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## Political Science and the Three New Institutionalisms\*

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The 'new institutionalism' is a term that now appears with growing frequency in political science. However, there is considerable confusion about just what the 'new institutionalism' is, how it differs from other approaches, and what sort of promise or problems it displays. The object of this essay is to provide some preliminary answers to these questions by reviewing recent work in a burgeoning literature.

Some of the ambiguities surrounding the new institutionalism can be dispelled if we recognize that it does not constitute a unified body of thought. Instead, at least three different analytical approaches, each of which calls itself a 'new institutionalism', have appeared over the past fifteen years. We label these three schools of thought: historical institutionalism, rational choice institutionalism, and sociological institutionalism.<sup>1</sup> All of these approaches developed in reaction to the behavioural perspectives that were influential during the 1960s and 1970s and all seek to elucidate the role that institutions play in the determination of social and political outcomes. However, they paint quite different pictures of the political world.

In the sections that follow, we provide a brief account of the genesis of each school and characterize what is distinctive about its approach to social and political problems. We then compare their analytical strengths and weaknesses,

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<sup>1</sup> In principle, we might also identify a fourth such school, the 'new institutionalism' in economics. However, it and rational choice institutionalism overlap heavily and so we treat them together in this brief review. A more extended treatment might observe that RCI puts more emphasis on strategic interaction, while the new institutionalism in economics puts more stress on property rights, rents, and competitive selection mechanisms. Cf. Thrainn Eggertsson, *Economic Behaviour and Institutions* (Cambridge, Cambridge University Press, 1990) and Louis Putterman (ed.), *The Economic Nature of the Firm* (Cambridge, Cambridge University Press, 1986).

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focusing on the stance that each adopts toward two issues fundamental to any institutional analysis, namely, how to construe the relationship between institutions and behaviour and how to explain the process whereby institutions originate or change.

Given the similarity in their interests, it is paradoxical that these three schools of thought developed quite independently of each other, at least judging from the paucity of cross-references in the literature. Until recently, there has been little interchange among them. Accordingly, we ask what each might learn from the others and, in the conclusion, what potential there is for integrating their insights.

### Historical Institutionalism

Historical institutionalism developed in response to the group theories of politics and structural-functionalism prominent in political science during the 1960s and 1970s.<sup>2</sup> It borrowed from both approaches but sought to go beyond them. From group theory, historical institutionalists accepted the contention that conflict among rival groups for scarce resources lies at the heart of politics, but they sought better explanations for the distinctiveness of national political outcomes and for the inequalities that mark these outcomes.<sup>3</sup> They found such explanations in the way the institutional organization of the polity and economy structures conflict so as to privilege some interests while demobilizing others. Here, they built on an older tradition in political science that assigned importance to formal political institutions but they developed a more expansive conception both of which institutions matter and of how they matter.<sup>4</sup>

The historical institutionalists were also influenced by the way in which structural functionalists saw the polity as an overall system of interacting parts.<sup>5</sup> They accepted this contention but reacted against the tendency of many structural functionalists to view the social, psychological or cultural traits of individuals as the parameters driving much of the system's operation. Instead, they saw the institutional organization of the polity or political economy as the principal factor structuring collective behaviour and generating distinctive outcomes. They emphasized the 'structuralism' implicit in the institutions of the polity rather than the 'functionalism' of earlier approaches that viewed political outcomes as a response to the needs of the system.

Structural functionalism and group conflict theories had both pluralist and neo-Marxist variants and debate about the latter played an especially influential role during the 1970s in the development of historical institutionalism.<sup>6</sup> In

<sup>2</sup> We borrow the term 'historical institutionalism' from Sven Steinmo *et al.*, *Structuring Politics: Historical Institutionalism in Comparative Analysis* (New York NY, Cambridge University Press, 1992).

<sup>3</sup> Of necessity, this is a highly concise summary of many complex developments. For amplification, see: Ronald Chilcote, *Theories of Comparative Politics* (Boulder CO, Westview, 1981) and James A. Bill and Robert L. Hardgrave Jr., *Comparative Politics* (Washington DC, University Press of America, 1981).

<sup>4</sup> Cf. Harry Eckstein and David Apter (eds), *Comparative Politics* (Glencoe, Free, 1963).

<sup>5</sup> For an especially influential and integrated treatment, see Gabriel Almond and G. Bingham Powell Jr., *Comparative Politics: a Developmental Approach* (Boston MA, Little Brown, 1956).

<sup>6</sup> Cf. Robin Blackburn (ed.), *Ideology and Social Science* (London, Fontana, 1972), ch. 11; Fred Block, *Revising State Theory* (Philadelphia PA, Temple University Press, 1987), and Martin Carnoy, *The State and Political Theory* (Princeton NJ, Princeton University Press, 1984).

particular, it led many historical institutionalists to look more closely at the state, seen no longer as a neutral broker among competing interests but as a complex of institutions capable of structuring the character and outcomes of group conflict.<sup>7</sup> Shortly thereafter, analysts in this school began to explore how other social and political institutions, of the sort associated with labour and capital, could structure interactions so as to generate distinctive national trajectories.<sup>8</sup> Much of this work consists of cross-national comparisons of public policy, typically emphasizing the impact of national political institutions structuring relations among legislators, organized interests, the electorate and the judiciary.<sup>9</sup> An important sub-literature in comparative political economy extended such analyses to national labour movements, employer organization, and financial systems.<sup>10</sup>

How do historical institutionalists define institutions? By and large, they define them as the formal or informal procedures, routines, norms and conventions embedded in the organizational structure of the polity or political economy. They can range from the rules of a constitutional order or the standard operating procedures of a bureaucracy to the conventions governing trade union behaviour or bank–firm relations. In general, historical institutionalists associate institutions with organizations and the rules or conventions promulgated by formal organization.<sup>11</sup>

In the context of the other schools reviewed here, four features of this one are relatively distinctive. First, historical institutionalists tend to conceptualize the relationship between institutions and individual behaviour in relatively broad terms. Second, they emphasize the asymmetries of power associated with the operation and development of institutions. Third, they tend to have a view of institutional development that emphasizes path dependence and unintended consequences. Fourth, they are especially concerned to integrate institutional analysis with the contribution that other kinds of factors, such as ideas, can make to political outcomes. Let us elaborate briefly on each of these points.<sup>12</sup>

<sup>7</sup> Cf. Peter Evans *et al.* (eds), *Bringing the State Back In* (New York NY, Cambridge University Press, 1985), Stephen Krasner, *Defending the National Interest* (Princeton NJ, Princeton University Press, 1980), and Peter Katzenstein (ed.), *Between Power and Plenty* (Madison WI, University of Wisconsin Press, 1978).

<sup>8</sup> There was a significant point of tangency with the literature on neo-corporatism. See: John Zysman, *Governments, Markets and Growth* (Berkeley CA, University of California Press, 1983); Philippe Schmitter and Gerhard Lehmbruch (eds), *Patterns of Corporatist Policy-Making* (Beverly Hills CA, Sage, 1982); Peter A. Hall, *Governing the Economy: the Politics of State Intervention in Britain and France* (Oxford, Polity, 1986).

<sup>9</sup> Cf. Steinmo *et al.*, *Structuring Politics*; R. Kent Weaver and Bert A. Rockman (eds), *Do Institutions Matter?* (Washington DC, Brookings Institute, 1993).

<sup>10</sup> Cf. John Goldthorpe (ed.), *Order and Conflict in Contemporary Capitalism* (New York NY, Cambridge University Press, 1984), David Soskice, 'Wage determination: the changing role of institutions in advanced industrialized countries', *Oxford Review of Economic Policy* 6,4 (1990), 36–61, Fritz Scharpf, *Crisis and Choice in Social Democracy* (Ithaca NY, Cornell University Press, 1992).

<sup>11</sup> See Kathleen Thelen and Sven Steinmo, 'Historical institutionalism in comparative politics' in Steinmo *et al.*, *Structuring Politics*, p. 2 ff; Hall, *Governing the Economy*, p. 19. For a thoughtful example of a broader view, see: John Ikenberry, 'Conclusion: an Institutional Approach to American Foreign Policy' in John Ikenberry *et al.* (eds), *The State and American Foreign Policy* (Ithaca NY, Cornell University Press, 1988), p. 226.

<sup>12</sup> For an excellent overview from which our analysis has benefited, see: G. John Ikenberry, 'History's Heavy Hand: Institutions and the Politics of the State', paper presented to a Conference on 'What is Institutionalism Now?', University of Maryland, October 1994.

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Central to any institutional analysis is the question: how do institutions affect the behaviour of individuals? After all, it is through the actions of individuals that institutions have an effect on political outcomes. In broad terms, new institutionalists provide two kinds of responses to this question, which might be termed the 'calculus approach' and the 'cultural approach' respectively. Each gives slightly different answers to three seminal questions: how do actors behave, what do institutions do, and why do institutions persist over time?

In response to the first of these questions, those who adopt a calculus approach focus on those aspects of human behaviour that are instrumental and based on strategic calculation. They assume that individuals seek to maximize the attainment of a set of goals given by a specific preference function and, in doing so, behave strategically, which is to say that they canvass all possible options to select those conferring maximum benefit. In general, the actor's goals or preferences are given exogenously to the institutional analysis.

What do institutions do, according to the calculus approach? Institutions affect behaviour primarily by providing actors with greater or lesser degrees of certainty about the present and future behaviour of other actors. More specifically, institutions provide information relevant to the behaviour of others, enforcement mechanisms for agreements, penalties for defection, and the like. The key point is that they affect individual action by altering the expectations an actor has about the actions that others are likely to take in response to or simultaneously with his own action. Strategic interaction clearly plays a key role in such analyses.

Contrast this with a 'cultural approach' to such issues. The latter stresses the degree to which behaviour is not fully strategic but bounded by an individual's worldview. That is to say, without denying that human behaviour is rational or purposive, it emphasizes the extent to which individuals turn to established routines or familiar patterns of behaviour to attain their purposes. It tends to see individuals as satisficers, rather than utility maximizers, and to emphasize the degree to which the choice of a course of action depends on the interpretation of a situation rather than on purely instrumental calculation.

What do institutions do? From this perspective, institutions provide moral or cognitive templates for interpretation and action. The individual is seen as an entity deeply embedded in a world of institutions, composed of symbols, scripts and routines, which provide the filters for interpretation, of both the situation and oneself, out of which a course of action is constructed. Not only do institutions provide strategically-useful information, they also affect the very identities, self-images and preferences of the actors.<sup>13</sup>

These two approaches also supply different explanations for why the regularized patterns of behaviour that we associate with institutions display continuity over time.<sup>14</sup> The calculus approach suggests that institutions persist

<sup>13</sup> For an especially trenchant characterization of this position, see James March and Johan P. Olsen, *Rediscovering Institutions: the Organizational Basis of Politics* (New York NY, Free, 1989).

<sup>14</sup> These can also be seen as responses to one of the most important dimensions of the structure-agency problem, namely, the problem of explaining how an institution can be said to structure human action, in some determinative sense, so as to produce a regularized pattern of behaviour, even though the existence of the institution itself usually depends on the presence of these patterns of behaviour and thus on the willingness of the actors to behave in certain ways. The problem is to capture simultaneously the voluntary and determinative character of institutions. For a more general exploration of such problems, see Anthony Giddens, *Central Problems in Social Theory* (London, Macmillan, 1978).

because they embody something like a Nash equilibrium. That is to say, individuals adhere to these patterns of behaviour because deviation will make the individual worse off than will adherence.<sup>15</sup> It follows that the more an institution contributes to the resolution of collective action dilemmas or the more gains from exchange it makes possible, the more robust it will be.<sup>16</sup> A cultural approach, on the other hand, explains the persistence of institutions by noting that many of the conventions associated with social institutions cannot readily be the explicit objects of individual choice. Instead, as the elemental components from which collective action is constructed, some institutions are so 'conventional' or taken-for-granted that they escape direct scrutiny and, as collective constructions, cannot readily be transformed by the actions of any one individual. Institutions are resistant to redesign ultimately because they structure the very choices about reform that the individual is likely to make.<sup>17</sup>

Historical institutionalists are eclectic; they use both of these approaches to specify the relationship between institutions and action. Immergut, for instance, explains cross-national differences in health care reforms by reference to the willingness of physicians' groups to compromise with the advocates of reform, a willingness she links, in turn, to the way in which the institutional structure of the political system affects these groups' expectations about the likelihood of successfully appealing an unpalatable decision beyond the legislature.<sup>18</sup> Hers is a classic calculus approach. Hattam employs a similar approach, when she argues that the entrenched power of the judiciary led the American labour movement away from strategies that were susceptible to judicial review. However, like many historical institutionalists, she goes farther to explore the way in which differences in the institutional setting facing organized labour in the United States and Britain fostered trade union movements with quite different worldviews. This kind of analysis suggests that the strategies induced by a given institutional setting may ossify over time into worldviews, which are propagated by formal organizations and ultimately shape even the self-images and basic preferences of the actors involved in them.<sup>19</sup>

The second notable feature of historical institutionalism is the prominent role that power and asymmetrical relations of power play in such analyses. All institutional studies have a direct bearing on power relations. Indeed, they can usefully be read as an effort to elucidate the 'second' and 'third' dimensions of

<sup>15</sup> For a radical statement of this view, see: Randall L. Calvert, 'The rational choice theory of social institutions' in Jeffrey S. Banks and Eric A. Hanushek (eds), *Modern Political Economy* (New York NY, Cambridge University Press, 1995), pp. 216–66.

<sup>16</sup> To this Kenneth Shepsle has added the observation that actors will hesitate to change the institutional rules because, although reform might allow them to realize an immediate gain on the issue-at-hand, they face great uncertainty about the impact of the new rules on decisions not yet foreseen. See: Kenneth A. Shepsle, 'Institutional equilibrium and equilibrium institutions' in Herbert F. Weisberg (ed.), *Political Science: the Science of Politics* (New York NY, Agathon, 1986), pp. 51–81.

<sup>17</sup> For a radical critique which begins from this kind of point but moves well beyond it, see: Robert Graftstein, *Institutional Realism: Social and Political Constraints on Rational Actors* (New Haven CT, Yale University Press, 1992).

<sup>18</sup> Ellen Immergut, *Health Politics: Interests and Institutions in Western Europe* (New York NY, Cambridge University Press, 1992).

<sup>19</sup> Victoria C. Hattam, *Labor Visions and State Power: the Origins of Business Unionism in the United States* (Princeton NJ, Princeton University Press, 1993).

power identified some years ago in the community power debate.<sup>20</sup> But historical institutionalists have been especially attentive to the way in which institutions distribute power unevenly across social groups. Rather than posit scenarios of freely-contracting individuals, for instance, they are more likely to assume a world in which institutions give some groups or interests disproportionate access to the decision-making process; and, rather than emphasize the degree to which an outcome makes everyone better off, they tend to stress how some groups lose while others win. Steinmo, for instance, explains cross-national differences in tax policy largely by reference to the way in which political institutions structure the kinds of social interests most likely to be represented in the policy process.<sup>21</sup> In the realm of American economic policy, Weir shows how the structure of the political system militates in favour of the formation of some social coalitions and against others.<sup>22</sup>

The historical institutionalists are also closely associated with a distinctive perspective on historical development. They have been strong proponents of an image of social causation that is 'path dependent' in the sense that it rejects the traditional postulate that the same operative forces will generate the same results everywhere in favour of the view that the effect of such forces will be mediated by the contextual features of a given situation often inherited from the past. Of course, the most significant of these features are said to be institutional in nature. Institutions are seen as relatively persistent features of the historical landscape and one of the central factors pushing historical development along a set of 'paths'.<sup>23</sup>

Accordingly, historical institutionalists have devoted a good deal of attention to the problem of explaining how institutions produce such paths, i.e. how they structure a nation's response to new challenges. Early analysts emphasized the impact of existing 'state capacities' and 'policy legacies' on subsequent policy choices.<sup>24</sup> Others stress the way in which past lines of policy condition subsequent policy by encouraging societal forces to organize along some lines rather than others, to adopt particular identities, or to develop interests in policies that are costly to shift.<sup>25</sup> In this context, historical institutionalists stress

<sup>20</sup> Cf. Steven Lukes, *Power: a Radical View* (London, Macmillan, 1972); and John Gaventa, *Power and Powerlessness: Quiescence and Rebellion in an Appalachian Valley* (Urbana IL, University of Illinois Press, 1980).

<sup>21</sup> Sven Steinmo, *Taxation and Democracy: Swedish, British and American Approaches to Financing the Modern State* (New Haven CT, Yale University Press, 1993).

<sup>22</sup> Margaret Weir, 'Ideas and the politics of bounded innovation' in Steinmo *et al.*, *Structuring Politics*, pp. 188–216.

<sup>23</sup> Cf. David Collier and Ruth Collier, *Shaping the Political Arena* (Princeton NJ, Princeton University Press, 1991); B. Downing, *The Military Revolution and Political Change: Origins of Democracy and Autocracy in Early Modern Europe* (Princeton NJ, Princeton University Press, 1992); and Stephen Krasner, 'Sovereignty: an institutional perspective', *Comparative Political Studies* 21 (1988), 66–94.

<sup>24</sup> See Margaret Weir and Theda Skocpol, 'State structures and the possibilities for 'Keynesian' responses to the Great Depression in Sweden, Britain and the United States' in Peter B. Evans *et al.* (eds), *Bringing the State Back In* (Cambridge, Cambridge University Press, 1985), pp. 107–63.

<sup>25</sup> Cf. Paul Pierson, *Dismantling the Welfare State?* (Cambridge, Cambridge University Press, 1994) and 'When effect becomes cause: policy feedback and political change', *World Politics*, 45, 4 (1993), 595–628; Jane Jenson, 'Paradigms and political discourse: protective legislation in France and the United States before 1914', *Canadian Journal of Political Science*, 22, 2 (1989), 235–58; Ira Katznelson, *City Trenches: Urban Politics and the Patterning of Class in the United States* (New York NY, Pantheon, 1981).

the unintended consequences and inefficiencies generated by existing institutions in contrast to images of institutions as more purposive and efficient.<sup>26</sup>

In keeping with this perspective, many historical institutionalists also divide the flow of historical events into periods of continuity punctuated by 'critical junctures', i.e., moments when substantial institutional change takes place thereby creating a 'branching point' from which historical development moves onto a new path.<sup>27</sup> The principal problem here, of course, is to explain what precipitates such critical junctures, and, although historical institutionalists generally stress the impact of economic crisis and military conflict, many do not have a well-developed response to this question.<sup>28</sup>

Finally, although they draw attention to the role of institutions in political life, historical institutionalists rarely insist that institutions are the only causal force in politics. They typically seek to locate institutions in a causal chain that accommodates a role for other factors, notably socioeconomic development and the diffusion of ideas. In this respect, they posit a world that is more complex than the world of tastes and institutions often postulated by rational choice institutionalists. The historical institutionalists have been especially attentive to the relationship between institutions and ideas or beliefs. Goldstein, for instance, shows how the institutional structure devised for making trade policy in the United States tends to reinforce the impact of certain ideas about trade while undermining others; and Weir argues that structural differences between the British and American political systems affected the timing at which Keynesian ideas became influential and the durability of their influence.<sup>29</sup>

### Rational Choice Institutionalism

It is one of the curiosities of contemporary political science that a second 'new institutionalism', which we term rational choice institutionalism, developed at the same time as historical institutionalism but in relative isolation from it. Initially, rational choice institutionalism arose from the study of American congressional behaviour. In large measure, it was inspired by the observation of a significant paradox. If conventional rational choice postulates are correct, it should be difficult to secure stable majorities for legislation in the US Congress, where the multiple preference-orderings of legislators and multidimensional character of issues should lead to rapid 'cycling' from one bill to another as new

<sup>26</sup> Cf. James March and Johan Olsen, 'The new institutionalism: organizational factors in political life', *American Political Science Review*, 78 (1984), 734–49; Douglass C. North, *Institutions, Institutional Change and Economic Performance* (New York NY, Cambridge University Press, 1990).

<sup>27</sup> Cf. Peter A. Gourevitch, *Politics in Hard Times* (Ithaca NY, Cornell University Press, 1986); Collier and Collier, *Shaping the Political Arena*; Stephen Krasner, 'Approaches to the State: Alternative Conceptions and Historical Dynamics', *Comparative Politics*, 16, 2 (1984), 223–46.

<sup>28</sup> This issue deserves fuller examination than scholars have yet given it. For one view, see: Theda Skocpol, *States and Social Revolutions* (New York NY, Cambridge University Press, 1979).

<sup>29</sup> See: Judith Goldstein, 'Ideas, institutions and American trade policy', *International Organization* 42, 1 (1988), 179–217; Margaret Weir, 'Ideas and politics: the acceptance of Keynesianism in Britain and the United States' in Peter A. Hall (ed.), *The Political Power of Economic Ideas* (Princeton NJ, Princeton University Press, 1989), pp. 53–86; Kathryn S. Sikkink, *Ideas and Institutions: Developmentalism in Brazil and Argentina* (Ithaca NY, Cornell University Press, 1991).

majorities appear to overturn any bill that is passed.<sup>30</sup> However, Congressional outcomes actually show considerable stability. In the late 1970s, rational choice analysts began to ask: how can this discrepancy be explained?

For an answer, they turned to institutions. Many began to argue that stable majorities could be found for legislation because of the way in which the rules of procedure and committees of Congress structure the choices and information available to its members.<sup>31</sup> Some of these rules provide agenda control that limits the range and sequence of the options facing Congressional votes. Others apportion jurisdiction over key issues to committees structured so as to serve the electoral interests of Congressmen or provide enforcement mechanisms that make logrolling among legislators possible. In the most general terms, the institutions of the Congress are said to lower the transaction costs of making deals so as to allow gains from exchange among legislators that make the passage of stable legislation possible. In short, institutions solve many of the collective action problems that legislatures habitually confront.<sup>32</sup>

As this suggests, the rational choice institutionalists in political science drew fruitful analytical tools from the 'new economics of organization' which emphasizes the importance of property rights, rent-seeking, and transactions costs to the operation and development of institutions.<sup>33</sup> Especially influential was Williamson's argument that the development of a particular organizational form can be explained as the result of an effort to reduce the transaction costs of undertaking the same activity without such an institution.<sup>34</sup> North applied similar arguments to the history of political institutions.<sup>35</sup> And theories of agency, which focus on the institutional mechanisms whereby 'principals' can monitor and enforce compliance on their 'agents', proved useful for explaining how Congress structures relations with its committees or the regulatory agencies it superintends.<sup>36</sup>

The efflorescence of work on the American legislature that rational choice institutionalism has inspired is well-represented in recent collections.<sup>37</sup> By and large it focuses on explaining how the rules of Congress affect the behaviour of

<sup>30</sup> The seminal work is: William Riker, 'Implications from the disequilibrium of majority rule for the study of institutions', *American Political Science Review*, 75 (1980), 432-47. See also: Richard McCelvey, 'Intransitivities in multidimensional voting models and some implications for agenda control', *Journal of Economic Theory*, 12 (1976), 472-82; and John Ferejohn and Morris Fiorina, 'Purposeful models of legislative behavior', *American Economic Review, Papers and Proceedings*, 65 (1975), 407-415.

<sup>31</sup> Kenneth A. Shepsle, 'Institutional equilibrium and equilibrium institutions', pp. 51-81; and Shepsle, 'Studying institutions: some lessons from the rational choice approach', *Journal of Theoretical Politics*, 1, 2 (1989), 131-47.

<sup>32</sup> Cf. Barry Weingast and William Marshall, 'The industrial organization of Congress', *Journal of Political Economy*, 96, 1 (1988), pp. 132-63.

<sup>33</sup> Two of the seminal articles are: Terry Moe, 'The new economics of organization', *American Journal of Political Science*, 28 (1984), 739-77 and Weingast and Marshall, 'The industrial organization of Congress'.

<sup>34</sup> Oliver Williamson, *Markets and Hierarchies* (New York NY, Free, 1975); O. Williamson, *The Economic Institutions of Capitalism* (New York NY, Free, 1985).

<sup>35</sup> Cf. Douglass C. North and Paul Thomas, *The Rise of the Western World* (New York NY, Cambridge University Press, 1973).

<sup>36</sup> Paul Milgrom and John Roberts, *Economics, Organization and Management* (New York NY, Prentice-Hall, 1992); John W. Pratt and Richard Zeckhauser, *Principals and Agents* (Boston MA, Harvard Business School Press, 1991).

<sup>37</sup> Mathew D. McCubbins and Terry Sullivan (eds), *Congress: Structure and Policy* (New York NY, Cambridge University Press, 1987) and *Legislative Studies Quarterly*, (May 1994).

legislators and why they arise, with an emphasis on the Congressional committee system and the relationship between Congress and regulatory agencies. More recently, Cox and McCubbins have attempted to shift the emphasis away from Congressional committees toward the way in which political parties structure deliberations. Ferejohn has begun to explore the relationship between Congress and the courts; and a lively debate has emerged about the capacity of Congress to control regulatory agencies.<sup>38</sup>

In recent years, rational choice institutionalists have also turned their attention to a variety of other phenomena, including cross-national coalition behaviour, the development of political institutions, and the intensity of ethnic conflict.<sup>39</sup> Przeworski, Geddes, Marks and others analyse democratic transitions in game-theoretic terms.<sup>40</sup> Tsebelis and others explore the implications of institutional reform in the European Union,<sup>41</sup> and scholars of international relations have used the concepts of rational choice institutionalism to explain the rise or fall of international regimes, the kind of responsibilities that states delegate to international organizations, and the shape of such organizations.<sup>42</sup>

Like all of these schools, rational choice institutionalism contains internal debates and some variation in outlook. However, we want to emphasize four notable features of this approach.

First, rational choice institutionalists employ a characteristic set of behavioural assumptions. In general, they posit that the relevant actors have a fixed set of preferences or tastes (usually conforming to more precise conditions such as the transitivity principle), behave entirely instrumentally so as to maximize

<sup>38</sup> Gary Cox and Matthew D. McCubbins, *Legislative Leviathan* (Berkeley CA, University of California Press, 1987); John Ferejohn, 'Law, legislation and positive political theory' in Banks and Hanushek, *Modern Political Economy*, pp. 191–215; Kenneth A. Shepsle and Barry R. Weingast, 'Positive theories of Congressional institutions', *Legislative Studies Quarterly*, (May 1994); Terry Moe, 'An assessment of the positive theory of Congressional dominance', *Legislative Studies Quarterly*, 12, 4 (1987), 475–520; Matthew McCubbins and Thomas Schwartz, 'Congressional oversight overlooked: police patrols versus fire alarms', *American Journal of Political Science*, 28 (February 1984), 165–79.

<sup>39</sup> Michael Laver and Kenneth Shepsle, 'Coalitions and cabinet government', *American Political Science Review*, 84 (1990), 843–90; Douglass C. North and Barry Weingast, 'Constitutions and credible commitments: the evolution of institutions governing public choice in 17th century England', *Journal of Economic History*, 49 (December 1989), 803–32; Barry Weingast, 'Institutionalizing trust: the political and economic roots of ethnic and regional conflict', paper presented to a conference on 'What is Institutionalism Now?', University of Maryland (1994).

<sup>40</sup> Adam Przeworski, *Democracy and the Market* (Cambridge, Cambridge University Press, 1991); Barbara Geddes, *Politicians' Dilemma* (Berkeley CA, University of California, 1994); Gary Marks, 'Rational sources of chaos in democratic transitions', *American Behavioral Scientist*, 33 4/5 (1992), 397–421; Youssef Cohen, *Radicals, Reformers and Reactionaries* (Chicago IL, Chicago University Press, 1994); James deNardo, *Power in Numbers* (Princeton NJ, Princeton University Press, 1985).

<sup>41</sup> George Tsebelis, 'The power of the European Parliament as a conditional agenda setter', *American Political Science Review*, 88, 1 (1994), 795–815; Mark Pollack, 'Obedient servant or runaway Eurocracy?', Harvard Center for European Studies Working Paper (1995); Lisa Martin, 'The influence of national parliaments on European integration', Harvard Center for International Affairs Working Paper (1994).

<sup>42</sup> Robert O. Keohane and Lisa L. Martin, 'Delegation to international organizations', Paper presented to a conference on 'What is Institutionalism Now?', University of Maryland (1994); Lisa Martin, 'Interests, power and multilateralism', *International Organization*, 46, 4 (1992), 765–92; Kenneth A. Oye (ed.), *Cooperation under Anarchy* (Princeton NJ, Princeton University Press, 1993); Stephen Krasner, 'Global communications and national power: life on the Pareto frontier', *World Politics*, 43 (April 1991), 336–66.

the attainment of these preferences, and do so in a highly strategic manner that presumes extensive calculation.<sup>43</sup>

Second, if all schools of thought tend to promulgate a characteristic image of politics, whether as a 'struggle for power', a 'process of social learning' or the like, rational choice institutionalists also purvey a distinctive image of politics. They tend to see politics as a series of collective action dilemmas. The latter can be defined as instances when individuals acting to maximize the attainment of their own preferences are likely to produce an outcome that is collectively sub-optimal (in the sense that another outcome could be found that would make at least one of the actors better off without making any of the others worse off). Typically, what prevents the actors from taking a collectively-superior course of action is the absence of institutional arrangements that would guarantee complementary behaviour by others. Classic examples include the 'prisoner's dilemma' and the 'tragedy of the commons' and political situations present a variety of such problems.<sup>44</sup>

Third, one of the great contributions of rational choice institutionalism has been to emphasize the role of strategic interaction in the determination of political outcomes. That is to say, they postulate, first, that an actor's behaviour is likely to be driven, not by impersonal historical forces, but by a strategic calculus and, second, that this calculus will be deeply affected by the actor's expectations about how others are likely to behave as well. Institutions structure such interactions, by affecting the range and sequence of alternatives on the choice-agenda or by providing information and enforcement mechanisms that reduce uncertainty about the corresponding behaviour of others and allow 'gains from exchange', thereby leading actors toward particular calculations and potentially better social outcomes. We can see that rational choice theorists take a classic 'calculus approach' to the problem of explaining how institutions affect individual action.

Finally, rational choice institutionalists have also developed a distinctive approach to the problem of explaining how institutions originate. Typically, they begin by using deduction to arrive at a stylized specification of the functions that an institution performs. They then explain the existence of the institution by reference to the value those functions have for the actors affected by the institution. This formulation assumes that the actors create the institution in order to realize this value, which is most often conceptualized, as noted above, in terms of gains from cooperation. Thus, the process of institutional creation usually revolves around voluntary agreement by the relevant actors; and, if the institution is subject to a process of competitive selection, it survives primarily because it provides more benefits to the relevant actors than alternate institutional forms.<sup>45</sup>

<sup>43</sup> Cf. Kenneth Shepsle and Barry Weingast, 'The institutional foundations of committee power', *American Political Science Review*, 81 (March 1987), 85–104; cf. Jon Elster and Aanund Hylland (eds), *Foundations of Social Choice Theory* (Cambridge, Cambridge University Press, 1986).

<sup>44</sup> Cf. G. Hardin, 'The tragedy of the commons', *Science* 162 (1968), 1243–8; Russell Hardin, *Collective Action* (Baltimore MD, Johns Hopkins Press, 1982); Elinor Ostrom, *Governing the Commons* (New York NY, Cambridge University Press, 1990).

<sup>45</sup> As one might expect, analyses focused on legislatures tend to emphasize the importance of voluntary agreement, while analyses focused on economic institutions put more emphasis on competitive selection.

Thus, a firm's organizational structure is explained by reference to the way in which it minimizes transaction, production or influence costs.<sup>46</sup> The rules of the American Congress are explained by reference to the gains from exchange they provide to members of Congress. The constitutional provisions adopted by the English in the 1680s are explained by reference to the benefits they provide to property holders. Such examples could be multiplied. There is plenty of room for contention within this general framework but it usually focuses on whether the functions performed by the institution at hand are specified correctly. Thus, Krehbiel engages the field in a lively debate about whether legislative committees in the US Congress exist primarily to provide members with gains from exchange or information about the outcomes of proposed legislation.<sup>47</sup>

### Sociological Institutionalism

Independent from but contemporaneous with these developments in political science, a new institutionalism has been developing in sociology. Like the other schools of thought, it is rife with internal debate. However, its contributors have developed a set of theories that are of growing interest to political scientists.

What we are calling sociological institutionalism arose primarily within the subfield of organization theory. The movement dates roughly to the end of the 1970s, when some sociologists began to challenge the distinction traditionally drawn between those parts of the social world said to reflect a formal means-ends 'rationality' of the sort associated with modern forms of organization and bureaucracy and those parts of the social world said to display a diverse set of practices associated with 'culture'. Since Weber, many sociologists had seen the bureaucratic structures that dominate the modern landscape, in government departments, firms, schools, interest organizations and the like, as the product of an intensive effort to devise ever-more efficient structures for performing the tasks associated with modern society. The striking similarities in form taken by these otherwise rather-diverse organizations were said to be the result of the inherent rationality or efficiency of such forms for performing these tasks.<sup>48</sup> Culture was seen as something altogether different.

Against this, the new institutionalists in sociology began to argue that many of the institutional forms and procedures used by modern organizations were not adopted simply because they were most efficient for the tasks at hand, in line with some transcendent 'rationality'. Instead, they argued that many of these forms and procedures should be seen as culturally-specific practices, akin to the myths and ceremonies devised by many societies, and assimilated into organizations, not necessarily to enhance their formal means-ends efficiency, but as a result of the kind of processes associated with the transmission of cultural

<sup>46</sup> Cf. Williamson, *Markets and Hierarchies*; Milgrom and Roberts, *Economics, Organization and Management*; Paul Milgrom and John Roberts, 'Bargaining costs, influence costs and the organization of economic activity' in James Alt and Kenneth Shepsle (eds) *Perspectives on Political Economy* (Cambridge, Cambridge University Press, 1990), pp. 57-89.

<sup>47</sup> Keith Krehbiel, *Information and Legislative Organization* (Ann Arbor MI, University of Michigan Press, 1991); cf. Kenneth Shepsle and Barry Weingast, 'Positive theories of Congressional institutions'.

<sup>48</sup> For amplification of these points, see: Frank Dobbin, 'Cultural models of organization: the social construction of rational organizing principles' in Diane Crane (ed.), *The Sociology of Culture* (Oxford, Blackwell, 1994), 117-53.

practices more generally. Thus, they argued, even the most seemingly bureaucratic of practices have to be explained in cultural terms.<sup>49</sup>

Given this perspective, the problematic that sociological institutionalists typically adopt seeks explanations for why organizations take on specific sets of institutional forms, procedures or symbols; and it emphasizes how such practices are diffused through organizational fields or across nations. They are interested, for instance, in explaining the striking similarities in organizational form and practice that Education Ministries display throughout the world, regardless of differences in local conditions or that firms display across industrial sectors whatever the product they manufacture. Dobbin employs the approach to show how culturally-constructed conceptions of the state and market conditioned nineteenth century railroad policy in France and the United States.<sup>50</sup> Meyer and Scott use it to explain the proliferation of training programmes in American firms.<sup>51</sup> Others apply it to explain institutional isomorphism in East Asia and the relative facility with which East Asian production techniques were diffused throughout the world.<sup>52</sup> Fligstein takes this approach to explaining the diversification of American industry, and Soysal uses it to explain contemporary immigration policy in Europe and America.<sup>53</sup>

Three features of sociological institutionalism render it relatively distinctive in the context of the other 'new institutionalisms'.

First, the sociological institutionalists tend to define institutions much more broadly than political scientists do to include, not just formal rules, procedures or norms, but the symbol systems, cognitive scripts, and moral templates that provide the 'frames of meaning' guiding human action.<sup>54</sup> Such a definition breaks down the conceptual divide between 'institutions' and 'culture'. The two shade into each other. This has two important implications. First, it challenges the distinction that many political scientists like to draw between 'institutional explanations' based on organizational structures and 'cultural explanations' based on an understanding of culture as shared attitudes or values.<sup>55</sup> Second,

<sup>49</sup> The pioneering work was done by Stanford sociologists. See: John W. Meyer and Brian Rowan, 'Institutionalized organizations: formal structure as myth and ceremony', *American Journal of Sociology*, 83 (1977), 340–63; John W. Meyer and W. R. Scott, *Organizational Environments: Ritual and Rationality* (Beverly Hills CA, Sage, 1983); Paul J. DiMaggio and Walter W. Powell, 'Introduction' in Powell and DiMaggio (eds), *The New Institutionalism in Organizational Analysis* (Chicago IL, University of Chicago Press, 1991), pp. 1–40.

<sup>50</sup> Frank Dobbin, *Forging Industrial Policy* (Cambridge, Cambridge University Press, 1994).

<sup>51</sup> W. Richard Scott *et al.*, *Institutional Environments and Organizations* (Thousand Oaks CA, Sage, 1994), chs 11 and 12.

<sup>52</sup> Marco Orru *et al.*, 'Organizational isomorphism in East Asia' in Powell and DiMaggio, *The New Institutionalism in Organizational Analysis*, pp. 361–89; Robert E. Cole, *Strategies for Industry: Small-Group Activities in American, Japanese and Swedish Industry* (Berkeley CA, University of California Press, 1989).

<sup>53</sup> Neil Fligstein, *The Transformation of Corporate Control* (Cambridge MA, Harvard University Press, 1990); Yasemin N. Soysal, *Limits of Citizenship* (Chicago IL, University of Chicago Press, 1994).

<sup>54</sup> Cf. John L. Campbell, 'Institutional analysis and the role of ideas in political economy', paper presented to the Seminar on the State and Capitalism since 1800, Harvard University, 1995; W. Richard Scott, 'Institutions and organizations: towards a theoretical synthesis' in Scott *et al.*, *Institutional Environments*, pp. 55–80.

<sup>55</sup> Cf. Gabriel Almond and Sidney Verba, *The Civic Culture* (Boston MA, Little Brown, 1963); Peter A. Hall, *Governing the Economy* (Oxford, Polity, 1986), ch. 1.

this approach tends to redefine 'culture' itself as 'institutions'.<sup>56</sup> In this respect, it reflects a 'cognitive turn' within sociology itself away from formulations that associate culture exclusively with affective attitudes or values toward ones that see culture as a network of routines, symbols or scripts providing templates for behaviour.<sup>57</sup>

Second, the new institutionalists in sociology also have a distinctive understanding of the relationship between institutions and individual action, which follows the 'cultural approach' described above (pp. 939–40) but displays some characteristic nuances. An older line of sociological analysis resolved the problem of specifying the relationship between institutions and action by associating institutions with 'roles' to which prescriptive 'norms of behaviour' were attached. In this view, individuals who have been socialized into particular institutional roles internalize the norms associated with these roles, and in this way institutions are said to affect behaviour. We might think of this as the 'normative dimension' of institutional impact. Although some continue to employ such conceptions, many sociological institutionalists put a new emphasis on what we might think of as the 'cognitive dimension' of institutional impact. That is to say, they emphasize the way in which institutions influence behaviour by providing the cognitive scripts, categories and models that are indispensable for action, not least because without them the world and the behaviour of others cannot be interpreted.<sup>58</sup> Institutions influence behaviour not simply by specifying what one should do but also by specifying what one can imagine oneself doing in a given context. Here, one can see the influence of social constructivism on the new institutionalism in sociology. In many cases, institutions are said to provide the very terms through which meaning is assigned in social life. It follows that institutions do not simply affect the strategic calculations of individuals, as rational choice institutionalists contend, but also their most basic preferences and very identity. The self-images and identities of social actors are said to be constituted from the institutional forms, images and signs provided by social life.<sup>59</sup>

Accordingly, many sociological institutionalists emphasize the highly-interactive and mutually-constitutive character of the relationship between institutions and individual action. When they act as a social convention specifies, individuals simultaneously constitute themselves as social actors, in the sense of engaging in socially meaningful acts, and reinforce the convention to which they are adhering. Central to this perspective is the notion that action is tightly bound up with interpretation. Thus, the sociological institutionalists insist that, when faced with a situation, the individual must find a way of recognizing it as well as of responding to it, and the scripts or templates implicit in the institutional world provide the means for accomplishing both of these tasks,

<sup>56</sup> Cf. Lynne Zucker, 'The role of institutionalization in cultural persistence' in Powell and DiMaggio, *The New Institutionalism in Organizational Analysis*, pp. 83–107; John Meyer *et al.*, 'Ontology and rationalization in the Western cultural account' in John Meyer *et al.*, *Institutional Environments and Organizations*.

<sup>57</sup> Cf. Ann Swidler, 'Culture in action: symbols and strategies', *American Sociological Review*, 51 (1986), 273–86; March and Olsen, *Rediscovering Institutions*, ch. 3.

<sup>58</sup> Cf. DiMaggio and Powell, 'Introduction'.

<sup>59</sup> See the classic work by Peter Berger and Thomas Luckmann, *The Social Construction of Reality* (New York NY, Anchor, 1966) and the more recent application to political science by Alexander Wendt, 'The agent-structure problem in international relations theory', *International Organization*, 41, 3 (1987), 335–70.

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often more or less simultaneously. The relationship between the individual and the institution, then, is built on a kind of 'practical reasoning' whereby the individual works with and reworks the available institutional templates to devise a course of action.<sup>60</sup>

None of this suggests that individuals are not purposive, goal-oriented or rational. However, sociological institutionalists emphasize that what an individual will see as 'rational action' is itself socially constituted, and they conceptualize the goals toward which an actor is striving in much broader terms than others do. If rational choice theorists often posit a world of individuals or organizations seeking to maximize their material well-being, sociologists frequently posit a world of individuals or organizations seeking to define and express their identity in socially appropriate ways.

Finally, the new institutionalists in sociology also take a distinctive approach to the problem of explaining how institutional practices originate and change. As we have seen, many rational choice institutionalists explain the development of an institution by reference to the efficiency with which it serves the material ends of those who accept it. By contrast, sociological institutionalists argue that organizations often adopt a new institutional practice, not because it advances the means–ends efficiency of the organization but because it enhances the social legitimacy of the organization or its participants. In other words, organizations embrace specific institutional forms or practices because the latter are widely valued within a broader cultural environment. In some cases, these practices may actually be dysfunctional with regard to achieving the organization's formal goals. Campbell captures this perspective nicely by describing it as a 'logic of social appropriateness' in contrast to a 'logic of instrumentality'.<sup>61</sup>

Thus, in contrast to those who explain the diversification of American firms in the 1950s and 1960s as a functional response to economic or technological exigency, Fligstein argues that managers embraced it because of the value that became associated with it in the many professional forums in which they participated and the validation it offered for their broader roles and world-views.<sup>62</sup> Similarly, Soysal argues that the policies toward immigrants adopted by many states were pursued, not because they were most functional for the state, but because the evolving conceptions of human rights promulgated by international regimes made such policies seem appropriate and others illegitimate in the eyes of national authorities.<sup>63</sup>

Central to this approach, of course, is the question of what confers 'legitimacy' or 'social appropriateness' on some institutional arrangements but not others. Ultimately, this is an issue about the sources of cultural authority. Some of the sociological institutionalists emphasize the way in which a modern state of expanding regulatory scope imposes many practices on societal organizations by public fiat. Others stress the way in which the growing professionalization of many spheres of endeavour creates professional

<sup>60</sup> Cf. DiMaggio and Powell, 'Introduction', pp. 22–4 and the essays by Lynne G. Zucker and Ronald Jepperson in that volume.

<sup>61</sup> Cf. Campbell, 'Institutional analysis and the role of ideas in political economy'; March and Olsen, *Rediscovering Institutions*, ch. 2.

<sup>62</sup> Fligstein, *The Transformation of Corporate Control*.

<sup>63</sup> Soysal, *Limits of Citizenship*.

communities with the cultural authority to press certain standards on their members.<sup>64</sup> In other cases, common institutional practices are said to emerge from a more interactive process of discussion among the actors in a given network – about shared problems, how to interpret them, and how to solve them – taking place in a variety of forums that range from business schools to international conclaves. Out of such interchanges, the actors are said to develop shared cognitive maps, often embodying a sense of appropriate institutional practices, which are then widely deployed. In these instances, the interactive and creative dimensions of the process whereby institutions are socially constructed is most apparent.<sup>65</sup> Some argue that we can even see such processes at work on a transnational scale, where conventional concepts of modernity confer a certain measure of authority on the practices of the most ‘developed’ states and exchanges under the aegis of international regimes encourage shared understandings that carry common practices across national boundaries.<sup>66</sup>

### Comparing Institutionalisms

In all their varieties, the ‘new institutionalisms’ significantly advance our understanding of the political world. However, the images they present of the political world are by no means identical; and each displays characteristic strengths and weaknesses. We consider these, first, with respect to the problem of specifying the relationship between institutions and behaviour.

Historical institutionalism has the most commodious conception of this relationship. Analysts in this school commonly utilize both ‘calculus’ and ‘cultural’ approaches to this problem – in our view an important virtue, since we find both perspectives plausible and important. However, eclecticism has its costs: historical institutionalism has devoted less attention than the other schools to developing a sophisticated understanding of exactly how institutions affect behaviour, and some of its works are less careful than they should be about specifying the precise causal chain through which the institutions they identify as important are affecting the behaviour they are meant to explain. This is one respect in which historical institutionalism might benefit from greater interchange among the schools.

Rational choice institutionalism, by contrast, has developed a more precise conception of the relationship between institutions and behaviour and a highly generalizable set of concepts that lend themselves to systematic theory-building. However, these widely-vaunted microfoundations rest on a relatively simplistic image of human motivation, which may miss many of its important dimensions.<sup>67</sup> Defenders of the approach are inclined to compare it to a set

<sup>64</sup> Cf. Paul J. DiMaggio and Walter W. Powell, ‘The iron cage revisited: institutional isomorphism and collective rationality’, and Walter W. Powell, ‘Expanding the scope of institutional analysis’ in Powell and DiMaggio, *The New Institutionalism in Organizational Analysis*, chs 3 and 8.

<sup>65</sup> On this point we are indebted to the insightful analysis of John L. Campbell, ‘Recent trends in institutional analysis’, p. 11.

<sup>66</sup> See Meyer *et al.*, ‘Ontology and rationalization’, Meyer, ‘Rationalized environments’ and David Strang and John W. Meyer, ‘Institutional conditions for diffusion’ in Scott and Meyer, *Institutionalized Environments and Organizations*, chs 1, 2 and 5.

<sup>67</sup> For more extended discussions, see: Karen S. Cook and Margaret Levi (eds), *The Limits of Rationality* (Chicago IL, University of Chicago Press, 1990) and Jane Mansbridge (ed.), *Beyond Self-Interest* (Chicago IL, University of Chicago Press, 1990).

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of reduced-form equations, properly judged not on the accuracy of their assumptions but on the predictive power of their models.<sup>68</sup> But this is treacherous ground, since the predictions generated by such models are often sensitive to small changes in assumptions about pay-off matrices, preference structures and the like, which are frequently arbitrary or unsupported by data.<sup>69</sup> The usefulness of the approach is also limited by the degree to which it specifies the preferences or goals of the actors exogenously to the analysis, especially in empirical cases where these underlying preferences are multifaceted, ambiguous or difficult to specify *ex ante*.

Since instrumental behaviour is a major component of politics, however, rational choice institutionalism has made major contributions, notably by highlighting key aspects of politics that are often underappreciated by other perspectives and providing tools for analysing them. Members of this school emphasize that political action involves the management of uncertainty, long one of the most central and neglected features of politics; and they demonstrate the importance that flows of information have for power relations and political outcomes.

Perhaps most important, they draw our attention to the role that strategic interaction between actors plays in the determination of political outcomes. This represents a major advance on traditional approaches that explain political outcomes largely in terms of the force that structural variables, such as level of socioeconomic development, educational attainment or material discontent, are said to exercise directly over individual behaviour. With it, rational choice analysts can incorporate into their analyses a much more extensive appreciation for the role that human intentionality plays in the determination of political outcomes, in the form of strategic calculation, integrated with a role for structural variables understood primarily in terms of institutions. The difference between the two approaches is epitomized in the movement from models in which causality is represented by the coefficients of structural variables in regression equations toward game-theoretic models of political processes. The drawback, of course, is that this advance comes at the cost of conceptualizing intentionality in terms of a relatively thin theory of human rationality.

Anyone who has waited at a traffic light when no-one else was around, however, has to admit that there are dimensions to the relationship between institutions and actions that may not be highly instrumental or well-modelled by rational choice theories. Sociological institutionalists are often better placed to elucidate these dimensions. On the one hand, their theories specify ways in which institutions can affect the underlying preferences or identities of actors that rational choice institutionalists must take as given. On the other hand, they tell us that even a highly instrumental actor may be choosing strategies (and rivals) from culturally-specific repertoires, thereby identifying additional respects in which the institutional environment may affect the strategies that actors choose. There is some sense in which the sociologists capture aspects of

<sup>68</sup> We are grateful for Kenneth Shepsle for drawing this to our attention. Cf. Milton Friedman, 'The methodology of positive economics' in *Essays in Positive Economics* (Chicago, University of Chicago Press, 1953).

<sup>69</sup> The problem is magnified by the fact that many equilibrium solutions may be present in a given situation, as the 'folk theorem' suggests. More generally, see: Donald P. Green and Ian Shapiro, *Pathologies of Rational Choice Theory* (New Haven CT, Yale University Press, 1994).

<sup>41</sup> Political Studies Association, 1996

institutional impact that may be the indispensable antecedents to instrumental action.<sup>70</sup>

Turning to the second of our organizing issues, there are also distinctive strengths and weaknesses in the approaches taken by the three schools to the problem of explaining how institutions originate and change.

Rational choice institutionalists have produced the most elegant accounts of institutional origins, turning primarily on the functions that these institutions perform and the benefits they provide. In our view, this approach has real strength for explaining why existing institutions continue to exist, since the persistence of an institution often depends upon the benefits it can deliver. However, several features of the approach severely limit its adequacy as a framework for explaining the origins of institutions.

First, the approach of rational choice institutionalism is often highly 'functionalist'. That is to say, it explains the origins of an institution largely in terms of the effects that follow from its existence. Although such effects may contribute to the persistence of an institution, the problem of explaining persistence should not be confused with the problem of explaining an institution's origins. Because unintended consequences are ubiquitous in the social world, one cannot safely deduce origins from consequences.<sup>71</sup> Moreover, this approach often leaves us without an explanation for the many inefficiencies that institutions display, and it may overstate the efficiency that some do display.<sup>72</sup>

Second, this approach is largely 'intentionalist'. In other words, it tends to assume that the process of institutional creation is a highly purposive one, largely under the control of actors who correctly perceive the effects of the institutions they establish and create them precisely in order to secure these effects. Although there is undoubtedly a purposive element to institutional creation, such analyses often entail heroic assumptions about the prescience of historical actors and their capacity to control the course of events. In some cases, they also impute overly simple intentions to historical actors who, on closer inspection, may be seen to be operating from a much more complex set of motivations.<sup>73</sup>

Third, many such analyses are highly 'voluntarist'. That is to say, as Bates has argued, they tend to view institutional creation as a quasi-contractual process marked by voluntary agreement among relatively equal and independent actors – much as one might find in a 'state of nature'.<sup>74</sup> Although this may accurately depict some cases, there are many others in which such an approach understates the degree to which asymmetries of power vest some actors with

<sup>70</sup> Cf. James Johnson, 'Symbolic Dimensions of Social Order', paper presented to a conference on 'What is institutionalism now?', University of Maryland (1994).

<sup>71</sup> This is a point made in Robert Bates, 'Contra contractarianism: some reflections on the new institutionalism', *Politics and Society*, 16 (1987), 387–401.

<sup>72</sup> For a powerful effort to tackle this problem without entirely forsaking rational choice assumptions, see: Terry Moe, 'The politics of structural choice: toward a theory of public bureaucracy' in Oliver Williamson (ed.), *Organization Theory from Chester Barnard to the Present and Beyond* (New York NY, Oxford University Press, 1990), pp. 116–53.

<sup>73</sup> For one example, see the otherwise valuable analysis in: North and Weingast, 'Constitutions and credible commitments'. Similarly, it may be that many rational choice analyses assume too readily that the presence of collective action problems will generate an automatic 'demand' for new institutions. For correctives, see: Bates, 'Contra-contractarianism' and Jack Knight, *Institutions and Social Conflict* (New York NY, Cambridge University Press, 1992).

<sup>74</sup> See Bates, 'Contra-contractarianism' and Grafstein, *Institutional Realism*, ch. 3.

more influence than others over the process of institutional creation.<sup>75</sup> Finally, the 'equilibrium' character of the rational choice approach to institutions embroils such analysts in a contradiction. One implication of this approach is that the starting-point from which institutions are to be created is itself likely to reflect a Nash equilibrium. Thus, it is not obvious why the actors would agree to a change in existing institutions. Paradoxically, the efforts of Shepsle and others to show that institutions are stable, by invoking the uncertainty that surrounds institutional change, render the problem of explaining why institutions change even more perplexing.<sup>76</sup> At a minimum, this approach needs a more robust theory of dynamic equilibria.

These considerations suggest that, although rational choice institutionalism has great potential for explaining why institutions continue to persist, the explanation it offers for institutional genesis probably applies well only to a limited number of settings. Specifically, it offers the greatest analytical leverage in settings where consensus among actors accustomed to strategic action and of roughly equal standing is necessary to secure institutional change, as in some legislatures or international arenas. Alternatively, it may be applicable to settings where intense competition among organizational forms selects for those with some kind of efficiency that is clearly specifiable *ex ante*, as in some settings of market competition.<sup>77</sup>

By contrast, historical and sociological institutionalists approach the problem of explaining how institutions originate and change quite differently. Both begin by insisting that new institutions are created or adopted in a world already replete with institutions. This may seem a simple point, but much follows from it.

Sociological institutionalists use it to explore the way in which existing institutions structure the field of vision of those contemplating institutional reform. Thus, they focus attention on the processes whereby those developing new institutions 'borrow' from the existing world of institutional templates. This approach usefully emphasizes the way in which the existing institutional world circumscribes the range of institutional creation. The sociological institutionalists also develop a more expansive conception of why a particular institution might be chosen, which goes beyond considerations of efficiency toward an appreciation for the role that collective processes of interpretation and concerns for social legitimacy play in the process. Among other things, such an approach goes a long way toward explaining the presence of many apparent inefficiencies in social and political institutions.<sup>78</sup>

<sup>75</sup> For an astute analysis that attempts to build an appreciation for asymmetries of power into a rational choice theory of institutional creation, see: Knight, *Institutions and Social Conflict*. This can be a problem even in legislatures, where majorities can often enforce institutional change on minorities, as studies of party government are beginning to emphasize. See: Cox and McCubbins, *Legislative Leviathan*.

<sup>76</sup> Cf. Shepsle, 'Institutional equilibrium and equilibrium institutions'.

<sup>77</sup> Although some scholars have argued that competition among nation-states or political élites tends to select for some kinds of institutions over others, surprisingly little research has been done on this problem. Cf. Thomas Ertman, *Birth of the Leviathan* (New York NY, Cambridge University Press, forthcoming); Hilton Root, *Fountain of Privilege* (Berkeley CA, University of California Press, 1994); W. G. Runciman, *A Treatise in Social Theory* (Cambridge, Cambridge University Press, 1984); and more generally: Knight, *Institutions and Social Conflict*, ch. 1 and Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge, Cambridge University Press, 1990).

<sup>78</sup> Meyer and Rowan, 'Institutionalized organizations' and George M. Thomas *et al.*, *Institutionalized Structure: Constituting State, Society and the Individual* (Beverly Hills CA, Sage, 1987).

From the perspective of political science, however, the approach that sociological institutionalism takes to such processes often seems curiously bloodless. That is to say, it can miss the extent to which processes of institutional creation or reform entail a clash of power among actors with competing interests.<sup>79</sup> After all, many actors, both inside and outside an organization, have deep stakes in whether that firm or government adopts new institutional practices, and reform initiatives often provoke power struggles among these actors, which an emphasis on processes of diffusion can neglect. In some cases, the new institutionalists in sociology seem so focused on macro-level processes that the actors involved in these processes seem to drop from sight and the result begins to look like 'action without agents'. In general, the approach as a whole might benefit from more attention to the way in which frames of meaning, scripts and symbols emerge not only from processes of interpretation but also from processes of contention.<sup>80</sup>

Historical institutionalists use the same starting-point, namely a world replete with institutions, to direct our attention to the way in which the power relations present in existing institutions give some actors or interests more power than others over the creation of new institutions.<sup>81</sup> In this respect, they join with the rational choice institutionalists to build on the famous point made by an earlier generation of analysts that 'organization is the mobilization of bias'.<sup>82</sup> However, to this emphasis, they marry a conception of path dependence that also recognizes the importance of existing institutional templates to processes of institutional creation and reform.

If rational choice accounts of the origin of institutions are dominated by deduction, those of the historical institutionalists often seem to depend heavily on induction. Typically, they scour the historical record for evidence about why the historical actors behaved as they did. This neo-Weberian focus on the meanings that historical actors attribute to their own actions greatly enhances the realism of the analyses produced by historical institutionalists, and it allows them to discriminate among competing explanations when the deductive calculus associated with rational actors specifies more than one equilibrium outcome. As a result they have produced some startling revisions to our conventional understandings about the origin of such institutions as Swedish corporatism.<sup>83</sup> However, this emphasis on induction has been a weakness as well as a strength: historical institutionalists have been slower than others to

<sup>79</sup> There are some notable exceptions, including Fligstein, *The Transformation of Corporate Control*.

<sup>80</sup> For some exceptional works that pay more attention to this dimension of institutionalization, see: Paul J. DiMaggio, 'Constructing an organizational field as a professional project' in Powell and DiMaggio, *The New Institutionalism in Organizational Analysis*, pp. 267–92; Fligstein, *The Transformation of Corporate Control*, and Lauren Edelman, 'Legal environments and organizational governance', *American Journal of Sociology*, 95 (1990), 1401–40.

<sup>81</sup> As Moe and Knight have pointed out, many rational choice analyses are curiously apolitical. The stress they put on the collective benefits that institutions provide often seems to mask the degree to which those institutions, like so much else in politics, emerge out of a struggle for power and resources. Cf. Moe, 'The politics of structural choice' and Knight, *Institutions and Social Conflict*.

<sup>82</sup> Cf. Steinmo, *Taxation and Democracy*, p. 7; E. E. Schattschneider, *The Semi-Sovereign People* (New York NY, Holt Rinehart, 1960).

<sup>83</sup> Cf. Peter Swenson, 'Bringing capital back in or social democracy reconsidered', *World Politics*, 43, 4 (1991), 513–44 and Bo Rothstein, 'Explaining Swedish corporatism: the formative moment', *Scandinavian Political Studies*, 14, 2 (1991), 149–71.

aggregate their findings into systematic theories about the general processes involved in institutional creation and change.

### Conclusion

In sum, political science today is confronted with not one but three 'new institutionalisms'. Moreover, it is striking how distant these schools of thought have remained from each other. Each has been assiduously burnishing its own paradigm. What is the way forward? Many argue for the wholehearted embrace of one of these approaches at the expense of the others. However, the thrust of this essay has been to suggest that the time has come for greater interchange among them. At a minimum, it suggests that a better acquaintance with the other schools would lead the partisans of each toward a more sophisticated appreciation for the underlying issues still to be resolved within their own paradigm.

Can this interchange go farther? Might each of the schools borrow or adapt some of the insights developed by the others? There would be limits to any such integration. When confronting each other on the highly theoretical terrain of first principles, the most extreme proponents of each approach take very different positions on such fundamental issues as whether the identities of the actors can be given exogenously to the institutional analysis and whether it makes sense to assume a homogenous kind of rational or strategic action across cultural settings.

However, we favour taking this interchange as far as possible, most fundamentally because each of these literatures seems to reveal different and genuine dimensions of human behaviour and of the effects institutions can have on behaviour. None of these literatures appears to be wrong-headed or substantially untrue. More often, each seems to be providing a partial account of the forces at work in a given situation or capturing different dimensions of the human action and institutional impact present there.

For instance, an actor's behaviour may be influenced both by strategic calculation about the likely strategies of others and by reference to a familiar set of moral or cognitive templates, each of which may depend on the configuration of existing institutions. Consider the case of French workers contemplating adherence to an incomes policy during the 1950s. On the one hand, the divided structure of the French labour movement discouraged a strategy of adherence because it was conducive to free-riding. On the other hand, the syndicalist ideologies of many French unions also militated against cooperation in such an endeavour.<sup>84</sup> It is possible that there were two respects in which the institutions of the French labour movement were influencing behaviour at this time, each modelled more effectively by a different school of thought.

Moreover, if the most extreme assumptions of each school's theoretical position are relaxed, they share a great deal of common analytical ground on which the insights of one approach might be used to supplement or strengthen those of another. For instance, both the 'calculus' and 'cultural' approaches to the relationship between institutions and action observe that institutions affect action by structuring expectations about what others will do, even if they model the sources of those expectations slightly differently. In one case, those

<sup>84</sup> For more on this example, see Hall, *Governing the Economy*, pp. 247–8.

expectations are said to be shaped by what should seem instrumentally viable to the other actor; in the other they are said to be shaped by what should seem socially appropriate to the other actor. There is room for a useful dialogue here. Similarly, it would not be difficult for proponents of the calculus and cultural approaches to acknowledge that a good deal of behaviour is goal-oriented or strategic but that the range of options canvassed by a strategic actor is likely to be circumscribed by a culturally-specific sense of appropriate action.

A number of analysts have already moved some distance in this direction in such a way as to suggest that considerable promise may lie in such syntheses. In what might otherwise be a conventional rational choice analysis of how organizations monitor and enforce behaviour among their employees, for instance, Kreps extends the argument to encompass 'corporate culture', understood as a set of collective templates for action. He argues that such 'cultures' can be an efficient supplement to the traditional monitoring and enforcement mechanisms of an organization, especially when the latter cannot readily specify appropriate behaviour for all contingencies.<sup>85</sup>

Other rational choice analysts have begun to incorporate 'culture' or 'beliefs' into their work to explain why actors move toward one outcome when a conventional analysis specifies many possible equilibrium outcomes. Garrett and Weingast, for example, argue that the norms or ideas fostered by a particular institutional environment often provide the 'focal points' that allow rational actors to converge on one among many possible equilibria.<sup>86</sup> In an especially intriguing analysis of games with multiple equilibria, Scharpf shows how behaviour might be determined jointly by both the 'decision rules' that represent the incentives institutions provide to the actors as rational calculators and the 'decision styles' of those actors, which can be interpreted to mean the beliefs about appropriate behaviour that cultural analysts emphasize. To take only one example, the latter may specify whether the actor attaches greater value to relative or absolute gains when the pay-off matrix specifies a choice between the two.<sup>87</sup> Similarly, Bates and Weingast argue that strategic interactions are signalling games, whose meanings and outcomes can be specified only if we understand the cultural context that assigns meaning to specific symbols: and they go farther to suggest that the object of many kinds of strategic interaction may be precisely to affect such beliefs.<sup>88</sup>

<sup>85</sup> David Kreps, 'Corporate culture and economic theory' in Alt and Shepsle *Perspectives on Positive Political Economy*, pp. 90-143.

<sup>86</sup> Cf. Geoffrey Garrett and Barry Weingast, 'Ideas, interests and institutions: constructing the European Community's internal market' in Judith Goldstein and Robert Keohane (eds), *Ideas and Foreign Policy* (Ithaca NY, Cornell University Press, 1993), pp. 173-206, and Stephen Krasner, 'Global communication and national power: life on the Pareto frontier'.

<sup>87</sup> Fritz Scharpf, 'Decision rules, decision styles and policy choices', *Journal of Theoretical Politics*, 1, 2 (1989), 149-76. We can read much the same argument into Robert Putnam's contention that those regions of Italy with significant past experience of cooperative collective association provided more fertile ground for collective endeavour, even centuries later, than regions without that experience. Cf. Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton NJ, Princeton University Press, 1993).

<sup>88</sup> Robert Bates and Barry Weingast, 'A new comparative politics: integrating rational choice and interpretivist perspectives', Harvard Center for International Affairs Working Paper (1995); Barry Weingast, 'The political foundations of democracy and the rule of law' (forthcoming); and John A. Ferejohn, 'Rationality and interpretation: parliamentary elections in early Stuart England' in Kristen R. Monroe (ed.), *The Economic Approach to Politics* (New York NY, Harper Collins, 1991).

Historical institutionalism stands in an especially pivotal position. Many of the arguments recently produced by this school could readily be translated into rational choice terms, while others display clear openings toward the new institutionalism in sociology.<sup>89</sup> The best of these analyses already effect something of integration, for instance, by showing how historical actors select new institutions for instrumental purposes, much as a rational choice analysis would predict, but draw them from a menu of alternatives that is made historically available through the mechanisms specified by sociological institutionalism.<sup>90</sup> As noted above, others have gone farther to suggest that strategic responses to a particular institutional environment may eventually give rise to worldviews and organizational practices that continue to condition action even after the initial institutional environment has changed.<sup>91</sup>

Let us be clear: we are not arguing that a crude synthesis of the positions developed by each of these schools is immediately practicable or even necessarily desirable. After all, it is precisely because the implicit debate among them has been enlightening that we have tried to make it more explicit here, and there is much to be said for tenacious debate. Our main point is that, after some years in which these schools of thought have incubated in relative isolation from each other, the time has come for a more open and extensive interchange among them. There is ample evidence that we can learn from all of these schools of thought and that each has something to learn from the others.

<sup>89</sup> For examples of the former, see: Immergut, *Health Politics* and Peter A. Hall, 'Central Bank independence and coordinated wage bargaining: their interdependence in Germany and Europe', *German Politics and Society* (1994); and for examples of the latter see: Hattam, *Labor Visions and State Power* and Steinmo, *Taxation and Democracy*.

<sup>90</sup> Cf. Ertman, *Birth of the Leviathan*.

<sup>91</sup> Cf. Hattam, *Visions and State Power*.