societies can be more or less crisis-prone. Whether we understand crisis in its etymological sense as a “decisive turning point,” or in its more colloquial sense as a “social breakdown,” it is obvious that some societies seem to go through endless series of

crises whereas other societies seem to get away virtually crisis-free.² Societies, we could say, have a more or less robust constitution. Crisis proneness, as opposed to actual cases of crises, is a latent quality like, for example, the brittleness of glass. Latent qualities may or may not manifest themselves in actual events—glasses can be brittle without actually breaking, although their brittleness makes them more likely to break. The distinction between the latent and the manifest, between the potential and the actual, is interesting for our purposes. Even if we cannot explain why a certain glass broke on a particular occasion, we can nevertheless explain why it is brittle. The answer is that it consists of a certain material was made with the help of a certain technical process, etc. If we add a bit of statistical analysis to this basic information, we can conclude that glasses of a certain type break with x percent probability within a y period of time. And although we rarely will predict the breaking of individual glasses, our prediction will be correct for the class of all glasses taken as a whole.

The same argument applies to the latent qualities of societies. Although we cannot have a theory of crises that allows us to predict individual cases, we can still explain why a particular society is crisis prone. Crisis proneness is a latent, not a manifest, quality. Just like the brittleness of a glass, the crisis proneness of a society depends on the basic elements that constitute it, but also on the process through which these elements were put together. That is to say, the crisis proneness of a society is a function of its institutional structure and its cultural and political traditions, but also a result of the historical process through which culture, politics, and institutions came to be wedded to each other. Adding a bit of statistical analysis to this basic information, we could, for example, draw the general conclusion that countries with a democratic government go through fewer crises than countries with dictatorships; or perhaps we could draw the more specific conclusion that countries with a censored press are more prone to experience cases of financial mismanagement and even famines.³ Although such an analysis would rarely explain the actual crises of individual countries, it would nevertheless allow us to make predictions that would hold true for the body of all countries taken as a whole.

In addition to these constitutional properties, however, we need information regarding exposure. Exposure is a question of the positioning of something vis-à-vis a threat; the degree of exposure makes the latent quality more or less likely to manifest itself. Thus a glass is more exposed when located on the edge of a shelf than when located inside a cupboard, and a country may, for example, be more exposed if it has many heavily armed neighbors rather than one unarmed. Yet constitution and exposure are not by themselves enough to explain actual cases of crises. Even the most brittle of glasses placed at the edge of the highest shelf requires an event of some kind before it breaks. Societies too can have a weak constitution and high expo-

sure and still, miraculously, survive. Before latent qualities become manifest, in other words, something has to happen that calls them into play. This something we could call a shock. Shocks are what push glasses off shelves or countries into crisis. Shocks can be of many different kinds. Some are a matter of good luck or bad; the competence or otherwise of political leaders; the sheer confluence of assorted events. But shocks can also be more systematic, results of processes rather than single events. In either case, shocks are difficult to predict. Shocks make history into the gradual unfolding of things, rather than the deduction of necessary conclusions from true premises.

In the end, the number of broken glasses, or societies, depends on the interplay of these three factors—constitution, exposure, and shocks. A constitution comes to matter as it is exposed, and becomes decisive through the shock. The stronger the constitution, the smaller the exposure, the bigger the shock must be before a crisis occurs; the weaker the constitution, the bigger the exposure, the less of a shock it takes to blow a society apart.

Although crises are difficult to compare, there can be no doubt that Germany has gone through more and worse crises than most countries—and more and worse crises, no doubt, than Sweden. This was certainly true of the twentieth century, but also of every other century since the Middle Ages. Why is this the case? The object of this chapter is to try to answer this question; or, more modestly, to help us start thinking about ways in which this question could be answered. Based on our discussion thus far, there are three alternative hypotheses to consider. The first hypothesis is that Germany has experienced more and worse shocks than Sweden; the second hypothesis is that Germany's position has been more exposed than Sweden's; the third hypothesis is that Germany's constitution has been weaker than Sweden's. It is the last of these conclusions that I will try to defend. The crucial difference between Sweden and Germany, I will conclude, concerns the institutional structure of the two societies. As I will argue, the institutional structure helps a society achieve stability at times of crises, but institutions of the right kind can also make a society more flexible and thus better prepared to deal with whatever challenges it might confront.

Shocks of Modernity

Let us begin by dealing with the question of exposure. Located in the center of Europe, with few natural boundaries and divided politically, religiously, and economically, the Germans are sometimes said to have been particularly exposed to conflicts and war. Divided, they suffered constant internal conflicts, but when they sought to unite, their neighbors reacted with fear and hostility. As late modernizers, the Germans had to exert themselves to catch up with Great Britain, France, and the United States, and once they did, all

export markets and colonies were already captured. Thus their efforts at catching up came to constitute threats to other, pre-existing great powers. More exposed to shock than most countries, Germany, unsurprisingly, has suffered more than its fair share of crises. Sweden, by contrast, would seem to be much better protected: safely tucked into a corner of northern Europe, united and at peace with itself and its neighbors. Yet even if this contrast might hold true for the twentieth century, the difference between the two countries largely disappears if we take a somewhat longer historical view. Sweden too was a continental power for much of its history, exposed to attacks from Danes, Poles, Austrians, and Russians; in fact, the animosity between Sweden and Denmark was not very different from that between Germany and France. In addition, Sweden certainly had its fair share of religious quarrels, problems of succession, violence and uprisings among peasants.⁴ If we take a longer historical perspective, in other words, Sweden's exposure can certainly be compared to Germany's, yet, for some reason, in the Swedish case this exposure was rarely translated into crises.

Some shocks are purely contingent events, best described as coincidences or bad luck. For a historian, these are the Noses of Cleopatra which can never be entirely neglected, but which at the same time cannot be allowed to completely dominate an explanatory account.⁵ Falling into the latter trap, historians have sometimes concluded that all German misfortunes are the consequences of megalomaniac rulers, incompetent generals, or animated preachers of the past. If Germany, the argument goes, only had been spared a particular war, or a particular peace treaty, everything would have been different. Sweden seems far less exposed to contingent events; the Swedes, for some reason, are luckier and their history is considerably calmer. But, again, this is largely a myopic view. Sweden too had its fair share of megalomaniacs, incompetents and preachers. In the seventeenth century, Sweden suffered a number of disastrous defeats on the battlefields of Europe; in the early eighteenth century, Sweden lost its overseas empire; and in the early nineteenth century, Sweden lost Finland, which until then had been considered an integral part of the country. These shocks can certainly be compared with the shocks suffered by Germany, yet for some reason in the Swedish case, in contrast to the German, they did not result in crises.

But there are also shocks administered not by individuals or contingent events, but by what we could identify as long-term processes. One such is the process of modernization to which all Western societies have been exposed since sometime around the year 1500. Modernization produces shocks because it constantly forces societies to change. Pre-modern societies were not static, to be sure, but in modern societies change is more frequent, more relentless, and more dramatic.⁶ For a society, change poses a problem since it requires a high degree of flexibility on the part of individuals and groups. Modernity always forces us to reconsider our interests, our values, and our

identities; in response to economic or social shocks, we have to change our occupation, place of residence, our passport, perhaps even our spouse and children. Many people will refuse to participate in such games; most people, after all, just want to go on being whoever they take themselves to be; some, especially those who stand to lose from any deviations from the status quo, will protest against all change. Yet such protests are often either futile, or cause new conflicts to arise. Change is required, yet at the same time it is unattainable. The result is a social breakdown. Modernity produces crises, in other words, either because the process of modernization is uneven, because its too quick, or because it is not fast enough.

Speaking more concretely, we could perhaps break the process of modernization down into three separate, but related, sub-processes. The first of these concerns the establishment of the state as a sovereign political actor in the late Renaissance; the second, the transformation of the state into a nation-state after the French Revolution; and the third, the transformation of the nation-state into a democratic state as a result of industrialization in the nineteenth century. All three sub-processes entailed tremendous changes; all three subjected societies to great and repeated shocks; and, as a result, societies everywhere were threatened by crises. What is particularly interesting for our purposes is that the process of modernization thus understood touched most European societies, and to roughly the same extent. There was, in the end, no escape from the problems of state formation, nationalism, or industrialization. For us, these similarities present an interesting possibility. Since the shocks of modernity were comparable in Sweden and in Germany, we would expect the social impact to be similar. To the extent that it was not, we have a discrepancy that requires an explanation.

Shocks of State-Building

State-building is the process whereby the state becomes established as a sovereign subject and recognized as such by audiences both at home and abroad. The process of state-building thus understood radically transformed European societies, creating new centers of power while depriving old elites of their rights. An administrative apparatus had to be put in place, taxes had to be collected, an army had to be established that could guarantee both domestic security and security against external threats. At each step along the way this process could be resisted, and each act of resistance dealt a shock to society. Farmers could refuse to pay the new taxes or to send their sons to the new wars; merchants could insist on independence for their towns and their commercial activities; the clergy could demand a continuation of the ties with Rome; the nobility could demand that their ancient privileges be preserved. In addition, foreign audiences—the body of princes, the Emperor or the Pope—could for whatever reason refuse to recognize the new state, and instead for whatever reason make war on it.⁷

First, consider the case of Germany. At the end of the Middle Ages, the eastern parts of the Carolingian empire, in contrast to the western, never united around one centralized entity. Instead, German-speaking lands continued to be divided into a multitude of different statelets.⁸ This outcome no doubt avoided a number of conflicts. Local rulers did not have to be deprived of their privileges; it was not necessary to synchronize tax structures and legal codes. In fact, nothing much was imposed from above, except, for most of the territory, a vague allegiance to the Emperor. In practice, however, this decentralized structure did not always work very well. Fragmentation led to conflicts, and in the late fifteenth and early sixteenth centuries, a number of small wars were fought between different statelets.⁹ In addition, decentralization made the constituent parts of the Empire into soft targets for attacks. While Germany as a whole was next to impossible to conquer, a few Protestant reformers or a foreign warlord could quite easily take over a principality or a bishopric or two. This division led to a series of crises, of which the Thirty Years War was the most devastating. This, the first modern, the first “total” war, was fought almost exclusively on German territory, and between 1618 and 1648 perhaps as much as a fifth of the German population perished.¹⁰ In the eighteenth century Prussia and Austria, together with the many smaller German states, grew into sophisticated, fully functioning administrative units, but German division, and German wars, continued unabated until unification in 1871.

The Swedish process of state-building followed a more common European pattern, although it took place comparatively late.¹¹ It was only in 1521 that Sweden emerged as an independent political entity, and throughout the rest of the sixteenth century the Swedish kings fought to reaffirm their authority vis-à-vis the claims of both the aristocracy and the peasants. Complaints against taxes were the most common causes of revolt, but there were also those who took up arms in defense of their traditional faith; in addition, a protracted struggle over succession divided the royal house into a Catholic and a Protestant branch. Yet the Swedish kings always managed to reassert their authority and rally the country behind themselves and their particular version of Christianity. For Sweden, external threats were in the end more acute. From 1560 onwards, the country became embroiled in a series of foreign wars that only ended with the final collapse of the Swedish overseas empire in 1718. But since all these wars were fought on foreign soil and mainly with foreign resources, the impact on Sweden was limited, even at times of defeats on the battlefield.

Shocks of Nation-Formation

The process of nation-formation radically transformed the nature and role of the state. From the end of the eighteenth century onward, the state was no longer seen only as an impersonal political machine, but instead as the fore-

most embodiment of a new kind of entity—the nation.¹² The nation divided people according to their similarities and differences; the nation was an imagined community of individuals who somehow saw themselves as belonging together.¹³ Understood as a political principle, nationalism required every nation to have a state, and every state to have a nation; states without nations, or nations that did not strive to capture states, were for this reason seen as illegitimate.¹⁴ Yet once legitimacy came to be interpreted in these terms, a tremendous amount of political, social, and geographical reshuffling was required. Nations had to be created where none previously had existed; states had to be recast in new molds, divided or amalgamated. All this cutting, pasting, copying, and deleting undermined the established political order and presented new opportunities as well as new threats to both individuals and groups.

Again, let us begin with Germany. It is no exaggeration to identify Napoleon and his armies as the most proximate causes of German nationalism.¹⁵ Humiliation at the hands of the French was widely felt to require a response but, lacking a unified state, the *rassemblement national* of the Germans found a cultural rather than a political expression. German nationalism was the nationalism of philosophers, poets and artists, not voters and statesmen; Germany became a *Kulturnation* for the simple reason that it could not become a *Nationalstaat*.¹⁶ This fact alone had a profound impact on the nature of German nationalism. Since no political or civic principles could bind people together, and since religion was a profoundly divisive issue, the emphasis fell on more ephemeral bonds. Colored by the hues of the Romantic movement, the German nation was portrayed in emotional and explicitly anti-rationalistic terms—rationalism, after all, was a French disease. Nationalists emphasized the organic and the spiritual; Germans were somehow said to form one body; they were of one blood and one will; they had, from the days when Tacitus first described them to the day when Caspar David Friedrich painted them, lived in the same primordial Teutonic forest.¹⁷ In addition, however, German nineteenth-century nationalism was also an urban and liberal movement which sought to unite the people against its autocratic and cosmopolitan rulers; calls were made for democracy and a parliament, human rights and a constitution.¹⁸ Nationalism, in other words, was a popular revolutionary force, and the revolution, when it came in 1848, was for a while very close to realizing these ideals. The *Nationalstaat* that eventually appeared at the end of the nineteenth century, however, was more a *von oben* creation of Bismarck's *Kulturkampf* than the genuine expression of a popular mood. Lacking a firm connection to the state, German nationalism continued to be a free-floating sentiment, ready to attach itself to any movement of protest or discontent that happened to come along. As such it was easily appropriated by the National Socialists in the 1920s and 1930s.

Swedish nationalism experienced a similar Romantic burst in the early nineteenth century, and remnants of the movement lingered well into the

twentieth century. Yet the symbolism and the rhetoric of Swedish nationalism were entirely different from those in Germany. Swedish national identity had from the very beginning been profoundly identified with the state.¹⁹ The kings of the seventeenth century had put serious efforts into the creation of a history and a culture befitting a major imperial power, and to a large extent these efforts were successful. A Swedish national identity has for this reason always been more or less identical with the identity of the Swedes as political subjects.²⁰ When *nationalromantiken* came into artistic and political fashion towards the end of the nineteenth century, the particular history of Sweden that was celebrated was to a large extent the history of its kings; there was simply no need to create mystical cultural bonds projected into a distant past since the real, and still existing, political ones sufficed. Swedish nationalism, in other words, was never a program that was meant to unite society in opposition to the state, but instead a program through which the state rallied society in its own support. Such state-directed movements are, strictly speaking, not nationalistic, but rather patriotic; Sweden, we could argue, has never known nationalism, but only, and only occasionally, patriotism.²¹ In Sweden, society was never independent enough for a proper nationalism to develop; there never was a “civil society” or a “public sphere” independent of, and defined against, the “state.” This, we could argue, is still the case today. It is striking, for example, that the term “civil society” is a neologism directly translated from English, with no true equivalent in contemporary Swedish. Indeed, the words “state” and “society” have, at least until very recently, been used interchangeably. The same is true for the term “public sphere.” “Public” is usually translated as *det allmanna*, but *det allmanna* does not point us to a sphere independent of the government, but rather to synonyms such as “the state, the local community, the authorities.”²²

Shocks of Industrialization

The problems of industrialization concern not only how to bring it about, but also how to deal with its consequences once it happens. Somehow the pre-conditions for an industrial take-off have to be satisfied; resources have to be channeled away from traditional activities; people have to be moved and retrained; and markets have to be improved. Some of these activities can no doubt be carried out by individuals and companies, but much of the transition is likely to be the responsibility of the state.²³ Lobbying the government for a business-friendly agenda, industrialists put new pressures on the political system, clashing with traditional agrarian interests. For society as a whole, industrialization inevitably meant major social dislocations. For one thing, people had to leave their farms for new jobs in factories. Between the end of the eighteenth century and the outbreak of World War I, some 85 percent of Europe’s population migrated—15 percent left for other continents, primarily North America, but some 70 percent moved from the countryside to cities

and towns.²⁴ With a seemingly inexhaustible reservoir of labor, factory work was badly paid and the working conditions often deplorable. In this Dickensian environment a working-class movement arose, translating the collective weight of the workers into demands for shorter working hours, higher wages, and the right to vote. The political problem was how to deal with these new, and often competing, demands—from industrialists, on the one hand, and from workers, on the other. The question was how to encourage industrialization while at the same time addressing what came to be known as “the social question.” This challenge was of course particularly acute at times of depression and mass unemployment.

In both Sweden and Germany industrialization came late, associated with the last couple of decades of the nineteenth century; in both countries industrialization was also rapid, resulting in a profound transformation of society in a short period of time. In Germany, migration to the cities increased greatly after 1850, as industrialization was stimulated by an extensive railway network, the new German Customs Union, and an abundance of credit.²⁵ Major conglomerates were soon formed in mining, steel production, chemicals, and electronics as well as in weapons production. In parallel with the organizational strength of the industrialists, the trade union movement grew into the greatest and most concentrated in the world, approaching nine million members in 1921. Throughout this period of accelerated growth, the German state stimulated financial markets and provided business-friendly legislation, but, starting in 1881, it also sought to address the social question through reforms intended to meet the demands of the working class. During the Weimar Republic, however, this model quickly disintegrated.²⁶ The working class was radicalized as a result of the deprivations of the war and the postwar depression; the industrialists, for their part, were disgusted with concessions given to the Left. Economic stagnation led to declining profits and unemployment, and economics was translated into a zero-sum game where the gain of one group was another group’s loss. Predictably, politics soon became interpreted in the same fashion. In the end, neither side of the political spectrum had much faith in the regime and both started to pose their demands in extra-political terms and in extra-political forums. The result was a quick and radical loss of legitimacy. The Republic had no way of accommodating the conflicting demands, but neither had it the ability to reform itself.²⁷

Sweden too was badly hit by the social dislocations brought on by industrialization, and just as in Germany, new pressures seemed for a while to undermine the legitimacy of the state. There was a general strike in 1909 and massive street demonstrations in 1914; Sweden was also affected by the post-World War I recession and by the repercussions of the Wall Street Crash. In contrast to Germany, however, the political center never folded. Instead, through a series of bargains struck between Right and Left, workers and industrialists, town and countryside, the state reasserted itself and regained

the initiative. The Social Democrats took a reformist rather than a revolutionary course when the party came to power in 1932. The public works programs and the social reforms initiated in the 1930s had a wide public appeal, and the Saltsjöbaden Accord, concluded between the employers and the major trade unions, guaranteed social peace. In the official rhetoric of the day, the Swedish state was a *folkhem*, a “home for the people.” This Swedish consensus contrasted sharply with developments in Germany—1938, the year of the Saltsjöbaden agreement, was also the year of the *Kristallnacht*.

Institutional Responses in Sweden and Germany

Modernization, I argued, consists of three separate processes, and all three are likely to produce shocks. As we have seen, the shocks were quite comparable in Germany and Sweden, yet they produced very different results. In Germany, the process of state-building resulted in a weak, decentralized system of statelets, whereas in Sweden it led to a strong centralized state; in Germany, the process of nation-formation produced a popular nationalist ideology that lent its support to liberals and Nazis alike, whereas in Sweden, nationalist sentiments were the playthings only of the state; in Germany, industrialization broke up the Weimar Republic, whereas industrialization in Sweden, if anything, strengthened the social consensus and thereby also the state. The question is, of course, why was Sweden able to avoid the crises that Germany had to suffer? In the introduction to this chapter, I presented a model for how such a question could be answered. Crises, I claimed, are a combination of three kinds of factors: the basic constitution of a society, its exposure, and the shocks it receives. Taking a longer historical perspective, I argued that Sweden’s exposure has been quite similar to Germany’s, and, as we just concluded, the most important shocks—those associated with the process of modernization—have also been more or less similar. If these conclusions are accepted, it follows that any difference between Germany and Sweden has to be explained in terms of the constitution of the two societies. Let us briefly consider what this implies.

The most important part of the constitution of a society is its institutional structure. Institutions play a number of important roles. For one thing, they provide social interaction with stability, predictability and organization; institutions supply rules for behavior in given situations; they distribute punishments and rewards.²⁸ Responding to such incentives, we come to act and react in a predictable and increasingly unthinking manner. Imperceptibly, the institution takes care of things behind our backs, leaving us time to attend to more important matters; in this way houses of worship deal with religion and parliaments with politics, so that the rest of us do not have to.²⁹ Once actions and reactions are institutionalized in this fashion, they constitute a

conservative force and a source of stability. A thoroughly institutionalized society is for this reason very resilient; its basic features remain intact even as its more superficial features are radically altered. This was Alexis de Tocqueville's insight when in *The Old Régime and the French Revolution* (1856) he looked back on the many violent shocks that France had suffered during the preceding century. The reason France survived the abuses of the *ancien régime*, the tyranny of the revolution, Napoleon and the wars was, he concluded, that the administrative system remained virtually intact, especially on a local and everyday level.

Everyone kept to the rules and customs with which he was familiar in coping with the situations, trivial in themselves but of much personal import, which so frequently recur in the life of the ordinary citizen. He had to deal with and take orders from the same subaltern authorities as in the past and, oftener than not, the same officials. For though in each successive revolution the administration was, so to speak, decapitated, its body survived intact and active. The same duties were performed by the same civil servants, whose practical experience kept the nation on an even keel through the worst political storms. These men administered the country or rendered justice in the name of the King, then in the name of the Republic, thereafter in the Emperor's.³⁰

It was an institution, in this case the public administration of the *ancien régime*, that provided France with a measure of continuity amidst the radical changes the country endured. The institution made France less crisis prone; it made it possible for people to avert, limit, or postpone crises.³¹

Although institutions often have the stabilizing influence that de Tocqueville pointed to, they can also serve to promote, even initiate, change. This may sound paradoxical given what we said about institutional stability, but the fact that institutions are difficult to change does not necessarily mean that their *effects* are conservative. Consider the example of a bank. Surely few institutions are more conservative than banks, yet their lending policies may at the same time be very progressive; the nature of what the bank does is, in short, quite different from the nature of what the bank is. In fact, we could talk about institutions as being more or less transformative, depending on the extent to which they facilitate social change. As it turns out, transformative institutions are crucial when it comes to dealing with shocks since they make a society more flexible; a society whose core consists of transformative institutions survives not because it always stays the same, but because it always changes.

Speaking more concretely, we could argue that transformative institutions play one or more of three separate roles. The first role concerns matters of deliberation and reflection. Institutions in charge of reflection—universities, for example, or the media—gather information and disseminate knowledge; they assemble as many different points of view as possible and establish procedures to arbitrate between them. The second role of a transformative institution is to guarantee the preconditions for entrepreneurship. Here we have

institutions that provide legal frameworks for contracts and property rights, but also institutions that safeguard the operations of markets through which resources can be more efficiently used.³² The third role of transformative institutions is that of dealing with questions of pluralism and conflict. The way they do this is typically to emphasize institutional procedures rather than substantial outcomes. That is, we need institutions like a rational bureaucracy, a fair electoral system, a constitution that protects human rights, and an independent judiciary. Such procedural institutions can command our loyalty even if we happen to disagree with the particular outcomes they produce. What matters, in other words, is not that we win every time we play, but rather that we know that the rules of the game are fair. People can, for example, pay allegiance to a political system even though they fundamentally disagree with a particular government, or trust in the justice system although they disagree with a particular judgement.

Together, these three kinds of institutions provide for a society that is always in a state of flux. Through reflection we discover new possibilities; through entrepreneurship these possibilities are acted upon; through the pluralism guaranteed by procedural institutions the outcomes of our actions are protected. Since they bring about change, transformative institutions are also crucial in dealing with shocks. Reflective institutions can help us come up with creative responses to military, natural or social disasters; entrepreneurial institutions can make sure that markets function well and that economic disasters are avoided; pluralistic institutions can create loyalty and thus reduce the impact of political disasters.

Returning to our historical material, what can we say about Germany and Sweden from this institutional perspective? What role did German and Swedish institutions play in the process of modernization, and what role did they play in avoiding, limiting, and postponing crises?

State-Building

In the Middle Ages, there were parliaments in both Germany and Sweden, as indeed there were all over Europe.³³ At the time, the parliament provided the only means by which the king could obtain information and advice from the people, and, most importantly of all, the only means by which the king could raise taxes.³⁴ Obviously, this provided the representatives of the people with considerable financial clout and thereby with considerable political power. In Germany, however, the estates were often too internally divided and too deferential to their rulers to use their power effectively.³⁵ When kings in the course of the seventeenth century increasingly managed to find their own, independent, sources of income, the power of the parliaments declined further, and in many cases the assemblies were completely disbanded.³⁶ From this time onward, the institutional basis for German state-building was not the parliament, but rather the bureaucracy and the army.³⁷ By the seventeenth century,

public bureaucracies were increasingly influenced by the teachings of the new science of public administration, “police science,” or cameralism.³⁸ The cameralists emphasised rational procedures, the functional separation of tasks, and the rule of law. In Germany, in contrast to France, there were no venal offices; instead the office-holder was, in fully Weberian fashion, separated from his bureaucratic position. The enlightened rulers of Prussia and Austria also codified their legal systems and rationalized them in accordance with the imperatives of natural law; in Prussia, widely recognized as the most efficient and well-governed country in Europe, it was even possible to sue the king.³⁹ The rationality of the bureaucracy extended also to the military. In fact, in Prussia the bureaucracy was officially subordinate to the army, and all state activities were undertaken in order to fulfill military needs. War became the organizing principle of society, and soon enough also an economic imperative. Prussia went to war to conquer more land to raise more taxes to go to more wars.

Sweden also was a rational, bureaucratic state, based on the latest administrative science. The reforms put in place by chancellor Axel Oxenstierna in the early seventeenth century provided the foundation for a bureaucracy that remains in place until this day.⁴⁰ In addition, Sweden was a country ruled by law, not by personal fiat; the Administrative Act of 1634 is sometimes considered the world’s first written constitution. Just as in Germany, there was a Weberian separation between office holder and bureaucratic position, and an emphasis on matters of procedural justice and accountability. In addition, attempts were made to separate political and bureaucratic decision-making in order to guarantee impartial procedures; political ministries were separated from bureaucratic agencies; politicians were barred from intervening in individual cases; and the right to obtain official records made it possible to inspect the workings of the bureaucracy.⁴¹ But Sweden was, of course, just like Prussia, a military state. Under King Gustav II Adolf in the early seventeenth century, the Swedes had what must have been the best fighting force in Europe. In contrast to Prussia, however, Sweden was never, except for a few decades at the tail end of the imperial adventure, a militarized state.⁴² The Swedish empire was to a large extent a self-financing enterprise, and the army was used to terrorize foreigners, not Swedes. The crucial difference between Germany and Sweden, however, concerned parliament. In contrast to his German colleagues, the Swedish king never managed to find his own independent sources of income, and for this reason he continued to be dependent on the cooperation of the parliament. The Swedish king was always too poor to run the country by force and from above; instead people had to be convinced of the adequacy of a policy before they would agree to new taxes. Sweden, therefore, was a *monarchia mixta*—a monarchy where sovereignty emanated jointly from the king and the people.⁴³

Comparing these two models, we could perhaps say that the institutional structure of the Holy Roman Empire was ahead of its time in several respects.

It encouraged cultural, social, and political pluralism, if not within each constituent member, at least within the Empire as a whole. This was the institutional setting of a creative culture, of Germany as a land of *Dichter und Denker*. Politically speaking, the Holy Roman Empire provided a potentially ingenious solution to the perpetual problem of competing sovereignties. The Empire, we could say, was an EU *avant la lettre*, only with more subsidiarity. Sweden, by contrast, may seem overly centralized and monolithic. In practice, however, German decentralization was a source of weakness rather than strength, and although Sweden may have been dull, it was united. In their emphasis on the bureaucracy and the military, the two models were quite similar. Both bureaucracy and army no doubt functioned, in a Tocquevillean fashion, as sources of stability at times of shock; as rational, efficient, and procedural, these institutions were also important conflict-resolving devices and thus sources of legitimacy for the regimes.

The major difference between Sweden and Germany concerns parliament: its absence was a German liability and its presence was a great Swedish asset. For one thing, parliament improved the quality of the decision-making process. Parliamentary opposition from the peasants was, for example, an important reason why Sweden fought its wars abroad rather than at home.⁴⁴ The parliament, that is, provided an important financial check on the military ventures of the regime. When foreign wars could no longer finance themselves, the Swedish empire collapsed.⁴⁵ In Prussia, by contrast, the lack of resources led not to a reconsideration of policies, but instead to hardened repression; when no more taxes could be raised, the king ran up debts, and when the debts could no longer be serviced the entire regime was undermined.⁴⁶ When Napoleon's army swept across the border, the formidable Prussian army revealed itself as quite incompetent. An important reason for the precariousness of German states was also the personal nature of rule; lacking an institutionalized political leadership, the regimes were never more competent than their rulers. This was a problem if, for example, the ruler suddenly died, or if he was succeeded by an infant son. In Sweden, by contrast, the sudden death of a king simply meant that the council and the parliament took over the reins. Sweden, we could say, was ruled by institutions, not by individuals. Thus, for example, the loss of the empire in 1718 did not lead to a crisis, but instead to an extended period of parliamentary rule—the so-called “Age of Liberty”—and when King Gustav III was assassinated in 1792, the result was not, as in France, a Jacobin dictatorship, but instead an affirmation of parliament's position and a return to constitutional government.

Nation-formation

The German nationalist revival of the early nineteenth century was, we said, a movement of philosophers and poets rather than statesmen and voters. In institutional terms, this meant that universities, academies, and also the press

came to play a pivotal role. It was in the universities that the ethnographic, historical and social facts of the Germans were gathered; it was here that the philosophical underpinnings of a German national identity were worked out by scholars like Johann Gottfried Herder, Johann Gottlieb Fichte, and others.⁴⁷ These ideas, dressed up in suitably Romantic garb, were then spread widely across Germany by newspapers and journals. After 1750, Germany experienced a virtual press boom, with several hundred new papers appearing each year.⁴⁸ In these pages, vigorous discussions were held on a wide range of topics—from contemporary affairs and history to morality and home economics. Uniting German readers throughout the many petty principalities, the press created, for the first time, a sense of a unified German culture and, as its carrier, a unified German nation. It was suddenly obvious what it meant to be a German—it was a person reading about the same events, at the same time, and in the same language.⁴⁹ Yet, as we saw, the nationalist movement ran into resistance as soon as it sought the establishment of other institutions; the revolution of 1848 never resulted in a parliament or in a constitution. The ephemeral being which was the collectivity of a German self never managed to translate itself into something more embodied.

In Sweden, the first notions of a national identity had already been formulated in the sixteenth century.⁵⁰ To be a Swede was, at the time, primarily a question of being a Protestant and a subject of the king. The church was also the institutional setting through which this sense of community was propagated. There was a church in every parish, all Swedes were required by law to attend services and, best of all, the clergy were all on the king's payroll. This institutional structure was particularly useful in times of war. From pulpits throughout the country, the people would be informed of the latest events on the battlefield, or reminded of the importance of obedience and unity. It was a problem, of course, that Sweden had so little to be proud of. As a major power, the country was expected to boast of a glorious past, but Swedish history contained lamentably few memorable occasions or individuals. What did not exist, however, could easily be invented, and for this invention the state relied heavily on the University of Uppsala.⁵¹ Soon the professors had fabricated an illustrious history, complete with references to the Flood, the Trojans, assorted Biblical personalities, and to the ancient Goths, a tribe from whom, it turned out, the Swedes all descended.⁵² When remnants of the fabled island of Atlantis—long thought to have sunk in the ocean—were discovered in Uppsala late in the seventeenth century, no one was particularly surprised.

As far as other institutions are concerned, the press played a role, albeit a minor one. In the latter half of the eighteenth century, there was something of a newspaper boom in Sweden, in particular after 1766 when the Freedom of the Press Act came to guarantee the free circulation of printed material. Yet, with a few notable exceptions, Swedish public debates were more muted

than those in Germany.⁵³ The towns were never big enough and the bourgeoisie never numerous enough to form an independent public sphere. Instead it was the system of public primary education, established in 1842, that provided the best vehicle for Swedish nationalism in the nineteenth and twentieth centuries. Here, again, it was the history of the Swedish state that was taught.

As a way to deal with the crises of nation formation, the Swedish institutional setup was clearly the more successful. In essence, the Swedish nation was a creation of institutions completely controlled by the state—the Church, the universities, and the primary school system. The problems of nationalism were avoided, we could say, because a Swedish nation autonomous from the Swedish state never took shape. This was in part due to elite manipulation, but it was at the same time an expression of the fact that the state, while never “democratic” in any modern sense of the word, was still responsive enough to popular pressure. In Germany, by contrast, a national identity was formulated outside of, and in opposition to, the state. German nationalism was from the very beginning a revolutionary force—liberal in guise in 1848, racist in 1933. Revolutionary ideologies, as Alexis de Tocqueville noted, are irresponsible by virtue of the fact that they are dreamt up by people who are excluded from power and thereby from political experience; revolutionary ideas are always too abstract, too rational, and too idealistic.⁵⁴ This, we could argue, was exactly the problem with German nationalism both before and after 1848. The nationalist movement failed in obtaining its parliament and its constitution, and for this reason it never acquired the practical experiences, and thus the reality checks, that it so badly needed. The German nation could continue to be thought of in mystical and disembodied terms, since there were so few other ways in which to conceive it. German nationalism remained a free-floating sentiment looking for a body to inhabit; it was a specter haunting first Germany itself, then Europe.

Industrialisation

Newly designed institutions need enthusiastic support if they are to become firmly established; there must be a consensus on the rules, or no one will play the game. For the new institutions of the Weimar Republic, there was never a consensus on the rules, and whatever support there was for its institutions cannot be described as enthusiastic. The Republic was constitutional, democratic, liberal, and procedural, yet it never managed to deal effectively with the problems of industrialization. In the end, the economic problems were too severe and the political polarization too extreme. The Weimar constitution was in many ways a very ambitious document, setting out the basic features of a democratic welfare state, yet it was continuously questioned by scholars, mistrusted by political actors, and undermined by judges.⁵⁵ The parliament was divided between a government of the left that continued to

lose support, and an opposition of the right that was gaining in strength while fragmenting; often the government had no clear majority or was based on completely unviable party combinations. Corporatist arrangements provided for bargaining between employers and workers and for compulsory state arbitration, but instead of producing compromises, these institutions made conflicts more acute. In 1924, the system broke down as employers reacted to the intrusive meddling of the “trade union state.” In the end, the economic and social problems of the time were completely overwhelming.⁵⁶ A stagnating economy led to reduced profits and wages, to business closures and mass unemployment; thus the situation was already bad when the effects of the Wall Street crash hit. There was no institutional cushion capable of absorbing these shocks. Instead the incipient welfare state was overburdened with new demands. Since what little prestige the Weimar Republic enjoyed was to a large extent based on its promise of welfare, the cuts in welfare provisions were directly translated into a loss of legitimacy for the regime.⁵⁷ With no faith in the established institutions, the forces of the far left and the far right decided to pursue by politics by different and decidedly undemocratic means. By the early 1930s, these extremes of the political spectrum commanded the support of the majority of the German people.

The institutional setup in Sweden was similar in several respects. However, the Swedish constitution was not replaced, but instead it was flexibly adjusted to incorporate the features of a constitutional democracy. The franchise was, for example, expanded to include all adults. Similarly, while the Swedes also had to face political instability in the 1920s, with a rapid turnover of governments, as well as serious economic problems after 1929, the Swedish political institutions were not fatally undermined, and there was no radical polarization of the political spectrum. The parliament continued to be an important focal point for political struggles, and when the Social Democrats came to power in 1932, their policy was one of reform, not revolution.

The shocks of industrialization were similar in Germany and Sweden, I argued, and, as we have seen, the institutional setups were also roughly comparable. Fundamentally different, however, were the reactions of political parties and social groups. In Sweden, institutions continued to be seen as legitimate, while in Germany the legitimacy of the structure was rapidly undermined. These differences in perception are themselves best explained in institutional terms. Swedish institutions were ancient, the German were brand new; Swedish traditions were inclusive, the German were exclusive; Swedish culture was based on consensus, the German was based on absolutist rule. Not surprisingly, Swedes had entirely different expectations regarding their political system. Above all, Swedish political actors lacked viable alternatives. It was next to impossible to imagine a politics that was fought outside of the structures provided by the state. Thus, in Sweden, the political game remained the same. The prize was the right to form a government, and the

way to win this prize was to maximize parliamentary seats. In Germany, however, the official political institutions were not the only options, and visions of alternative arrangements came easily—and not only to overheated minds. Memories of the Reich were still strong and many conservatives looked back with nostalgia; there was a Communist alternative, and still a very vibrant one, in the Soviet Union; and there was the nationalist dream of a *Volk* united under one all-powerful leader.

By way of summary, it is worth emphasizing the crucial role played by the institution of the parliament throughout the process of modernization. It was the parliament more than any other institution that saved Sweden from crises, and it was the lack of a parliament, or at least a viable parliament, that was the main factor behind Germany's continuous problems. Much of this importance is due to what we have identified as the Tocquevillean factor—the parliament provided an invaluable source of stability at times of shock. When the Swedes lost their king, for example, or their empire, or when they lost Finland, the parliament was there, ready to pick up the pieces. In Germany, by contrast, political rule was personal and thus always more precarious. Stability was provided by the army and the bureaucracy, which was fine, but only as long as these institutions could be paid for.

Parliaments are also extremely important because they are an almost perfect example of what we have called transformative institutions. That is, parliaments are a unique combination of the three institutional roles of reflection, entrepreneurship, and pluralism. In a parliament, the representatives of the people get together not only to make decisions, but also to deliberate.⁵⁸ The parliament, we could say, is a kind of double mirror; in its composition, it reflects the views of the people, but in its work it also reflects on, and transforms, those views. The better this deliberative function is carried out, the higher the quality of the final decisions. But parliaments are also places where rules are made, and an important set of such rules concerns the preconditions for effective entrepreneurship. Parliaments guarantee property rights and the sanctity of contracts; they provide the legal, social, and economic preconditions for properly functioning markets. Although enlightened kings could do as much, there are important reasons why parliaments are better at these tasks. Historically speaking, kings have always been tempted to confiscate people's property to raise taxes, to annul outstanding loans unilaterally, or to subvert markets by selling monopolies.⁵⁹ Parliaments may certainly be taken over by "special interests," but they are much more difficult to subvert in this way, while a king who is beholden to special interests is much more dangerous. Finally, parliaments are also procedural institutions and as such are well placed to deal with conflicts and to produce loyalty. There are rules that govern the process of being elected to parliament, making decisions in parliament, and forming and dismissing governments. As long as these rules are seen as fair, we will play the game even though we might not win every time.

We may not necessarily like a present government, but we can still feel a very strong allegiance to the system as such.

Parliaments are important, in other words, because they help us reflect on our options, since they help us implement decisions, and allow many different views to compete. A properly functioning parliament protects society against crises not by perpetuating a certain kind of society, but instead by always transforming it.

The November Tree Principle

Today, Sweden and Germany are of course similar in very many respects. Both countries are liberal and democratic, post-industrial, and affluent; both are sovereign, but also members of the EU. This outcome was the eventual result of a process of modernization that comprised the sub-processes of state-building, nation-formation, and industrialization. Although the end result of these three transformations is quite uniform, the routes that brought our respective countries to these outcomes have been remarkably different. Lacking the appropriate institutional structure, the German road to modernity was, as we have seen, considerably bumpier.

In a curious way, the differences we have found between Sweden and Germany remind us of the contrasts often drawn between Britain and France, usually understood in institutional terms. From Montesquieu onwards, authors have noted the power of the English parliament, the independence of the judiciary, and the vigorous debates in the English press.⁶⁰ In the eighteenth century, such institutional pluralism was often seen as a threat to the unity and peace of the state, and from the perspective of the French *ancien régime*, Britain's was "a government stormy and bizarre."⁶¹ Yet Anglophiles at the time, and we today, are more likely to see Britain's institutional setup as a guarantee of its political liberties and economic dynamism.⁶² Westminster is, at least in the rhetoric of after-dinner speeches, the "Mother of Parliaments."

At the heart of the contrast between Britain and France is the question of the appropriate relationship that ought to obtain between the state and society.⁶³ In France of the *ancien régime*, society played no role in politics and the king was the only public person; in Britain, by contrast, the king shared his power with the parliament both in theory and in practice. The long-term consequences of these institutional differences were profound. In Britain, in the course of the process of modernization, political demands were channeled through parliament and there moderated, further deliberated upon, and reconciled with other, initially contradictory, demands. The press added the voices of the politically under-represented to this process of public deliberation, thereby defusing revolutionary demands. In addition, the English judiciary was fair and independent, and legal guarantees of property rights made

it possible to invest in manufacturing and in business ventures. In short, the constitution of Britain contained a number of examples of what I have called transformative institutions. The constitution of France, by contrast, guaranteed stability and unity, but only as long as its institutions remained viable. Lacking a way to transform itself, the institutional structure of the *ancien régime* eventually had to be replaced. The result was a revolution, and decades of internal chaos and external war.

As a sort of index of these differences between Britain and France, consider the longevity of the monarchy in England as opposed to its sudden death in France. In Britain, the monarchy survived not because it was powerful but, on the contrary, because it was powerless and posed no obstacles to change. In France, the monarchy had to be abolished before a real transformation could take place. In his essay *The English Constitution* (1867) the journalist Walter Bagehot made a similar point regarding the longevity of the House of Lords. "So long as many old leaves linger on the November trees," he says,

you know that there has been little frost and no wind; just so while the House of Lords retains much power, you may know that there is no desperate discontent in the country, no wild agency likely to cause a great demolition.⁶⁴

Perhaps we could call this the November Tree Principle, according to which the institutional structure of a society is all the more flexible and transformative, the more remnants of medieval institutions it contains. The older the institutions look, that is, the more modern they are.

Judging by the November Tree Principle, it is very interesting that the Swedish parliament retained its four estate format until as recently as 1866; that the Swedish constitution, together with the American, was the oldest in the world until it was finally changed in 1974; and that the Swedish monarchy still survives to this day. Throughout the process of modernization in Sweden, power was shared between king and parliament, and Swedish institutions allowed rather than blocked transformations. Just as in Britain, the kind of tension that could have resulted in a revolution never developed. In contrast to Britain, however, the lack of a Swedish revolution may be better explained by the absence of tension between state and society rather than by its defusing. In Britain, that is, the demands of society were channeled, moderated, and reconciled, but in Sweden, as we have seen, there were far fewer social demands that required channeling, moderation, and reconciliation. Instead the process of modernization was from the very beginning a state-led enterprise. Once the Swedish state was established, it, not society, was in charge of the process of nation formation, and once the Social Democrats had come to power, it was the state, not society, that dealt with the problems of industrialization. In Sweden, in short, there was less of an outside with which the state could be in tension; the corporatism of the medieval estates was in the twen-

tieth century simply replaced by the corporatism of the welfare state. Yet it is unlikely that the relative consensus of Swedish political culture would have been maintained, had the political institutions failed to adjust so successfully to the challenges of modernization. Swedes are not docile, after all, and they are deferential to the state only as long as it makes sense to be so. As an agent of modernity, however, the Swedish state has, at least until recently, had the overwhelming confidence of the people.

As far as Germany is concerned, its emperors, kings, and *Kaisers* are today all but forgotten; its parliaments have come and gone; it has enacted and abolished countless constitutions. This was, just as in France, a consequence of the inability of the institutional structure to accommodate pressures from society. Since they could not be changed, the old authorities had to be replaced. Germany's constitution, in short, was never strong enough, and for this reason German history is the story of one crisis after another. In contrast to France, however, this weakness was more the result of the absence of a state rather than its overbearing presence. In the nineteenth century, there was no way to accommodate new nationalistic demands, for the simple reason that there was no German state that could do the accommodating. The demands of industrialism were indeed responded to by Bismarck—with both state-led industrialization and social programs—but during the Weimar period the state was once again seriously weakened. In contrast to Sweden there was, as we have seen, a strong, independent society in Germany that posed its demands both loudly and clearly, but since the appropriate institutions were not in place to channel these demands, the result was crisis.

We end up, consequently, with four paths to modernity. In Britain and Germany, society pushed for modernization, whereas in Sweden and France the state did so. In Britain and Sweden, tensions between society and the state were either defused or largely absent, whereas in Germany and France, social demands were impossible to accommodate due to the absence of an appropriate institutional structure. Judged by the November Tree Principle, in other words, England and Sweden have had the fairer weather; they were better able to survive the shocks that the process of modernization inevitably presents. Today all four countries are of course quite similar, and it is difficult to say that the institutional structure of Sweden or Britain is inherently superior to that of France or Germany. On the other hand, and as I have argued, the legacy of institutions matters, and a distinctly unmodern set of institutions should for this reason be not a source of embarrassment, but rather a source of confidence. Turning to questions of the EU, globalization, new technologies, and everything else that we can see coming up on the horizon, we do not have to be royalists to hope that our monarchies will continue to enjoy good health.