

Stanford SOCIAL INNOVATION^{Review}

Books
Organizations for All
By Jonathan Levy

Stanford Social Innovation Review
Spring 2018

Copyright © 2018 by Leland Stanford Jr. University
All Rights Reserved

JONATHAN LEVY is a professor of history at the University of Chicago and author of the forthcoming book *Ages of American Capitalism*.

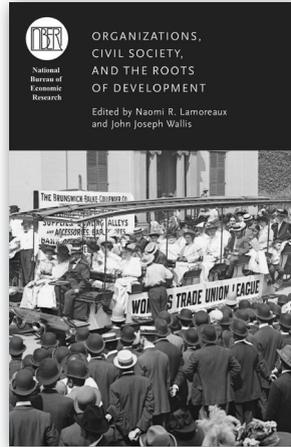
Lacking a concrete call to action, *The Strength in Numbers* feels like a missed opportunity. A range of policy changes could improve scientific practice, both for scientists and for society at large. These include providing extensive management training to graduate students early on in their academic careers, establishing permanent senior scientist positions at universities for postdoctoral scholars who prefer not to manage lab groups and bring in grants, and restructuring assessment mechanisms of scientific work to de-emphasize hollow metrics such as a scientist's number of publications and citations. We remain convinced that the scientific community is ultimately capable of holding itself to a higher standard. This book about a revolution in 21st-century science could do with a little more revolutionary thinking. ■

Organizations for All

REVIEW BY JONATHAN LEVY

For the longest time, social innovation was available only to elites, who controlled governments and thereby decided which individuals could formally organize, on what terms, and toward what ends. The many benefits of formal association—of, say, chartering a corporation—not surprisingly flowed to them. Only in a number of countries relatively recently, sometime during the 19th century, did the tools and benefits of formal organization become available in principle to all, on a more democratic, impersonal basis. When they did, “open access” social orders began to emerge in tandem with political democracy and greater economic dynamism.

That is the sweeping thesis behind *Organizations, Civil Society, and the Roots of Development*, a collection of essays edited by two of the best economic historians in the academy, Naomi R. Lamoreaux and John Joseph Wallis. This book brings together



ORGANIZATIONS, CIVIL SOCIETY, AND THE ROOTS OF DEVELOPMENT

Naomi R. Lamoreaux and John Joseph Wallis, editors
448 pages, University of Chicago Press, 2017

an unusually diverse cast consisting of historians, economists, political scientists, sociologists, and a political theorist. The animating spirit of the volume is an earlier effort, coauthored by Wallis, Douglass C. North, and Barry R. Weingast. Their ambitious book, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*, first analytically defined an open-access social order and explained why, across history, self-interested governing elites restricted access to the tools and benefits of formal organization. The introduction to this book provides a lucid entry point into the microeconomic foundations of that grand narrative. But the bulk of it focuses, in rich detail, on a historical moment of transformation: the 19th century.

You can agree with North, Wallis, and Weingast's original thesis; disagree; or—like me—fall somewhere in between, and still benefit from reading *Organizations, Civil Society, and the Roots of Development*. You could also not care so much about academic debates and still benefit.

Many readers might be surprised to learn just how contested many of the tools that business and social entrepreneurs take for granted when starting and perpetuating organizations today once were. They also might appreciate knowing just how much

social innovation has been inextricably at stake in the great themes of modern history, including economic growth, the rise of democracy, and the evolution of civil and political rights. Many scholars will appreciate knowing all of this too, since until now historians have documented only parts. Now much more of it is available under a unified, if contestable, framework.

Alexis de Tocqueville's *Democracy in America* posited that the United States possessed a uniquely dynamic civil society, where “voluntary associations” abounded and flourished. But when Tocqueville traveled to America, it was not possible simply to create a corporation devoted to pursuing any end that a flesh-and-blood individual might legally pursue. Various laws forbade it. One chapter in the book, by the legal scholar Richard Brooks and the economic historian Timothy W. Guinnane, helpfully distinguishes between “the right to associate” and “the rights of associations.” The right to associate through formal, legal association in almost all states remained quite restricted. A chapter by historian Ruth H. Bloch and Lamoreaux catalogues for the first time the “legal constraints on the development of American civil society.” There were many. Courts found various reasons to revoke corporate charters. Take redundancy. Imagine if you could not charter a nonprofit because another nonprofit, with the same general purpose, already existed in your neighborhood. Furthermore, “the rights of associations” remained restricted. Many legal benefits of incorporation that we take for granted today—the ability to own and convey property, legal perpetuity, the ability to sue in courts, or limited liability—emerged only in fits and starts. Organizational purpose and means were not flexible (an issue of interest today, with the arrival of many hybrid organizations, such as benefit corporations). This was true then for both joint-stock companies and nonprofit corporations.

How and why did open access emerge, and when and where? There is no single, tidy cause or explanation. The editors appeal

BOOKS

to the right preconditions and the contingency of “circumstances,” with which the chapters then grapple. There are nine of them, each with its own arguments and points of view regarding the general problem at hand, and I cannot give each its full due. But the first three chapters, one by the economic historian Dan Bogart on the slow death of the British East India Company monopoly; another by Weingast, a political scientist, on Adam Smith’s appreciation of early modern political coordination between monarchs and incorporated towns; and a third by political theorist Jacob T. Levy, on early modern political philosophers’ nor-

access to bank charters was not the best way to build their political coalitions. Hilt unravels the awfully tangled history that, after decades, led to general incorporation laws in manufacturing. By the American Civil War, open access was emerging as a matter of—as the followers of Andrew Jackson would have put it—“equal rights,” or as we would put it today, equal opportunity.

Even then, in America the transition was slow and halting. One takeaway from Bloch and Lamoreaux’s chapter on civil society is that throughout the 19th century, states preserved access to nonprofit organizations

The power dynamics of organization still remain in play, shaping the terms of association, the quality of democracy, and the substance of our rights.

mative understanding of civil society and association, together set a backdrop. Even when appreciation for both the value of civil society and the wrong of closed monopoly emerged, the assumption that states can and should control access by their subjects and citizens to the tools of organization remained strong among rulers.

The final six chapters provide a number of different case studies where something like open-access social orders finally took shape, although with much difficulty. Two chapters complement each other well: economic historians Qian Lu and Wallis’ look at the politics of bank charters in early Massachusetts, and economic historian Eric Hilt’s analysis of the rise of general incorporation laws in antebellum American manufacturing. General incorporation laws were giant steps toward open access. Citizens (a restricted category in an age of, among other things, slavery) no longer needed legislative approval to charter a legal entity. Incorporation was a right. Lu and Wallis reveal a contingent political history, where members of different political parties finally realized that restricting

more tightly than for-profits. In the nonprofit sector, open access took more time. An open, expressive, and plural civil society—even the ideal of it—was a long time coming. Pivoting to France and Germany, Brooks and Guinnane find a similar situation. General incorporation laws came to these countries in the 1860s and 1870s, but states commonly stanch social and political association. They did so because rulers jealously guarded their prerogatives and feared contest from below.

A chapter by sociologists Victoria Johnson and Walter W. Powell and the concluding chapter of the book have a more contemporary feel. Johnson and Powell track the evolution of civic order in 19th-century New York City by seeking to explain why an attempt to found a botanical garden in the city failed in the 1800s but succeeded in the 1890s. They point to the social quality of “poisedness,” or readiness for organizational innovation, which explains why social innovation not only succeeds, but also can “cascade.” This chapter most explicitly places the general framework of the book in the context of social entrepreneurship.

The final chapter, by political scientists Margaret Levi, Tania Melo, Weingast, and Frances Zlotnick, deals with the passage of the 1935 National Labor Relations Act in the United States (also called the Wagner Act, after its main congressional sponsor, New York Senator Robert F. Wagner). The authors suggest that this federal law—the first to legalize and formalize collective labor bargaining in the United States—ended a “violence trap,” in effect the same trap that many elite-controlled, closed social orders feared long ago. Until the Wagner Act, the most contested of all voluntary associations were by far labor unions. It is difficult to appreciate today just how much labor violence there was in late-19th- and early-20th-century America. Legally, unions and many of their activities—strikes above all—were dubious at best, until the Wagner Act passed into law.

There is no space here to do justice to the authors’ novel account of the Wagner Act’s passage. But in light of the preceding chapters, it might not be correct to say that a single, clean-swipe transition—from a closed to a fully open-access social order—ever occurred. The volume invokes recent works by economists and economic historians underscoring the many prerequisites of economic growth and argues that open access deserves pride of place among them—an argument well worth more consideration. But taken as a whole, the volume more directly addresses political issues of democracy, freedom, and equality. These issues remain perennial. In other words, the power dynamics of organization and the interests of various actors, including elites, still remain in play, shaping the terms of association, the quality of democracy, and the substance, in practice, of our civil and political rights. We cannot separate these issues from whatever we might call social innovation.

Thus, this unusually rich collection of historical essays left me thinking about the many ways in which the democratic struggle for open access continues and wondering what role social innovation, defined expansively, might play in that ongoing struggle today. ■