

Perspectives on Politics (2004), 2: 397-398 Cambridge University Press  
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DOI 10.1017/S1537592704680972

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## BOOK REVIEWS

# Creating Cooperation: How States Develop Human Capital in Europe

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## **Creating Cooperation: How States Develop Human Capital in Europe.**

By Pepper D. Culpepper. Ithaca, NY: Cornell University Press, 2003. 272p. \$35.00.

David Soskice and Peter Hall's agenda-setting edited volume *Varieties of Capitalism* appeared in 2001, and much of the work that appeared as chapters there is now beginning to appear as the first books of assistant professors. Pepper Culpepper's superb, theoretically literate, and empirically well researched comparative monograph is one of these. It is a good example of the interesting ways in which those working within the Varieties of Capitalism (VOC) research program are pushing the theoretical boundaries of the rational choice-based institutional approach developed by the two senior mentors. In fact, Culpepper's account of industrial-training reform initiatives in France and eastern Germany has genuine drama in this regard. He finds (some) successful cooperative reform among decentralized social actors in areas where the preconditions for such cooperation, at least from the rationalist point of view of VOC, were inauspicious. To account for this, he boldly ventures into the enemy territory of constructivist political economy for conceptual guidance. In the end, Culpepper claims to have returned to the rationalist camp safely, but the tension generated by the illicit encounter underlies much of the book's argument and makes for extremely compelling reading.

The occasion for this drama is the efforts in both eastern Germany and France during the 1990s to implement reforms in their industrial-training systems modeled after the highly successful western German dual system. In the latter system, independent small, medium, and large firms cooperate together in the training of apprentices. Part of the apprenticeship occurs at the expense of the firm in shop-floor training programs and part at the expense of

the state in vocational school classrooms. The remarkable feature of the West German system is that firms incur the training expense and participate in this system despite the fact that the opportunity exists for other firms to free ride and “poach” skilled labor trained at someone else's expense. In the VOC view, such decentralized cooperation is possible because strong secondary associations and the state protect the system by sanctioning free riders when they emerge. The result is a “high skill equilibrium” where firms voluntarily produce labor with highly portable and general skills and, moreover, see the market advantages of pursuing production strategies that rely on that kind of labor (and thus create further demand for it). It is fair to say that such decentralized cooperation is a kind of poster child for the nonmarket cooperation that the institutional design of coordinated market economies (CMEs) makes possible.

The problem posed by efforts to replicate this system in east Germany and France, according to Culpepper, is that the institutional preconditions and actor capacities that make the system successful in west Germany were either not in place at all (in France) or only newly in place (in east Germany). In particular, because the proposed system was so new, firms did not rightly see its benefits (Culpepper calls this “analytic uncertainty”) and employer associations and the state had very weak sanctioning capacities “because everyone [was] uncertain what everyone else [would] do” (p. 21). In such cases, the VOC framework (along with most other rational choice views) would predict policy failure. Culpepper finds a good deal of that, but he also finds some success (in the German province of Saxony and the Valley of the Arve in France). The question then is: How is successful cooperation under these circumstances possible?

Now comes the Oedipal moment in the story—and the move that makes Culpepper's argument quite original: To explain cooperation in the absence of effective sanctioning ability, he turns, cautiously, to constructivism. Drawing on the work of Charles Sabel and David Stark on deliberation and the importance of local knowledge in economic transformation, Culpepper suggests that the problem in his cases is that in order for independent and decentralized firms to understand that the adoption of the new training regime is in their interest (an “objective” given for Culpepper), and hence agree to cooperate in the policy, they have to be persuaded through dialogue and discussion that this is the case. Thus, he focuses on the presence of local deliberative arrangements in Saxony and the Arve Valley that bring private firms, associations, and the state together in the design of the dual system. Such deliberative arrangements make it possible to identify wavering firms (those not currently but most likely to be cooperative) and explain to them what the benefits of the new system are and thus persuade them to cooperate despite the high cost of doing so. Winning over the waverers, he suggests, creates a demonstration effect in which even more skeptical firms, seeing the number of cooperators increase, recognize the benefits of cooperation. Deliberation and the transmission of local knowledge into policy through embedded networks explains successful cooperation, not the presence of effective sanctioning ability on the part of the state or secondary associations.

So, does this appeal to deliberation and local regional texture make Culpepper a renegade from the VOC camp? There are many moments in which it appears that he abandons the high-plateau rationalist commitments of VOC for life in the green and fertile valley of constructivism. But he claims, very adamantly, that this kind of conclusion should not follow because he adopts a rationalist perspective on deliberation, rather than a constructivist one.

He likes the way constructivists frame the problem of cooperation, he explains, not the solutions they provide for the problem. In particular, he objects to the strong constructivist position on deliberation adopted by Sabel, because the claim there is that actors are so uncertain of what their interests are and of what their identities are that they constitute both through the process of deliberation and collective experimentation. Culpepper does not believe that things are so uncertain for his Saxon and Arve Valley firms: They know who they are and what their interests are; it is just that they did not know that the reforms would be in their interest. The process of deliberation clarifies this for them—the deliberating associations, firms, and local governments exercise a kind of dialogic capacity. High plain of rationalism, not green valley of constructivism, is where the explanation for cooperation lies. Constructive critic, not renegade.

It is fascinating to follow Culpepper as he makes this argument. Will he or will he not? Is he or is he not? He is a deeply learned and widely read scholar, very aware of the steps he is taking and, as a result, constantly stopping to address potential alternative explanations and challenges to his research design, empirical argument, and theoretical line of thought. I highly recommend *Creating Cooperation* to anyone interested in the problem of cooperation in general, rational choice versus constructivism in political economy, and the specific politics of human capital creation in contemporary Europe. This is a fascinating and bold book on many levels.

