

Functional Differentiation as a Test Case

On the Comparison of Systems Theory and Neoinstitutionalism¹

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1. Parallels and Similarities of Neoinstitutionalism and Systems Theory

There are many parallels and similarities of systems theory and neoinstitutionalism as sociological paradigms. Both of them are focussed on a theory of world society as the major empirical diagnosis to be derived from a more general theoretical endeavour. Both have a phenomenological or social constructivist background; they do not believe in methodological individualism and they practice a kind of detachment towards normative stances which in John W. Meyer as well as in Niklas Luhmann finds its expression in a strongly ironical kind of writing.

But how can we choose and how can we decide between the two paradigms? As is always the case in processes of theory choice there are so many dimensions involved that no convergence of decisions is to be expected. And then these processes mostly are not about choice. They are about socialization into paradigms, processes of cognitive drift which gradually change paradigms and about slow processes of cognitive growth and intellectual decay of theoretical paradigms. But nevertheless we have to compare and to evaluate and I propose the theory and the phenomenon of functional differentiation as one case study for doing comparisons and evaluations.

2. No theory of functional differentiation in Neoinstitutionalism: Instead analyses of the political culture of world society

In systems theory functional differentiation is the most important hypothesis in a theory of world society. The stratified order of estates in early modern Europe clearly was a regional societal order which was based on knowledge about societal status which never was globalized and probably can't be globalized. With functional differentiation it is different from the beginning. The guiding distinctions on which functional differentiation is based (true/false; transcendent/immanent etc.) do not easily tolerate regional restrictions of their

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validity. Therefore the possibility of a global communicative space is built into the principle of functional differentiation.

Neoinstitutionalism does not have a theory of functional differentiation. In John Meyer's *World Society* from 2009, to take a representative example, the term *functional differentiation* does never occur and – what is much more important – the structural reality of functional differentiation is not acknowledged. Of course, there is an implicit acceptance of functional differentiation by the fact that there are case studies on science and law but these case studies are not subsumed under a more general idea which provides for an idea of functional differentiation as the generating principle behind it.

Instead there is a minimal classification in many writings by John W. Meyer and coauthors which only accepts the economy, the polity and the culture as three constitutive dimensions of the social. What I do not perceive is an argument which could function as a theoretical justification for privileging two of the function systems of world society in this way. And then something interesting happens. Neoinstitutionalism does not care much for the economy. It is rarely analysed in John Meyer. And some of the most interesting remarks on the economy – for example when Meyer demonstrates that jobs today are more organized around credentials than about markets – deflate the claim of the economy for an especially prominent status. But then the classification reduces to two systems the polity and culture – and the understanding of world society mainly is about the political culture of world society.

3. Preference for actors in Neoinstitutionalism: Perception of function systems from the perspective of national states as observers

There is a further threefold classification in Neoinstitutionalism which is much more important for the intellectual profile of Neoinstitutionalism and for its relation to functional differentiation. This is the distinction of *individuals, organizations and nation states* which functions as a classification of system levels one could compare to the version Systems Theory proposes: *interaction, organization, society*. What is interesting regarding these three system levels is that all three entities can be described as actors. They are actors circumscribed by processes of cultural construction but they are actors nonetheless and by focussing on them the analytical language of neoinstitutionalism is pushed into a direction which gives it a tendency towards an action based explication of social realities.

From the point of view of Systems Theory there is one remark which immediately comes to mind. The three entities privileged by Neoinstitutionalism are the *only* entities or system levels to which you could meaningfully ascribe the capability to act. If you *substitute interactions for individuals or societal subsystems for nation states* this capability for action is clearly no longer a part of these entities. That is the ontology of Neoinstitutionalism imports a kind of political action view into social domains which probably should be described in a

more nuanced way. To give a sufficiently diversified analysis of functional differentiation one needs more distance from such an affinity for a quasi-political vocabulary.

To this one further consideration has to be added. The most remarkable among the three entities is the *national state*. Systems Theory and Neoinstitutionalism agree in their historical analysis of the national state. It is a latecomer in the history of world society and it only became the universal form of the regionalization of the world polity in the last fifty years (as a result of decolonization). At this point Systems Theory and Neoinstitutionalism part ways. For Systems Theory the national state is only the main invention in the formation of subsystems of a global World Polity. *Neoinstitutionalism perceives all the other function systems from the perspective of the national state who is conceived as an observer who observes the other national states in the way they deal with the different functional spheres of their societies*. On this basis of mutual observations of national states in their processes of observing functional spheres processes of copying and diffusions arise. This is a very consequential limitation of the ability to understand the differentiation processes of the multiple function systems of world society. Function systems such as the arts or the system of world religions are never analysed in their own internal logic of differentiation for which national states are only one among many environments. These other function systems of world society are instead always understood on the basis of processes of copying and diffusion going on in the system of national states.

4. *Standardisation in Neoinstitutionalism vs. complexity and diversity in Systems Theory*

The political bias built into Neoinstitutionalism is the main factor behind the tendency of seeing globalisation processes as *processes of standardisation*. This hypothesis has a certain plausibility as long as one looks at globalization from the perspective of (standardised) national states which observe one other and then mainly have two options. They can copy what is done by others or they can decide to go into another direction or even the opposite direction. And Neoinstitutionalism shares with other sociologies – but not with Systems Theory – the idea that this distinction is one with an inbuilt preference for copying what is done by others.

If one looks at function systems not from national states as observers but from their own processes of finding an autonomous place in the social world one will not expect and one will not perceive standardisation. Instead one will see the buildup of complexity and diversity – and both terms, complexity and diversity, are not among the terms on which one will find significant information in neoinstitutionalist writings. Of course, there are standards in function systems. For example, the learned or scientific paper has basic formal similarities between the thousands of pages published each year in the *Proceedings of the National Academy of Sciences* (22.750 in 2010) and the approximately six hundred pages of a successful and global arts journal like *October*. But if you begin to read these two journals (and it is interesting enough that it will not be easy to find readers who are able to read and

understand both journals) you will find a cultural distance and reciprocal strangeness of perspectives you never would have found in earlier societies, and these journals are only two of the thousands of scientific and learned journals of global relevance. To understand science and scholarship you have to understand this multiplication of cultural worlds internal to this function systems as well as to all the other function systems of society.

5. *Others and actors: Absence of communication theory in Neoinstitutionalism*

Neoinstitutionalism in the last few years has developed a very interesting and fruitful distinction of *others* and *actors*. This is a clear parallel to the distinction of *observation* and *operation* in Systems Theory – and it is a way of accommodating the strategic relevance of observations and second order observations and observations by third parties in the theoretical underpinnings of Neoinstitutionalism. But still there is *no theory of communication* added to Neoinstitutionalism which one probably needs as a background for an understanding which is focussed on the strategic role of observations. The reduction on actions and reduction to actors is very much a simplification of the self-organized complexity of world society. And it is in communication processes which are often too fast to identify actors that the variation and diversity arises which is characteristic of present-day society.

6. *The professionalization of everyone: The internal division of labor in function systems*

One way in which Neoinstitutionalism points to the increasing complexity of World Society is in analysing the numerous professions with a global horizon which arise in the last few decades. Again this does not give us a convincing picture of functional differentiation. If one looks at the interrelation of professions and the differentiation of worldwide function systems in a historical perspective one perceives that the period of the greatest prominence of the professions in the history of European society was the period from 1200 to 1800 in which the learned professions of late medieval and early modern Europe functioned as a kind of functionally defined estates in a world which still made use of strata as its primary principle of differentiation. From this historical starting point came the monoprofessional function system of 19th century society in which one core profession (the lawyers, the physicians, the clerics) controlled the internal division of labor in a whole function system. But that is no longer the world in which we live. Fifty years ago Harold Wilensky already diagnosed the *professionalization of everyone* and this is an apt description of a situation where professionals no longer are able to control whole function systems but instead are only part of a division of professional labor internal to all of the function systems of World Society.

7. Individuals and the ascendancy of the objective culture of function systems

The next core unit in the social ontology of Neoinstitutionalism is *the individual*. There can be no doubt that this is one of the central inventions of modernity: an individual which very much differs from all the other individuals in the world but shares this property with all of them. John Meyer analyses this institution of individuality and its paradoxes with conceptual figures from Tocqueville. If one looks to the earlier and much more detailed German romantic tradition especially between 1790 and 1810 one discovers one further central point. In authors such as Schleiermacher, Humboldt, Schiller, Novalis, Schlegel and many others the individual is richly described via infinity, incessant self-cultivation, internalization of ever new contents of the world, intimate exchange with few other individuals who are involved in the same processes and via numerous other descriptors. But the world of individual infinity detailed for the first time in history in this tradition is a world which has insufficient support in differentiated function systems. The self-cultivation of the individual at this time around 1800 is a richer world than the world of trade or politics or contemporary religion and that is the reason why it is preferred to these domains. A hundred years later when sociology takes up this romantic theory of individuality it is already the other way around. When Max Weber and Georg Simmel come back to the theory of individuality in the early 20th century it is easily perceived by them that the differentiated meaning worlds of science and politics and of all the other functional domains are only very partially known to individuals. In Georg Simmel who really is a late instantiation of this romantic culture the tragedy of modern culture precisely consists in the fact that the objective culture of the functional domains of society is much more complex and diverse than the subjective culture of individuals. The quirks and oddities of modern individualism to which many of John Meyer's ironical remarks are directed are clearly a result of this situation easily to be identified in the early 20th century situation – and therefore it becomes ever more important to be able to analyse the diverging and diversifying cultures of the function systems of world society as something which can't be reduced to the culture of its individuals. You need a theory of functional differentiation which can't be written as a theory of individuals in world society.

8. Organization and networks: Orthogonality to function systems

Neoinstitutionalism and Systems Theory agree in pointing to the relevance of organizations as a core unit in processes of structure formation in the system of World Society. But there is at least one significant difference. When one looks at World Society from the point of view of a theory of functional differentiation one has to argue that the formal organization represents a principle which is orthogonal to functional differentiation. Operations which belong to many different function systems can be part of the ongoing processes in organizations. And then function systems can work as attractors for organizations that is they can induce self-simplifications in organizations which push organizations in directions in

which they prefer to adopt functional primacies as logics of their evolution. This orthogonality of organizations is an important and attractive analytical option. But to make use of it one has to have a sufficiently clear understanding of the concept of functional differentiation. The same argument can of course be repeated in looking at social networks, especially *small world networks* as infrastructures of world society.

9. Loss of contact to evolutionary thinking: Population and variation

One of the most remarkable intellectual properties of Neoinstitutionalism is that it seems to have lost the contact to evolutionary thinking which since Thorstein Veblen always was one of the strongest points in the repertoire of institutionalist theories. As much as I see there is no populationist thinking in present-day Neoinstitutionalism. Systems are not understood as diverse distributions of properties which they selectively reinforce in their processes of self-organization. And there seems to be no conceptual interest in mechanisms of variation, i.e. in processes of variation which feed novelties into a system.

10. Loss of small differences: The costs of isomorphism

My last remark is related to this observation of the absence of evolutionary thinking. My impression is that neoinstitutionalism often operates on a very high level of generalization. Processes of inclusion into secondary education and into higher education mainly go into the same direction – and this is true in a worldwide sense. This is the kind of argument you get used to hear from a neoinstitutionalist author. But this should not mean that one is no longer interested in the historical and causal relevance of small differences between systems. The rise of the United States as the leading nation of 20th century World Society was clearly prepared by processes of inclusion in secondary and higher education going on significantly earlier than in other regions of World Society. And today it is exactly the other way around. The relative loss of strength of the United States to be observed in many functional domains is once more prepared by its loss of its leading position in terms of secondary and tertiary education (quality of schools, slowing of inclusion processes, dramatic decline of graduation rates in higher education, cost problems and numerous other factors). But this kind of analysis which looks in instructive ways at interrelations between (small) differences in one functional domain and its consequences in other functional domains is rarely done in neoinstitutionalism and this seems to be due to its conceptual preference for central tendencies and standardisation processes. But if that is the intellectual option chosen by Neoinstitutionalism this would mean a loss of analytical and empirical relevance.