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Institutionalism

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Abstract

The study of political institutions has moved back into center stage in political science. The study of political institutions and their consequences for political choice and development has moved to center stage in the study of politics. The article first surveys the history of institutionalist thought, then explores several different types of institutionalist theory, and, finally, suggests the central analytical agendas of modern institutionalist theory. The article examines how and why both history and institutions matter for politics and emphasizes the importance of 'ideas' for understanding political change.

The study of political institutions has moved back into center stage in political science. Whereas only a few years ago, institutions were mostly casually mentioned in most political science research, today they are a central focus of attention. This change is not simply a change of language or the catching on of a new popular phrase or academic fad. Instead, these changes represent an important development in evolution of political science theory and intellectual focus.

The following article surveys the history of institutionalist thought, explores several different types of institutionalist theory, and suggests the central analytical agendas of modern institutionalist theory.

What Are Institutions?

In the broadest sense, institutions are simply rules. As such, they are a foundation for all political behavior. Some are formal (as in constitutional rules), some are informal (as in cultural norms), but without institutions, there could be no organized politics. Indeed, absent institutions, and there could be no organization at all. To understand this point, simply attempt to consider a world in which there were no rules: In this Hobbesian hell, individuals would be forced to 'invent' communication every time they encountered another individual. In this sense, then, if we study social interaction, we study institutions. This does not suggest, however, that all social scientists are 'institutionalists.'

Institutionalism

The 'institutionalism' specifically examines the ways in which institutions structure social and political behavior (North, 1990). This burgeoning body of literature argues that policy, politics, and behavior can only be understood in the context of the institutions in which they take place. Thus, for example, Ellen Immergut argues that variations in national health insurance systems are best explained by variations in national political institutions (Immergut, 1998). Similarly, Bo Rothstein shows that Sweden's high union density is best explained by the 'Ghent' unemployment insurance system, which gives workers powerful incentives to join Swedish unions (Rothstein, 1992). Even more broadly, Douglas North suggests that the very success of Western political economic model is rooted in the peculiar institutions developed in these societies (North, 1990).

The central tenet of this new institutionalism is that institutions are not neutral to policy outcomes. As Peter Hall has suggested, "On the one hand, the organization of policy-making affects the degree of power that any one set of actors has over policy outcomes…. On the other hand, organizational position also influences an actor's definition of his own interests…in this way, organizational factors affect both the degree of pressure an actor can bring to bear on policy and the likely direction of that pressure" (Hall, 1986: p. 12).

In sum, institutions define the rules of the political game, and as such they define who can play and how they play. Consequently, they ultimately can shape who wins and who loses. If politics is the study of who gets what, when, and why, then institutionalists argue that institutions should be at the heart of that study.

A Brief History of Institutionalism

Institutionalism has a long-established tradition among those interested in politics and political outcomes. Plato's *Republic* is a comparative study of institutions. Similarly, Aristotle's central concern in *Politics* is which kinds of political institutions will produce the best outcomes. James Madison must clearly also be seen as an early American 'institutionalist' in that he was specifically concerned with which kinds of institutions would produce the best political outcomes and how the specific design of institutions would shape political outcomes.

Political scientists have also long been interested in institutions. Indeed, in its early years, political science meant the study of political institutions (Wilson, 1891). But, with some important exceptions (Herring, 1940; Key, 1947), early political science was often more descriptive than analytical. 'Comparative politics,' in particular, consisted mostly of detailed configurative studies of different legal, administrative, and political structures. In the immediate post-War years, a new generation of political scientists attempted to make the study of politics more 'scientific.' For many, this effectively meant that political science ought to model itself on the 'hard sciences,' which they believed was fundamentally a deductive process. Thus, rather than studying the details of political life and

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inductively uncovering the patterns of behavior and action, political 'science' should be a deductive science that seeks to discover of the general laws and fundamental forces that lie behind political action. Focusing on particular institutions, proponents of this intellectual agenda implied, was 'atheoretical.' Concomitant with the push for more abstract laws, political scientists were disillusioned by the failure of parliamentary institutions in inter-War Weimar Germany (and later in postcolonial Africa) to prevent these polities from devolving into authoritarianism. Clearly, many argued, there were bigger, more important, indeed more fundamental forces at work in politics and development than political institutions. These forces, they argued, should be the focus of political science.

Thus, behavioralist, functionalist, and Marxist perspectives took leading roles in political science theory-building through most of the 1960s and 1970s. As a consequence, institutional analysis diminished in prominence, particularly in comparative politics. For functionalists, political institutions were simply seen as organizations created to fulfill the systemic needs of society. As such, political institutions were neither important nor interesting. For behavioralists and Marxists, political institutions were simply arenas in which political battles were fought out. While Marxists saw the relevant groups as classes and Pluralists saw them as more narrowly defined, neither theoretical perspective paid particular attention to the structure or character of the institutions themselves. The real meat of politics, they argued – and the keys to understanding political outcomes – was found in the articulation of group interests. Though this was rarely explicitly stated, implicit in these theories was the assertion that if politics or policies differed between societies, this difference was surely the result of different constellations of group and class interests or preferences (Almond and Verba, 1963; Verba, 1967; Miliband, 1969).

It was not the case, however, that all political scientists had abandoned the study of institutions. Indeed, many of the most widely read scholars in American politics maintained an explicitly institutional emphasis (Schattschnieder, 1960; Greenstein, 1963). In comparative politics as well, several political scientists continued to examine political institutions and their effects on political outcomes (Ekstein, 1960; Bendix, 1964; Huntington, 1968), even while they sometimes had to defend their 'inductive' approach from the challenge that it was not 'scientific' (Przeworski and Teune, 1970). For these scholars, it was self-evident that if one wanted to understand what government does, one needs to specifically study the institutions through which it acts.

It was probably in comparative politics that the search for 'grand theory' had its most significant impact. It may be for this reason that a self-conscious return to 'institutionalism' was most forcefully articulated here. Among the first group of scholars to move in this direction was Peter Katzenstein and his colleagues, who sought to explain why several advanced capitalist states responded so differently to the oil shock of the 1970s. The answer, they concluded, was found in the differing institutional structures in these polities and the consequent patterns of economic policy pursued in each nation (Katzenstein, 1978). Similarly, Theda Skocpol's study of social revolutions also concluded that one could not explain the course of a country's revolution without examining the nature and structure of the state against at which these revolutions were aimed (Skocpol, 1979).

Soon a new 'state-centered' approach emerged in comparative political inquiry. These scholars forcefully argued against the behavioralist and Marxist 'grand theory' emphasis, then dominant in the study of comparative politics. Instead, they suggested, political outcomes were shaped and structured by the specific actors and their position in the state. One should not treat the state as a neutral 'black box' through which group or class interest was simply translated (Evans et al., 1985). Instead, the state had independent interests and agendas, which were separate and different from the interests and preferences of classes and interest groups that made up society.

Of course, it did not take long for these scholars to discover that 'the state' is too broad a concept and too varied a set of institutions to be 'taken seriously' without being broken down. To make analytic sense out of the insights, scholars began examining institutions more carefully. If state institutions 'matter,' they argued, then why should this not be equally true of institutions outside the boundaries of the executive state? With these questions, 'the new institutionalism' was born.

Three Types of Institutionalism

Today, three different intellectual approaches lay claim to the term 'institutionalist' (Hall and Taylor, 1996). Each grows out of a different academic discipline and attempts to integrate these different analytic traditions into the understanding of politics. Sociological institutionalism, as its name implies, grows out of sociology and the study of organizations (Selznick, 1949). These scholars have been centrally interested in understanding culture and norms as institutions. These scholars emphasize 'folkways,' 'patterns of behavior,' and 'cognitive maps' and argue that these social institutions are critical for understanding the structure of social, political, and economic interactions (March and Olsen, 1989; DiMaggio and Powell, 1991). Building on upon their analyses of complex organizations, these scholars show the relationship between formal institutions and the structure or patterns of behavior and beliefs. They argue that these informal institutions are core to any understanding of the nonrational aspects of human communication and exchange.

'Rational choice (RC) institutionalism,' taking its lead from economics, emphasizes quite different sets of institutions and their effects. RC scholars attempt to apply the formal logic and methods to the study of politics and history and often explicitly eschew the more 'mushy' or less precise variables such as norms and beliefs. Instead, basic assumptions are made about human behavior and motivation in order to uncover and examine the basic laws of political behavior and action. Scholars in this tradition argue that once these laws are discovered, models can be constructed that will help us understand and predict political behavior (Levi, 1988). In their deductive model, RC scholars look to the real world to see if their model is right (test the model). For these scholars, understanding real outcomes is not the first point – creating, elaborating, and refining a theory of politics is (Weingast, 1996).

The implications of this scientific orientation are substantial. Morris Fiorina, a highly regarded RC scholar at Harvard,

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put the issue in the following way: "most PTI scholars are not as interested in a comprehensive understanding of some real institution or historical phenomenon, so much as in a deeper understanding of some theoretical principle or logic … [F]or most PTI scholars, breadth trumps depth; understanding 90 percent of the variance in one case is not as significant an achievement as understanding 10 percent of each of nine cases, especially if the cases vary across time and place" (Fiorina, 1995: pp. 110–111).

The third 'new institutionalist' approach emerges out of what might be considered a more traditional political science. Consequently, it has a quite different aim: Historical institutionalists are primarily interested in understanding and explaining real-world events and outcomes. As with the other approaches noted above, scholars working in this tradition also argue that one cannot explain particular historical outcomes without specifically examining the way in which the political institutions have shaped or structured the political process (Steinmo et al., 1992). But, unlike RC scholars, in particular, historical institutionalists came about their 'institutional' arguments inductively after testing a variety of alternative theories (i.e., Marxist, structural functionalist, culturalist, and rationalist) against the outcomes they observed. In other words, historical institutionalists are first interested in explaining an outcome (say, e.g., why France and Britain have pursued such different styles of industrial policy (Hall, 1986) or why some welfare states generate more popular support than others (Rothstein, 1998)); they then proceed to explore alternative explanations for the outcomes they observe.

Historical institutionalists do not argue that institutions are the only important variables for understanding political outcomes. Quite the contrary, these scholars generally see institutions as intervening variables (or structuring variables) through which battles over interest, ideas, and power are fought. Institutions are thus the focal points in critical junctures in a historical path analysis because political battles are fought inside institutions and over the design of future institutions.

Taking *History* Seriously

These insights had important implications, both for what we study and for how we study it. Historical institutionalists study history because they believe history matters, not merely to increase the reference points for analysis (as is done in time series analysis). There are at least three important ways in which history matters. First, political events happen within a historical context, which has a direct consequence on the decisions or events. An early example of this is the seminal work of Alexander Gerschenkron, who argued that *when* a country industrializes necessarily affects *how* it industrializes. He shows us why latecomers cannot go through the same long trial-and-error process followed by early developers. (An example outside politics may prove illustrative. Many of us recognize that firstborn children have a very different developmental experience than second (or later) children. Not only are the parents more experienced after the first child, they are also taking care of more than one child at a time. Finally, and equally importantly, subsequent children grow up in a home where there are older siblings – something the first child, by definition, cannot do.) In other words, the process of industrialization is essentially different for late developers than for early developers. This is a huge insight that is easily missed in large-scale quantitative, cross-national comparisons, which very often pool data across continents and time periods and treat the time/place as inconsequential (or assume that it will 'wash out' of the analysis).

The second reason why history matters is that actors or agents can learn from experience. Historical institutionalists understand that behavior, attitudes, and strategic choices take place inside particular social, political, economic, and even cultural contexts. Rather than treating all political actions as if they are fundamentally the same, irrespective of time, place, or context, historical institutionalists explicitly and intentionally attempt to situate their variables in the appropriate context. Thus, by deepening and enriching their understanding of the historical moment and the actors within it, they are able to offer more accurate explanations for the specific events that they explore than had they treated their variables outside the temporal dimension.

E.E. Schattschneider's early work on tariff policy showed how political choices made at time A have important consequences for time B. In this work, he famously argued that "new policies create new politics." Following Schattschneider, Paul Pierson has shown in several important works, *how and why* policy choices at one point in time affect choices at subsequent points in time. Similarly, Esping-Andersen pointed out in his seminal *Three Worlds of Welfare Capitalism*, how, given the fact that we live in modern welfare states with unemployment insurance, health insurance, pension programs, and the like, the existence of the welfare state is a fact of modern political life that itself *shapes* politics, expectations, and policy in the countries that have developed it (Esping-Andersen, 1990).

Finally, again as Pierson has shown, expectations are also molded by the past (Pierson, 2004). While some might point to America's adventure in Iraq as a simple product of power politics and/or the demand for oil, a historical institutionalist would more likely look to the patterns of past victories for an understanding of why this country reacted in the way it did to the 9/11 attacks. Certainly they were mistaken, but there should be little doubt that America's past successes in Germany and Japan – to say nothing of their perceived victory over Communism at the century's end – led policy makers in the administration to believe that they could assert American power and bring successful capitalism and democracy to a former dictatorship.

In sum, for historical institutionalists, *history is not a chain of independent events*. There is more than the temporal dimension implied in this basic point. Taking history seriously ultimately means that the scholar is skeptical of the very notion of variable independence. Instead, acknowledging the importance of history suggests an explicit awareness that important variables can and often do shape one another. Historical institutionalists, more than political scientists in some other traditions, are explicitly interested in these interactive effects on the interdependence of multiple causal variables.

Historical institutionalists are something like an environmental biologist, who believes that in order to understand the specific fate of a particular organism or behavior, he or she

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must explicitly examine that organism or its behavior in the ecology or context in which it lives. This implies a different scientific ontology than that commonly found in the hard sciences of physics and chemistry. At the root of evolutionary biology is the assumption that the objects of analysis – living organisms – are fundamentally different from inanimate matter. While objects in the physical world often adhere to constant 'laws' of nature, biological organisms often defy attempts to reduce them to their essential components because of their complexity. Thus, as eminent evolutionary biologist Ernst Mayr points out, the development of biology as a science has required an investigation of 'additional principles' that applied only to living organisms. He argues, "This required a restructuring of the conceptual world of science that was far more fundamental than anyone had imagined at the time" (Mayr, 2004: p. 26).

Historical institutionalism represents something like this ontological move in social science. In order to understand historically specific events and long-term political outcomes, one could not strictly apply methods and epistemologies drawn from the study of invariant variables that have fixed relationships across space and time. This, of courses, does not mean that it is not science – unless one's definition of science would exclude biology as well – rather, it implies that the scientific methods applied should fit the subject being studied.

Ideas, Institutions, and Change

To argue that 'institutions matter' is by now taken as common sense. Today, it is widely recognized that institutions provide stability in political life because they structure political choices. This is because when we know the rules, we are more likely to know how to interact and how to behave. Indeed, when we know the rules, we adapt our behavior accordingly. The more difficult and interesting questions arise when we ask the following: (1) Why do people follow rules? (2) How do we explain institutional change? (3) if institutions are so important, what role is left for human agency and ideas?

Early institutionalist scholars drew insights from evolutionary theory of 'punctuated equilibrium' to explain institutional change (Steinmo et al., 1992). In recent years, however, there has been growing interest in explaining the *endogenous* sources of institutional change. A number of scholars have mapped out different types of institutional change in different contexts (Streeck and Thelen, 2005; Mahoney and Thelen, 2009). These efforts have led to considerable refinement of our understanding of different *types* of institutional change, but are insufficient for explaining *why* institutions change.

The most important contributions to institutionalist theorizing on change have come from those scholars who specifically have tried to examine relationship between human agency and ideas (Campbell, 2002; Lieberman, 2002a; Blyth, forthcoming; North, 2008). Traditionally, institutions (especially those in the RC school) are created by individuals seeking to maximize their individual interests. Ideas, in this view, were simply epiphenomenal or justification for people's 'real' motivation. But such an approach is unsatisfactory, both at the common sense level (we know that human beliefs and ideas matter for our choices) and because these approaches fail to explain how we move from one equilibrium to another.

The interesting questions arise when we look at the interdependent relationships between ideas, institutions, and interests over time. Since none of these factors are static, only through a historical analysis can we learn how they develop, how they change, and why they are so different in different contexts (Lieberman, 2002b). Building on the work of social psychologists such as Amos Tversky and Daniel Kahneman (Kahneman et al., 1982; Kahneman, 2011), institutionalist scholarship is moving toward a more nuanced understanding of the 'social foundations' of human rule following behavior and is attempting to better understand the ways in which human cognitive biases' shape interacts with institutional structures to influence human behavior. Social psychologists have long understood that human beings are social creatures who are not normally individualistic in a meaningful sense. Instead, we are driven to follow social rules and look for social approval. Human beings are more likely to be normative actors, possessing significant cognitive biases, rather than rational self-interested utility maximizers. Appreciating human motivations in this way forces us to consider the interaction of institutional rules, human choices, and eventually, differences in cultural systems.

Finally, institutionalists have begun to argue that we can understand change in evolutionary terms and thus bring some of the insights from evolutionary theory into the study of institutional evolution (Lewis and Steinmo, 2012). Whereas traditional political science has taken a mechanical approach to the study of politics and human affairs (Hall, 2003), an evolutionary approach to institutional change allows one to integrate contingency into the study as well as be more honest with the fact that there are no truly *independent* variables of interest in human affairs. Almost everything that is really interesting and important is instead the product of the complex interaction of multiple factors that interact with each other over time (Streeck, 2010).

See also: Ideologies, Institutions, and the New Institutionalism; Marxism–Leninism: The Ideology of Twentieth-Century Communism; New Institutionalism in the Analysis of Complex Organizations; Old and New Institutionalism in Economics; Pluralism; Sociology and the New Institutionalism.

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