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BETWEEN SURPRISE AND SOCIAL SCIENCE

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Between Surprise and Social Science

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Abstract

Social scientists and historians have been living in a world of unexpected outcomes. The revival of passionate political ideologies in the 1960s, the reversal of predicted secularization in the modern world, the collapse of communist regimes at the end of the 1980s, and the contemporary economic crisis were all events that flew in the face of social-science predictions and analyses. But despite its prevalence most social science has not attempted to deal with surprise as a category of event. This essay seeks to analyze surprise at least as a category of explanation and narrative, one that mediates between counter-factual and factual.

Keywords
Surprise, narrative, counter-factual.
Introduction

I want to thank my hosts for inviting me to deliver one of the Max Weber lectures. It is daunting to offer an academic address that honors so important a social scientist. The request was to address a topic with implications for the social sciences. I have chosen to explore a problem that might seem hardly an issue at all; but, for reasons I will develop, I believe to be challenging and important – namely the role of surprise in history and the social sciences. (It is one of a series of problems I choose to call abiding problems of historical explanation – the relation of large-scale events to personal decision making, the relationship of one approach, say economic history, to another, say cultural history, etc.) But I have chosen to focus on surprise today, because we live in an age of surprises. My underlying question is: can the social sciences accommodate surprise? Put even more strongly, can we develop a theory of surprise for the social sciences?

Perhaps the search will be fruitless. Isn’t surprise precisely what resists theoretical understanding? The social sciences search for normative behavior, that is behavior or developments that exemplify general rules or (according to Weber) stylized patterns highlighted as so-called ideal types. By definition, though, surprise violates general patterns so it should make no sense to try and subsume it under them. History, as we know, occupies an ambiguous position with respect to the social sciences. Historians can share the search for regularities and general developments that characterizes sociology and political science. But historians also investigate themes and subjects that claim uniqueness. At first glance, surprise seems compatible with historical reconstruction, but not with the nomothetic social sciences, those that allow generalization and laws. But to exclude surprise from the purview of the social sciences is a heavy renunciation. Perhaps we can do something to bring it back. Let’s try in any case.

Surprise in this case is easy enough to define: it means the coming to pass of unexpected possibilities for the future, indeed possibilities that have often been dismissed with great verve and confidence. By surprise, I do not mean what we often think of as contingent events, although they do come as surprises, but sustained developments that defy expectations or emerge without being anticipated whatsoever. Thus I am not talking just about such unexpected assaults as 9/11 or the assassination of Francis Ferdinand on June 28, 1914. The fact that the European powers were in a tremendous war five weeks later was a surprise, although, paradoxically, one for which they had been preparing for decades. The fact that the war was to go on for over four years came as another surprise to many of the policy makers, soldiers, and citizens – though not to all of them. The surprise that is continually prepared for or anticipated – but never really expected, at least not at the present moment, such as the healthy individual’s own death, or a macro event such as World War I, or a future nuclear war, is one of the most interesting species of surprise. Conversely there are outcomes that seem totally unlikely to most observers. One of my favorites is the prediction that Josef Schumpeter made in 1930, when as an economics professor in Bonn, he wrote in his essay, “Das soziale Antlitz des Deutschen Reichs,” that whether one looked to the political left or to the Right, German politics offered no cheer for extremists. Now a prediction gone wrong is not the only variety of surprise. Surprises also include developments that seemed unimaginable or at least unimagined but which in fact came to pass.

Since we presume that no event is causeless, after these surprising developments take place, historians and social scientists work to reconstruct the reasons they come to pass. Indeed with the benefit of hindsight, many of those who never envisaged their occurrence often insist that they had to take place. Alexis de Tocqueville said it best when he wrote about the French Revolution that no event was less expected, but that in retrospect none seemed more inevitable. Nevertheless – and this is critical – historians and social scientists alike find their true vocation not in rendering surprise inevitable, but plausible in retrospect. Surprise, in effect, challenges us to construct a story that renders it unsurprising.
Of course, it is not only the great French Revolution or the First World War that caught participants and observers by surprise. One reason I have chosen this topic is that our own contemporary era has been full of major surprises—developments that even the greatest of social scientists confidently believed could not occur, or were at least being made less and less likely. The lifetime of any middle-aged adult today has been filled with confident and erroneous predictions and with events that were never predicted. Does it not behoove us, therefore, to devote some serious thought to surprise as a sociological phenomenon in its own right? Are there different sorts of surprise in history? Indeed history writing often hinges on the narration and analysis of events that seemed surprising. Historians construct their narratives out of events that surprised. Indeed the event is often tantamount to a surprise. Sometimes historians claim that these surprises are part of a developmental logic, sometimes not. Political scientists are usually determined to explain them as part of a developmental momentum—therein lies one of the differences that separate our guilds. But are there epochs of history that are more prone to surprise than others? And if so, why? Might our susceptibility to the unexpected itself say something important about our contemporary historical situation as well as illustrating the limits of social science?

2. As a historian, I will start by citing some histories in abbreviated form. They are chastening or sobering stories since they concern predictions that went wrong. And then I will devote some attention to perhaps the most recent big surprise—the one with which most of us are all contending: the financial and economic crisis that overtook the global economy in 2008 and 2009. As a case study it will help us think analytically about surprise—and it will enable us to distinguish surprise from crisis—two sorts of difficult transitions that share some elements but are not identical.

The first takes us back to Daniel Bell’s famous essay of 1959: “The End of Ideology: On the Exhaustion of Political Ideas in the Fifties.” To be fair to Bell, an imaginative sociologist to whom we owe so many interesting ideas, he subtitled his essay: “On the Exhaustion of Political Ideas in the Fifties.” But “the end of ideology” rapidly became a popular trope: After the horrors inflicted by fascism and Nazism, after the disillusion with the Stalinist record in the Purges and the postwar years, political leaders and publics, thus many commentators assured their readers and students, were no longer passionate about political doctrines. Instead, they were coming to rest in a sort of centrist and technocratic politics, which might bring together Communist and Western capitalist systems in a sort of gentle soci
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dal democracy—the consequence of the “industrial society” which both systems represented. Otto Kirchheimer made the same point a few years later in Robert Dahl’s collection of essays on the decline of fundamental political opposition in Europe. Politics, they assured us, was at least a temporarily sleeping volcano, emitting a few traces of vapor, but no longer likely to spew forth cinders and lava.

There was good reason to tell this story in the first half of the 1960s: the Labour Party was moving away from Point IV, the SPD was shedding its Marxism; Communists seemed confined to an electoral ghetto in Western Europe; neo-Nazism never emerged as more than a marginal political force. In the second half of the sixties, however, Mao unleashed the cultural revolution in China, protest movements filled the streets in American Black ghettos, marchers mobilized against Vietnam, 1968 protests brought the Fifth Republic almost to its knees and seemed about to rupture the Soviet bloc—political passions were erupting anew. The end of ideology was soon forgotten.

Recall a second story from the late 1970s. Western capitalist economies were mired in so-called stagflation. Inflation rates were running from 8 to 12 percent, while unemployment averaged five percent or more. The happy days of three-to-five percent economic growth with low rates of inflation—the long-term effortless macroeconomic performance of the so-called 
trente glorieuses—had collapsed between 1967, with America’s inflationary financing of its escalation in Vietnam, and 1974, with OPEC’s tripling of the price of oil. Even if those body blows to economic stability were not sufficient, a second price rise by OPEC at the end of the 1970s would provide another powerful
inflationary thrust to the so-called advanced capitalist economies. What is more, powerful unions were convinced that they must bring home major wage increases to compensate for their deteriorating real wages, but thereby only unleashed an ongoing cost-push inflation. The Bretton Woods rules designed to restore international currency stability after the Second World had been under pressure from the late 1960s, when President Nixon “shut the gold window” on August 15, 1971, and introduced a period of wage and price controls. Living through these years of inflation, labor activism and what seemed the inexorable rise of public expenditure, many Western analysts (including the ones I hung out with and many of whom taught at this institution then or later, such as Philippe Schmitter and Alessandro Pizzorno) developed the intellectual framework of neo-corporatism. According to this fashionable account (with its West German cousin of “organized capitalism”), the modern political economy no longer functioned according to the rules of market capitalism. With its powerful producer groups often bargaining collusively to pass on the costs of wage settlements to the consumer or the state, only political oversight of economic bargaining might provide the necessary stability. The state had to organize tripartite wage-price boards, perhaps provide indexation of wages or taxes, coordinate sessions of annual wage bargaining. True, there were some right-wing economists who preached an alternative remedy that would get the government out of economic bargaining and refuse to increase money supplies — but their so-called monetarist doctrines seemed impractical or archaic.

Then in 1979 came the election of Margaret Thatcher and a year later the victory of Ronald Reagan, each of whom did what none of us social scientists believed possible: they defeated powerful trade unions in Britain and the United States and shook out inflationary pressure through the harsh medicine of major recessions. Moreover, in Italy — the most inflation-prone West European society — FIAT workers in Turin rejected a CGIL strike call and undermined the hold of the Communist-led national labor union. The new centrist governments of laici and Socialists set about controlling the state deficit and giving autonomy to the Bank of Italy. Somewhat in parallel, in 1983 the Socialist government of François Mitterrand abandoned the revived Popular Front program it had espoused two years earlier — and introduced orthodox measures to stabilize the French currency within the European monetary system. By the mid-1980s, neo-Keynesian economic doctrines were in retreat before a revived monetarism as pioneered by Milton Freedman or before a newer belief in the importance of credibly signaling “expectations,” a new prescription associated with Thomas Sargent.

With the collapse of the European communist regimes in 1989, the revival of market capitalism seemed triumphant. President Clinton made the creation of market democracies the centerpiece of his international aspirations. No one recalled that the prominent political theorist of the 1970s, Robert Dahl, had argued that such an idea was an oxymoron: markets and democracies he believed remained in fundamental tension with each other. But now during the course of the 1980s and 1990s, contrary to a generation of prevailing social science analysis, decentralized market economies were the inspiration for nations the world over. In effect, the European, North American, even the Latin American Left found themselves abandoning their inherited assumptions and transforming themselves into so-called New Democratic or later, New Labour movements stressing centrist macroeconomic management. Insofar as the parties of the Left had a program it consisted of a slightly greater openness on identity issues, not distributive issues. The left was friendlier to immigrants, to minorities, to women, to gays, but was timid on issues of class and redistribution.

Surprise three was the crisis and collapse of the Communist regimes in Eastern Europe mentioned above. The disintegration of this imperial ideological regime unrolled with breathtaking rapidity at the end of the 1980s as Mikhail Gorbachev pursued an effort at reforming the Soviet Union through glasnost and perestroika that escaped his control and led to the advent of multiparty governments. It is important to recall the astonishment that those of us who had spent our adult lives beholding these regimes, and the power of the party that controlled them, felt as they dissolved, largely without violence. Only a few visionary poets and priests — Symborska, Herbert, Havel, Wojtila among others — seemed to have believed that such a transition might be feasible and not just morally necessary. Most of us — whether West German advocates of Ostpolitik or sophisticated social scientists — never
believed that the Communist regimes would be overthrown or collapse. They might evolve into more stable and less repressive systems – but that they could simply disappear seemed an impossible historical turn. The Communist system had stabilized: whether by ugly means such as the Berlin wall, or more benignly through a sort of reformist evolution. Only those to whom we granted artistic license denied that it was a long-term feature of global politics, with us for the *longue durée*.

This was not just a consequence of disinterested analysis. For many years powerful interests had developed with an interest in interpreting the world as frozen into opposed camps, including military establishments and foreign policy think tanks. Policy intellectuals, liberal as well as conservative, claimed to be working for fundamental change, but quite logically had an interest in the prolongation of the status quo.

Let me remind you of a fourth story with a surprise ending: the alleged triumph of secularization. In the old confident narrative, as societies became modern their religious impulses irretrievably faded as reliance on science and technology and education increased. Sociologists assured us that the power of churches and sects over public life was ineluctably waning. Modern societies either abandoned religious practices or they consigned religious impulses to the private realm. This confident notion, of course, has been in retreat now for three decades, ever since. Revision started even before an Islamic Republic came to power in Iran in 1978; before the United States yielded to a period of renewed religiosity; before evangelical movements started sweeping the Third World; and before 9/11. By 2009, we had come to inhabit a world where issues of belief became the major impulse to broad social movements.

It would be a wasted opportunity, of course, not to cite a fifth large surprise: the story that we are in the midst of today: the collapse of equity values in 2008 and the current severe recession. I will return to this large surprise, but recall for the moment that it has brought with it at least a major reassessment of cherished policy ideas, indeed precisely the economic analyses that arrived with Reagan and Thatcher and later Alan Greenspan, namely the confidence in the rationality of markets and the charismatic wisdom of bankers and entrepreneurs. Whether such a reassessment will be durable or widespread will depend, of course, on the severity of the present economic difficulties. Like soldiers under fire, who make promises to God they then find hard to keep, our public pundits soon repent of their conversions. Economics is perhaps the most amnesiac of the social sciences, so the current disavowals of last year’s doctrines and heroes may soon be renounced in their turn if recovery comes rapidly.

3. Can we make some generalizations about the nature of the surprises these cases and others have sprung on us? It is easy to make fun of the confident assertions of how history had moved and was moving, but I am not lodging the usual complaint about the uselessness of social science and the irrelevance of social scientists. But it does seem to me that “surprise” deserves some sustained reflection. What constitutes it? Will we ever eliminate it or at least diminish its role? I have pondered this question since the fall of the communist regimes in the German Democratic Republic, Czechoslovakia, Poland and Hungary in the fall of 1989. At that point there was a great deal of blame placed on social scientists for not foreseeing the collapse of communism. All these worthies…all surprised -- fit subjects for mockery especially by conservative circles who saw the rise of socialism as somehow connected with the Left and the legacy of 1968.

I believe this attitude was misplaced. I emerged from thinking about 1989 – to which I devoted a major book project – convinced that in fact it was ‘OK’ to be surprised. What one should not be surprised at is the role of surprise. My sense is that “normal” social science (in the Kuhnian sense) is not equipped to cope with surprise. Let us reflect a minute on why this is so. Ultimately social science endeavors to account for events that can be represented by probability distributions or represented by continuous functions with a derivative at any point. To use a mathematical analogy,
social science works with derivatives and integrals, predictions drawn from social trends, or social trends constructed from predictions. Or it draws causal inferences from least square calculations derived from multiple data points. But surprises are almost by definition represented by non-continuous functions, kinks in the curves that describe trends, functions that can yield no derivatives over their length. It can come as no surprise that social scientists are doomed to be surprised.

Yet if some of us are not ashamed to be surprised, we still have no theory of surprise – which, given the role it plays, is perhaps itself surprising. After all, think of it: our political life and our intellectual life is governed by surprise. My pension accumulation is worth a quarter less than it was two years ago. That is a rude surprise. The countries of eastern Europe are functioning democracies. That came to many of us as a happy surprise. People are blowing themselves up over religious loyalties. That is a surprise whose cumulative effect adds up to a total of thousands of lives destroyed and perhaps the equivalent of hundreds of thousands of human lifetimes spent at airport security gates. We live in a world governed by surprise. Doesn’t it behoove us to have a theory of how surprise works?

In fact, alert observers have been working toward such theories – so far as I am aware – more on the level of vernacular sociology than of specialized literature. But I could be wrong. There is a science of rare events with which I am not yet familiar, and it may anticipate much of what I believe necessary. In any case many of the recent popular books concerning the phenomena of the social world are reflections of a heightened sensitivity to surprise: consider the works of Malcolm Gladwell and Nassim Nicholas Taleb. Gladwell celebrates intuitive knowledge, which I think misplaced, and focuses our attention on the “tipping point” – the point at which a social trend becomes infectious and catches on. In effect he examines precisely those instants where functions are discontinuous and surprising outcomes are generated. Taleb proposes that most of the significant developments in our economic and sociopolitical life are governed not by the ordinary expectations we can generate through Gaussian bell curves, but by outlying developments he calls “black swans” many standard deviations away from the normal distribution.

But consider, too, what theories of history have become increasingly appealing, if not to a general public that has virtually no awareness of them, at least among academic circles. It is no accident, I believe, that Walter Benjamin’s theses on history are cited with increasing frequency. They call for us to understand historical thinking and writing not as an effort to reconstruct a causal story or to come as close as possible to “how it actually was,” but as a process of archeological retrieval and as a source of illumination. Benjamin was fascinated by archeological fragments throughout his life, from his doctoral dissertation on “The Origins of German Tragic Drama” to the never-ending accumulation of materials in the Paris-based “Arcades Project.” To understand history was to look backward, along with his famous angel, and witness the wreckage piling up. What was gained was not a causal or sequential understanding, but a flood of intuition. In this vision, historians have no problem with surprise, for we are supposed to live, I think Benjamin tells us, as if perpetually surprised. The question such a view leaves historians is whether they really can be content with a sort of prophetic vocation. Too much historical knowledge may paralyze, as Nietzsche suggested, but too little a commitment to causal ordering may leave only reportage or invocations of supposedly ineffable experiences. The issue remains: is it not possible to do justice to surprise without surrendering to mysticism?

Do branches of mathematics offer an alternative? If ordinary social theory rests on statistical inference or generalizations and predictions that rely on implicitly continuous functions, how about the mathematics of non-continuous developments? Thirty years ago, the Franco-Vietnamese mathematician, René Thom, sought to develop so-called catastrophe theory as a way of formalizing the “cusps” that represented breaks in trends. So far as I can grasp this tantalizing notion, however, it fails to theorize surprise for two reasons. First of all, it describes changes of pace in societal development – it is a theory of acceleration, but not necessarily a theory of how changes in direction
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are endogenously generated. It attempts to map suddenness, not veering. It seeks to model, say, how the French Revolution arose, but not why more gradual surprises – recall the example of secularization -- take place. Secondly, it never became more than a sort of analogical image: the social scientist or the historian might graph how sudden change looked, but not when it was to occur or how it would develop. It offered no numerical parameters. (I personally believe that ultimately most forms of twentieth-century cognition offer us no more than analogy; but that is probably another lecture.)

More recently “chaos theory,” seemed initially to offer a mathematical approach to surprise. I cannot claim to have penetrated this branch even after some efforts to read the publications of the Santa Fe Institute. Chaos theory suggests that what might be a trivial departure from regular initial conditions expands so that the final results are unpredictable from the original point. It is a denial of Laplace’s notion that if enough is known about initial conditions, their end result can be predicted with confidence. Strictly speaking the results are not chaotic: but tend to swing around points termed attractors, and a new overall pattern does seem discernable if no individual final results can be predicted. But chaos theory, I believe, is more relevant for the modeling of crises than of surprises. Crises often arise as surprises but can be distinguished from them, and a crisis can continue long after it ceases to be surprising. Nor need a crisis be surprising at all. A crisis is a sort of vicious circle, perhaps endogenously generated in a dialectic process. A deep crisis emerges when efforts to solve it, whether diplomatic or economic, end up deepening it so that one cannot restore the original regime conditions.

4. Given the difficulties of analyzing surprise as a phenomenon in itself, I want to propose a different approach for understanding what is at stake – an approach that depends not upon the unexpected event or trend in its own right, but upon the perception and interpretation of what is taking place. When the historian encounters a surprise, he or she constructs a narrative, that is, a causal sequence to accommodate it, explain it and thereby render it non-surprising. To make surprise not surprising thus entails finding alternative narratives. Surprise in effect reveals a history that potentially existed, but which we had chosen to ignore. In this sense surprise serves as a narrative switching point that moves us from a history that has become unfruitful or even illusory to one that better corresponds to observable data, i.e. that has become factual.

Imagine two railroad lines that are running roughly parallel to each other, then suddenly converge at a switch, and then separate again at another switch. We thought we were riding on a railroad from Paris to Amsterdam, but somehow were switched on to the line from Paris to Rome. The passengers chat in all languages so give us no clue as to where we are heading. Arriving at Rome, we must tell the story of a different journey than the one we would have told had we arrived at Amsterdam. Do we say that we had climbed on the wrong train to begin with? That the switchman made an error? That the switch and mechanism wobbled by chance? The quantum theorist might say that in fact we had climbed on both trains and decided on one only at the switching point. Or that there was no way of knowing which train we had climbed on and which way they would go. Or even that we were always travelling on both trains but told only one of the stories. In any case, surprise is the mother of historical invention. Nonetheless, the historical narrative, like the social scientific explanation, is designed to make the surprising appear quite predictable.

Once again, consider a few examples from our recent experience – first, the revision of the secularization thesis; second, the history of the Communist implosion; and finally an alternative historical outline for the development of the economic crisis in which have been caught up in the last year.

I am not a sociologist of religion, but it is clear that new narratives have altered the received history of secularization and compete. In fact two new narratives compete for acceptance. One is that of “multiple modernities” and the persistence of religious praxis in the widest sense as the expression
of a benign pluralism. Tallal Assad is the most highly regarded exponent of such a view. Peter Berger might provide an American version of “big tent” religiosity. That is the gentle narrative that American liberals like to tell each other. There is of course a harsher narrative, which focuses on the emergence of Islamic Jihad, as developed most convincingly by Gilles Keppel. This history constructs a story not of multiple modernities, but of a crusade, in effect, against the modern, and it seeks its sources in the doctrines of the Egyptian Muslim Brotherhood or Shi’ite practices. Two new stories, but both of them are revisions of a secularization narrative and incorporate what was unexpected.

Consider the second example: If we examine the history of Communism and the Left in the 1980s, much of its astonishing impression, I would suggest, arises from our having misunderstood the relationship of the collapse of state socialism in the Soviet sphere and the ideological collapse of the social democratic Left in the West. With respect to Italy and France, the collapse of a left alternative in terms of political economy (or of an anticommunist Christian Democracy) is usually described as a consequence of the lamentable collapse of Soviet Communism. But if we construe the disarray that overtook the Soviet Union and its satellites as part of the general failure of collectivist ideas in the economic turmoil of the 1970s and 1980s, this unprecedented realignment appears no less major a sequence of events, but one that has an understandable pre-history. Gorbachev’s failure to stabilize a reformed Communist regime is comprehended as part of an overarching loss of faith in state intervention that overtook all the economies poised at the edge of the post-Fordist era. Again, surprise compels a revisiting of causal histories believed to be adequate but revealed as overlooking major forces for change.

Let us consider in conclusion the origins of the current financial crisis -- a traumatic surprise to thousands of professionals in the banking and financial industries as well as to the political classes and the general public. The financial professionals and economists quickly constructed an explanatory narrative designed to minimize their own contributions to this outcome. They emphasized instead the role of improvident borrowers who should not have been allowed to acquire their own homes – despite the fact that broad-based home ownership has been a key component of continually nurtured American ideology. Banks and national credit facilities then provided loans to borrowers who should not have been expected to service them. But I believe this conventional narrative really obscures the true long-term pressures behind the collapse of asset values. The subprime market alone was not at the origin of the crisis. The underlying pressures and motive forces emanated not from imprudent borrowers anxious to obtain a high mortgage or a credit based on their supposedly rising home equity, but from those who had the power to extend credit.

My alternative story focuses on the profligate supply side of credit creation, not the improvident demand. Americans (and others) became improvident because they were paid to be improvident. And they were paid to be improvident because financial institutions could earn easy profits because they were granted the right collectively to issue far greater supplies of credit at virtually no cost. The outlines of the story are simple. The capitalist economy of the 1970s, in which governments created massive amounts of money, whether (as in the case of the United States) to finance greater military efforts, or to meet the new three-fold hike in the price of oil imposed by a newly united producers’ cartel, or to pay the higher demands of organized labor led to sustained inflation. After several years of coordinated and inflationary wage bargaining throughout the West, at the beginning of the 1980s, the leaders and publics of the capitalist world decided they must simply tourniquet public money supplies. Monetarist advocates argued that stabilizing the quantity of money would stabilize prices. Exponents of the newer school of expectations argued that changing the expectations for future inflation on the part of unions, employers, and state bureaucrats would likewise end inflation. In any case, something worked – the process of ending inflation took hold. It was the achievement of the 1980s, in Israel, Italy, Latin America as well as in the US and UK, where Ronald Reagan and Margaret Thatcher cut taxes and after recovery from the recession of 1982 reduced money supplies. Central banks were given more independence and not required to monetize government debt. Even the Bank of Italy gained an independent status. The Bank of England gained greater autonomy from the
Exchequer. Odysseus successfully tied himself to the mast even as the sirens sang. In effect the 1980s limited the creation of public credit and ended a long-term inflationary conjuncture.

But – and here is the core of my narrative – governments accomplished this task only by letting the private banking sector and investors create a compensatory mass of credits over the next years. The liquidity that public authorities and independent central bankers sopped up in the public sector, they allowed to be created in the private sector. Private financial institutions were unleashed in every conceivable way, whether through lowered reserve requirements or changed institutional structures or public back-up facilities. This heady process, I believe, was the price that societies paid for entrepreneurial support. For a while they could export the consequences to such emerging economies as Mexico and Thailand, but finally the difficulties appeared at the center of the system.

In other political economy transactions in pluralist political systems, the representatives of labor as well as capital have had to be rewarded. But this time governments and banks no longer had to pay a price. The traditional influence of labor delegates was vastly reduced. More militant unions in Britain and the U.S. met stunning defeats at the hands of Margaret Thatcher and Ronald Reagan. The long ideological traditions that supported those unions whether in the Anglo-Saxon world or on the continent – whether these concepts were reformist or Marxist -- withered away. Labor leaders had already been demoralized by the earlier results of indexation. They came to believe in the irrelevance of earlier collectivist beliefs and accepted the analysis of markets and entrepreneurship that seemed to justify itself in the years of growth after the mid-1980s. The crisis and collapse of the Communist systems did not directly undermine them, but it demonstrated that all Marxist-derived ideas seemed ill-fitted for the post-industrial world. By the new century the massive relocation of manufacturing employment to Asia and Latin America, i.e. globalization, had dealt further blows. The new profile of occupations in a so-called post-industrial era reduced the mass base of the trade unions.

The result was that there were no counter-hegemonic ideas to the great development of reducing public monetary creation but vastly expanding private monetary capacity. Governments of left and right granted the private financial sector the privilege of creating the liquidity they had renounced for the state. It should be stressed that such compensatory monetary loosening was a bipartisan achievement in the U.S. It found its major exponents in the policies of the Clinton Administration. The Mexican rescue, the subsequent effort to offset the Southeast Asia financial collapse, the repeal of the Glass-Steagall prohibition on fusing commercial and investment banks, the periodic lowering of the Federal Reserve’s interest rates to keep the equities markets advancing (or recovering) were the product of a regime that believed deeply in market democracies. All this meant the potential for a vast expansion of credit and monetary equivalents that went searching for opportunities to earn a profit -- whether in emerging markets or the American housing sector, or in the stock market.

Indeed, looking back one can discern a significant but unavowed change in the underlying parameters that financial authorities were relying on to determine policy. The language of the French “regulation” school alerts analysts to the often unofficial priority given to different economic indices that serve for setting finance policy in different eras. It suggests that economic policies in effect are based on key parameters. The gold standard before World War I and the amended gold exchange standard between the wars gave priority to the gold value of currencies even at the cost of high employment. After the experience of the 1930s and the Second World War, macroeconomic management tended to switch from a gold standard to a full-employment standard as the orienting variable. Once this “Keynesian” phase seemed to unleash unacceptable levels of inflation, central bankers restored price and exchange-rate stability as the regulative parameter in the 1980s, a priority written into the mandate of the European Central Bank. And this indeed became the overriding parameter of the 1980s.

But policy makers of the 1990s followed a more contradictory course. Although the goal of price stability remained a publicly declared objective, the implicit goal of policy (in the regulative sense)
really became the performance of the equity markets. Interest rates in the Greenspan era were keyed to the Dow and the S & P. Reconciling a public goal of stable exchange rates with an implicit objective of stock-market advance meant that inflationary pressures found their outlet in assets markets rather than wages or consumer prices.

5. I left a question open: whether our current era is particularly susceptible to surprise. My sense is that we are dealing with many surprises for a reason, in part because we are in a period of underlying transformation, transformations that are signaled by ruptures and surprises as well as trends. The massive emergence of the Asian economies, especially China and India, the transformation to an economy based on information and its processing rather than on manufacturing, the geopolitical consequences of the end of cold-war bipolarity, have all contributed to the appearance of surprise. But I cannot further develop this narrative at this point. Instead let me conclude with a self-interrogation. At this point, you are all probably asking: why must the role of causal explanation be keyed to surprise? Have I suggested anything more than the simple fact that all events, surprising or not, require construction of a narrative that imposes some sequential order on their evolution? Conversely is not the speaker’s notion of surprise so broad that it encompasses all historical occurrences? But surprises not only stand out; in effect they reverse the trends we expect. Thus whenever we construct a narrative, we testify to some degree of discontinuity; we profile an event that calls for some increment of explanation. But we encounter surprise as something more than discontinuity. It is the unexpected intrusion of a counter-factual narrative -- one of potentially many such. Ultimately, or at this point in my thinking at least, I cannot "theorize" surprise as a class of events that inhere in the historical or social world. I can only generalize it as the sort of eruption that requires and provokes a new narrative response from the historian or social scientist. Surprise in history reveals itself as a summons to fundamentally rethink a narrative that has become insufficiently accommodating of the unexpected. Surprise is a counter-factual made factual and in effect confirms the realm of counter-factuals.

It is the task of the historian and the social scientist alike to render surprise non-surprising in retrospect. The social scientist can dream of a world in which surprise is eliminated because all is foreseen. But the historian must cherish its role – even when the surprises themselves are appalling and fearsome. Surprise, furthermore, testifies to the pluralist possibilities of the social and political world. It suggests that multiple chains or streams of causal development potentially proceed at the same time, but that not all will be confirmed as existent. Surprise in effect mediates between the counter-factual and the factual.

Surprise thus justifies the historian’s role. It suggests that sequential coherence or narrative remains a fundamental explanatory structure. It compels us to reconstruct an alternative temporal chain of causation, a new history. It means that historical reconstruction is fundamental, not just for aesthetic pleasure, but for explanation of the social world. On the other hand it also suggests that every such reconstruction is provisional and precarious. Still, openness to the instructiveness of surprise refreshes historical understanding and teaches a necessary humility to the social scientist as well. Not all surprises can be welcome, some are atrocious and appalling, but all are instructive.

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Lecture Delivered 10 June 2009

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