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Historical institutionalism in comparative analysis

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To our children
Siri and Ian,
Andy,
Kimber, Rachel, Matthew, Emma, and Helen

1

Historical institutionalism in comparative politics

KATHLEEN THELEN AND SVEN STEINMO

The "rediscovery" of institutions has opened up an exciting research agenda in comparative politics and comparative political economy.[1] Scholars working in different disciplines and writing on subjects as diverse as the political economy of advanced capitalism and policy-making during China's Great Leap Forward have all focused on the significance of institutional variables for explaining outcomes in their respective fields.[2] Within comparative politics, "new" institutionalism has been especially associated with leading students of comparative political economy such as Suzanne Berger, Peter Hall, Peter Katzenstein, and Theda Skocpol, among others.[3] Although it has now been around for several years, few have stepped back to analyze the distinctive features of the kind of historical institutionalism these theorists represent, nor to assess its strengths and overall contribution to comparative politics.[4] These are themes we take up in this introductory chapter.

The chapter proceeds in three steps. We begin with a brief discussion of the building blocks of this approach: how institutions are defined and how they figure into the analysis. Second, we sketch the characteristic features of historical institutionalism and the broader theoretical project that animates institutional analyses. New institutionalists draw inspiration and insights from older traditions in economics, political science, and sociology.[5] But renewed, explicit attention to institutional variables since the late 1970s grew out of a critique of the behavioral emphasis of American and comparative politics in the 1950s and 1960s, which – although it drew attention to other important and previously neglected aspects of political life – often obscured the enduring socioeconomic and political structures that mold behavior in distinctive ways in different national contexts. The historical institutional literature is diverse, but scholars in this school share a

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theoretical project aimed at the middle range that confronts issues of both historical contingency and "path dependency" that other theoretical perspectives obscure.

Third, we turn to a discussion of the frontier issues in historical institutionalism. These frontiers are defined by the limits of the historical institutional literature to date, that is, questions on which historical institutionalists have until now been relatively silent. We focus on two such areas: the question of institutional dynamism and the interaction of institutional and ideational variables in policy formation and change. Drawing on the literature at large, and especially on the essays assembled here, we suggest the ways in which institutional analysis can be further developed to address these areas.

HISTORICAL INSTITUTIONALISM: DEFINITIONS AND APPROACH

At its broadest, historical institutionalism represents an attempt to illuminate how political struggles "are mediated by the institutional setting in which [they] take place."[6] In general, historical institutionalists work with a definition of institutions that includes both formal organizations and informal rules and procedures that structure conduct. Peter Hall's widely accepted definition, for example, includes "the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units of the polity and economy."[7] John Ikenberry breaks down his definition into three distinct levels that "range from specific characteristics of government institutions, to the more overarching structures of state, to the nation's normative social order."[8]

Just where to draw the line on what counts as an institution is a matter of some controversy in the literature.[9] However, in general, institutionalists are interested in the whole range of state and societal institutions that shape how political actors define their interests and that structure their relations of power to other groups. Thus, clearly included in the definition are such features of the institutional context as the rules of electoral competition, the structure of party systems, the relations among various branches of government, and the structure and organization of economic actors like trade unions.[10] Beyond institutions of this sort, on which most historical institutionalists can agree, are a number of other factors – ranging from norms to class structure – on which they might disagree.[11]

Peter Hall is the most explicit on the question of how institutions fit into the analysis of policy-making and politics within historical institutionalism. He stresses the way institutions shape the goals political actors pursue and the way they structure power relations among them, privileging some and putting others at a disadvantage. In his words:

> Institutional factors play two fundamental roles in this model. On the one hand, the organization of policy-making affects the degree of power that any one set of actors has over the policy outcomes. . . . On the other hand, organizational position also influences an actor's definition of his own interests, by establishing his institutional responsibilities and relationship to other actors. 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.[12]

What is implicit but crucial in this and most other conceptions of historical institutionalism is that institutions constrain and refract politics but they are never the sole "cause" of outcomes. Institutional analyses do not deny the broad political forces that animate various theories of politics: class structure in Marxism, group dynamics in pluralism. Instead, they point to the ways that institutions structure these battles and in so doing, influence their outcomes.

REINVENTING THE WHEEL?

"Political science *is* the study of institutions," a senior colleague once remarked. "So what's new about the New Institutionalism?" he asked.[13] This question reveals a skepticism toward the so-called new institutionalism that deserves attention. Political scientists, sociologists, and economists have studied institutions for a very long time. So what is all the fuss about?

There is certainly no gainsaying that contemporary "new" institutionalists draw inspiration from a long line of theorists in political science, economics, and sociology. Most would readily acknowledge an important intellectual debt to writers like Karl Polanyi, Thorstein Veblen, Max Weber (not to mention Montesquieu), and, more recently, to theorists like Reinhard Bendix and Harry Eckstein. To understand why so many have found the kind of institutionalism represented by writers like Katzenstein, Skocpol, and Hall new and exciting, we need to outline the theoretical project that animates the work of these and other new institutionalists and distinguishes their approach both from previous theories and contemporary contenders in comparative politics. Thus, without getting into a long exegesis on the newness of this sort of institutionalism, a subject we believe has been overemphasized in the literature to date, it is useful to summarize important junctures that led to the revival of interest in institutions today.

At one time the field of political science, particularly comparative politics, was dominated by the study of institutions. The "old" institutionalism consisted mainly, though not exclusively, of detailed configurative studies of different administrative, legal, and political structures. This work was often deeply normative, and the little comparative "analysis" then existing largely entailed juxtaposing descriptions of different institutional configurations in different countries, comparing and contrasting. This approach did not encourage the development of intermediate-level categories and concepts that would facilitate truly comparative research and advance explanatory theory.[14]

The "behavioral revolution" in political science in the 1950s and early 1960s was precisely a rejection of this old institutionalism. It was obvious that the formal laws, rules, and administrative structures did not explain actual political

behavior or policy outcomes. Behavioralists argued that, in order to understand politics and explain political outcomes, analysts should focus not on the formal attributes of government institutions but instead on informal distributions of power, attitudes, and political behavior. Moreover, in contrast to what was perceived as the atheoretical work of scholars in the formal-legal tradition, the behavioralist project as a whole was explicitly theoretical.

In comparative politics, the emphasis on theory-building often took the form of "grand theorizing," and this period witnessed a dramatic increase in broad, cross-national research (some, though not all of it behavioralist). Cutting through the idiosyncratic, country-specific categories of the old institutionalism, comparativists searched for broadly applicable concepts and variables to guide cross-national research. The theories that emerged and held sway in this period highlighted similarities and trends reaching across wide ranges of nations (with very different institutions). A number of them pointed to convergence both among the advanced industrial countries[15] and between industrialized and developing countries.[16]

This is not the place for a history of the discipline. However, a couple of points are in order concerning the role of *institutional* variables in political analysis during the 1950s and 1960s. First, it is clearly not the case that institutions disappeared from the agenda. One need only think of theorists such as Samuel Huntington and Reinhard Bendix to realize that institutions continued to play a very prominent role in the work of some scholars, whether as the object of analysis or as forces molding political behavior.[17] But second, it is equally important to recall that these theorists built their analyses around a fundamental critique of the dominant tendencies in the discipline at the time which had in fact pushed institutional variables to the side. Eckstein's critique of pluralism[18] and Bendix's important rebuttal to the dominant modernization paradigm in comparative politics[19] illustrate how both fields had come to downplay the structural features of political life that shaped the behavior of interest groups or that accounted for the persistence of cross-national diversity beneath the surface of homogenizing concepts such as modernity and tradition. The work of these "dissidents" from the mainstream of their day contained important insights and, at least in embryonic form, key elements of a new institutional perspective.[20]

The point about newness is not that no one was writing about institutions in the 1950s and 1960s, for of course many were.[21] Rather, the question is how institutional variables fit into the larger theoretical project that animated research in this period. The spirit and the thrust of work within the dominant behavioralist paradigm was precisely meant to *get beyond* the formal structures of the old institutionalists and especially the reified structures of Marxist theories of capitalist domination, by looking at the actual, observable beliefs and behaviors of groups and individuals. Given this emphasis and this agenda, it seems to us no coincidence that the behavioral revolution ultimately spawned not one but two separate institutionalist critiques, one from a historical and another from the more

formal "rational choice" perspective. For all the differences between the two (see subsequent remarks), many historical institutionalists would agree with Kenneth Shepsle's (rational choice) critique of behavioralism:

> The price we have paid for the methodological and theoretical innovations of the post–World War II era, however, is the inordinate emphasis now placed on *behavior*. Our ability to describe (and less frequently, to explain) behavior . . . has diminished the attention once given to institutional context and actual outcomes. On net, the behavioral revolution has probably been of positive value. But along with the many scientific benefits, we have been burdened by the cost of the restricted scope in our analyses.[22]

Because mainstream behavioralist theories focused on the characteristics, attitudes, and behaviors of the individuals and groups themselves to explain political outcomes, they often missed crucial elements of the playing field and thus did not provide answers to the prior questions of why these political behaviors, attitudes, and the distribution of resources among contending groups themselves differed from one country to another. For example, interest group theories that focused on the characteristics and preferences of pressure groups themselves could not account for why interest groups with similar organizational characteristics (including measures of interest-group "strength") and similar preferences could not always influence policy in the same way or to the same extent in different national contexts. To explain these differences required more explicit attention to the institutional landscape in which interest groups sought influence.[23]

The "grand theorizing" that dominated comparative politics in this period also, in its own way, obscured the intermediate institutions that structure politics in different countries. Thus, it is also probably no coincidence that renewed and more systematic attention to institutional factors in comparative analysis corresponded with a period of upheaval in the international arena associated, among other things, with the declining hegemony of the United States and the oil crisis of 1973–4. Whereas the prosperity of the 1950s and 1960s may have masked sources of national diversity in policy-making and politics among the advanced industrial countries, the economic shocks in the early 1970s gave rise to a diversity of responses that flatly discredited the claims of the convergence theories of the 1960s.[24] These events led to the search for explanatory factors to account for these outcomes, and national-level institutional factors figured prominently in the answer.[25]

Explaining this persistence of cross-national differences despite common challenges and pressures was a central theme in the work of the early new institutionalists, and this implied a shift in emphasis on both an empirical and a theoretical level. Criticizing the ahistorical approach of traditional interest-group theories and Marxist analysis alike, these theorists wanted to know why interest groups demanded different policies in different countries and why class interests were manifested differently cross-nationally. At the same time, and related to this, new institutionalists moved away from concepts (like modernity and tradition)

that tended to homogenize whole classes of nations, toward concepts that could capture diversity among them (e.g., the distinction between "strong" and "weak" states in the advanced industrial countries). Thus, the empirical challenge posed by diverse responses to common challenges drove a partial shift, away from general theorizing toward a more midlevel Weberian project that explored diversity within classes of the same phenomena. A critical body of work in the mid to late 1970s and early 1980s pointed to intermediate-level institutional factors – corporatist arrangements, policy networks linking economic groups to the state bureaucracy, party structures – and the role they play in defining the constellations of incentives and constraints faced by political actors in different national contexts.

These new institutionalists shared the behavioralists' concern for building theory. However, by focusing on intermediate institutions, they sought to explain systematic differences across countries that previous theories had obscured. The range of institutions studied depended of course on the outcomes to be explained. Katzenstein's work on foreign economic policy of the advanced industrial countries, for example, drew attention to differences in the "policy networks" linking state and society to explain divergent responses to a common economic shock.[26] Corporatist theorists focused on the structure and organization of key economic actors, especially labor and employers' associations, to draw conclusions about labor's role in adjusting to economic change and about cross-national variation in economic performance more generally.[27] Theorists such as Suzanne Berger, Theda Skocpol, and Douglas Ashford were in the forefront of recasting the study of interest-group behavior, the state, and public-policy formation in explicitly institutional terms.[28] Other authors, notably March and Olsen, Peter Hall, Stephen Skowronek, and later John Ikenberry, have built on this tradition and have helped to advance it through a self-conscious definition and application of an institutional approach. Key to their analyses was the notion that institutional factors can shape both the objectives of political actors and the distribution of power among them in a given polity.[29]

One feature typifying this new institutional perspective is its emphasis on what Hall refers to as the 'relational character' of institutions.[30] More important than the formal characteristics of either state or societal institutions per se is how a given institutional configuration shapes political *interactions*. This feature of a new institutional perspective is well illustrated by Ellen Immergut's contribution to this book, Chapter 3. In her analysis of health care policy in France, Switzerland, and Sweden, Immergut argues that it is not useful to think of political power as a static attribute of certain groups or actors. Traditional interest-group theories that look at the characteristics of pressure groups themselves for clues on their relative power cannot explain why doctors in the three countries she examines – though all equally well organized and powerful in their internal organizational resources – nonetheless had very different degrees of success in achieving their policy objectives. For Immergut, the point is not to identify "veto

groups" so much as "veto points" in political systems. Veto points are areas of institutional vulnerability, that is, points in the policy process where the mobilization of opposition can thwart policy innovation. The location of such veto points varies cross-nationally and depends on how different parts of the national policymaking apparatus are linked. While such veto points are in general rather sticky, they are not permanent, immutable characteristics of a political system. Shifts in the overall balance of power can cause veto points to emerge, disappear, or shift their location, creating "strategic openings" that actors can exploit to achieve their goals. Immergut's notion of veto points thus illustrates and builds on some of the core characteristics of the historical institutional approach more generally: the emphasis on intermediate institutions that shape political strategies, the ways institutions structure relations of power among contending groups in society, and especially the focus on the *process* of politics and policy-making within given institutional parameters.

HISTORICAL INSTITUTIONALISM AND RATIONAL CHOICE

As is well known, there are in fact two different approaches that have been assigned the label "the new institutionalism." Rational choice institutionalists such as Shepsle, Levi, North, and Bates share with historical-interpretive institutionalists such as Berger, Hall, Katzenstein, and Skocpol a concern with the question of how institutions shape political strategies and influence political outcomes.[31] But important differences distinguish the two. The essays assembled here come out of the historical institutional tradition, but it is worth considering briefly how they relate to the rational choice variant. The two perspectives are premised on different assumptions that in fact reflect quite different approaches to the study of politics.

For the rational choice scholar, institutions are important as features of a *strategic context*, imposing constraints on self-interested behavior. For example, in the classic prisoner's dilemma game, when the rules (institutions) are changed, the prisoner's choices (to defect, to cooperate, and so on) also change because these rules structure the choices that will maximize the prisoner's self-interest. Thus political and economic institutions are important for rational choice scholars interested in real-world politics because the institutions define (or at least constrain) the strategies that political actors adopt in the pursuit of their interests.

For historical institutionalists the idea that institutions provide the context in which political actors define their strategies and pursue their interests is unproblematical. Indeed, this is a key premise in historical institutional analysis as well. But historical institutionalists want to go further and argue that institutions play a much greater role in shaping politics, and political history more generally, than that suggested by a narrow rational choice model.

Historical institutionalists in general find strict rationality assumptions overly confining.[32] First, in contrast to some (though not all) rational choice analyses,

historical institutionalists tend to see political actors not so much as all-knowing, rational maximizers, but more as rule-following "satisficers."[33] As DiMaggio and Powell argue, "The constant and repetitive quality of much organized life is explicable not simply by reference to individual, maximizing actors but rather by a view that locates the persistence of practices in both their taken-for-granted quality and their reproduction in structures that are to some extent self-sustaining."[34] In short, people don't stop at every choice they make in their lives and think to themselves, "Now what will maximize my self-interest?" Instead, most of us, most of the time, follow societally defined rules, even when so doing may not be directly in our self-interest.[35]

Second, and perhaps most centrally, rational choice and historical institutionalism diverge rather sharply on the issue of preference formation. While rational choice deals with preferences at the level of assumptions, historical institutionalists take the question of how individuals and groups define their self-interest as problematical.[36] Rational choice institutionalists in effect "bracket" the issue of preference formation theoretically (by assuming that political actors are rational and will act to maximize their self-interest), though of course in the context of specific analyses they must operationalize self-interest, and generally they do so by deducing the preferences of the actors from the structure of the situation itself.[37] This is quite different from historical institutionalists, who argue that not just the *strategies* but also the *goals* actors pursue are shaped by the institutional context.[38] For example, a historical institutionalist would emphasize how class interests are more a function of class position (mediated – reinforced or mitigated – by state and social institutions like political parties and union structure) than individual choice.

The idea of socially and politically constructed preferences that figures prominently in the work of many contemporary historical institutionalists echoes the writings of an earlier generation of economic institutionalist-historians. Earlier in this century, for example, Thorstein Veblen argued that the individualistic, competitive features of modern life must be seen as products of the particular economic institutions that we have constructed in the advanced capitalist states.[39] This point is also made in a recent essay by sociologists Roger Friedland and Robert Alford, who argue:

> The central institutions of the contemporary capitalist West – capitalist market, bureaucratic state, democracy, nuclear family, and Christian religion – shape individual preferences and organizational interests as well as the repertoire of behaviors by which they may attain them.

And because of the dense matrix of institutions in which individuals maneuver, they are motivated by a complex mix of sometimes conflicting preferences. Friedland and Alford argue that conflicts between preferences and behaviors evoked by these institutions contribute to the dynamism of the system:

> These institutions are potentially contradictory and hence make multiple logics available to individuals and organizations. Individuals and organizations transform the institutional relations of society by exploiting these contradictions.[40]

By taking the goals, strategies, and preferences as something to be explained, historical institutionalists show that, unless something is known about the context, broad assumptions about "self-interested behavior" are empty. As we pointed out earlier, historical institutionalists would not have trouble with the rational choice idea that political actors are acting strategically to achieve their ends. But clearly it is not very useful simply to leave it at that. We need a historically based analysis to tell us what they are trying to maximize and why they emphasize certain goals over others.[41]

Taking preference formation as problematical rather than given, it then also follows that alliance formation is more than a lining up of groups with compatible (preexisting and unambiguous) self-interests. Where groups have multiple, often conflicting interests, it is necessary to examine the political processes out of which particular coalitions are formed. As Margaret Weir points out in Chapter 7, new ideas can cause groups to rethink their interests; consequently, the way in which various policies are "packaged" can facilitate the formation of certain coalitions and hinder others. As Bo Rothstein's analysis (Chapter 2) makes clear, leadership can play a key role in this process. The historical analysis of how these processes occur (what Katzenstein calls "process tracing") is thus central to a historical institutional approach.

Thus one, perhaps *the*, core difference between rational choice institutionalism and historical institutionalism lies in the question of preference formation, whether treated as exogenous (rational choice) or endogenous (historical institutionalism). But beyond this, and on the "output side," it seems that there is more than one way to achieve one's ends, even assuming self-interested, maximizing behavior. Recent game theory has shown that there is more than one efficient solution to certain kinds of games.[42] If there is no single political choice or outcome that maximizes the individual's self-interest, then clearly game-theoretic tools need to be supplemented with other methods to understand which solutions will be or were chosen.[43]

In sum, institutions are not just another variable, and the institutionalist claim is more than just that "institutions matter too." By shaping not just actors' strategies (as in rational choice), but their goals as well, and by mediating their relations of cooperation and conflict, institutions structure political situations and leave their own imprint on political outcomes.[44] Political actors of course are not unaware of the deep and fundamental impact of institutions, which is why battles over institutions are so hard fought. Reconfiguring institutions can save political actors the trouble of fighting the same battle over and over again. For example (and as a number of rational choice theorists have pointed out) this explains why congressional battles over district boundaries are so tenacious. The central im-

portance of institutions in "mobilizing bias" in political processes also accounts for why such formidable political leaders as Charles DeGaulle have been willing to stake their careers not on particular policy outcomes, but on institutional ones. This view is especially at odds with the "transaction costs" school within rational choice that sees institutions as efficient solutions to collective action problems, reducing transaction costs among individuals and groups in order to enhance efficiency.[45] But to view institutions in these terms is to beg the important questions about how political power figures into the creation and maintenance of these institutions, as well as to deny the possibility of unexpected outcomes.[46]

THE HISTORICAL INSTITUTIONALIST PROJECT

The historical institutional literature is diverse, to say the least. This approach has been applied in a wide range of empirical settings, but in each case what has made this approach so attractive is the theoretical leverage it has provided for understanding policy continuities over time within countries and policy variation across countries. Working at the level of midrange theory, institutionalists have constructed important analytic bridges: between state-centered and society-centered analyses by looking at the institutional arrangements that structure relations between the two,[47] and between grand theories that highlight broad cross-national regularities and narrower accounts of particular national cases, by focusing on intermediate-level variables that illuminate sources of "variation on a common theme."[48]

Beyond these more well-known analytic bridges, institutional analysis also allows us to examine the relationship between political actors as objects and as agents of history. The institutions that are at the center of historical institutional analyses – from party systems to the structure of economic interests such as business associations – can shape and constrain political strategies in important ways, but they are themselves also the outcome (conscious or unintended) of deliberate political strategies, of political conflict, and of choice. As Bo Rothstein puts it in the next chapter, by focusing on these intermediate institutional features of political life, institutionalism provides the theoretical "bridge between 'men [who] make history' and the 'circumstances' under which they are able to do so."

Macro theories such as Marxism focus on the broad socioeconomic structures (class structure, for example), that define the parameters of policy-making at the broadest level. But these theories often obscure the nontrivial differences between different countries with the same broad structures, for example, differences in how capitalism is organized in Sweden and the United States. Moreover, even where they do address such differences, the kinds of explanations they produce (the "requirements of capital accumulation," for example) still point to the primacy of systems-level variables and downplay the role of political agency in explaining outcomes. But to the extent that we take seriously notions

of human agency as crucial to understanding political outcomes, we need to come to terms not just with political behavior as the dependent variable, influenced by these macro-socioeconomic structures, but as independent variables as well.

This brings us back to an important conceptual issue that we flagged at the beginning of this chapter concerning how broad a conceptual net to cast in defining institutions. Our definition emphasized intermediate-level institutions, such as party systems and the structure of economic interest groups like unions, that mediate between the behavior of individual political actors and national political outcomes. But couldn't more macrolevel structures – class structure, for example – also qualify as institutions? Clearly such structures can impose significant constraints on behavior.

We would argue that it is less useful to subsume such macro (systems-level) structures into the definition of institutions than it is to maintain a narrower focus and examine how these forces are mediated by the kinds of intermediate-level institutions we have cited. This does not mean that we cannot examine differences between capitalist and precapitalist or other socioeconomic systems; it only suggests a particular research strategy for doing so. Polanyi's work is in the spirit we would advocate. His analysis of the "great transformation" deals explicitly with the consequences of macrolevel changes in broad social and economic structures. But his examination of the causes and consequences of the shift to a market economy and what he calls a "market society" is anchored in an analysis of specific social and economic institutions (such as the Speenhamland system) in which battles over and within these broader forces are crystallized.

The focus on intermediate-level institutions that mediate the effects of macrolevel socioeconomic structures (like class) also provides greater analytic leverage to confront variation among capitalist countries. Class differences characterize all capitalist countries and as an analytic category can be applied to all of them. But if we want to understand differences in political behavior across these countries, what we really need to know is how and to what extent class differences figure into how groups and individuals in different capitalist countries define their goals and their relations to other actors. Arguably, class in this sense matters more in Sweden and Britain than in the United States. And we would argue that such differences in the salience of class to actual political behavior depends on the extent to which it is reinforced and reified through state and societal institutions – party competition, union structures, and the like.

In short, this focus on how macrostructures such as class are magnified or mitigated by intermediate-level institutions allows us to explore the effects of such overarching structures on political outcomes, but avoiding the structural determinism that often characterizes broader and more abstract Marxist, functionalist, and systems-theory approaches. Thus, another of the strengths of historical institutionalism is that it has carved out an important theoretical niche at the middle range that can help us integrate an understanding of general patterns

of political history with an explanation of the contingent nature of political and economic development, and especially the role of political agency, conflict, and choice, in shaping that development.

The emphasis in historical institutionalism on political agency and political choice *within* institutional constraints is also a characteristic of the "other" new institutionalism. But there are still important differences in the theoretical project that informs the work of historical institutionalists and rational choice institutionalists. Rational choice theorists work with what one might call a "universal tool kit" that can be applied in virtually any political setting.[49] The kind of deductive logical system that informs rational choice analysis has important strengths, parsimony first among them, but its characteristic weaknesses, such as those imposed by the highly restrictive assumptions that make this kind of analysis possible, are also well known.

In these characteristics – its "ruthless elegance" (Hall) and the deductive logic on which it is built – rational choice theory shares something with other deductive theories such as Waltz's "systems" theory of international relations and Marxist theory. Of course, rational choice theory is clearly at odds with the substance and many aspects of the methodology of traditional Marxist theory (especially the teleology of Marxism and the denial of individual agency which is so central to rational choice theory). But at a more abstract level, both are animated by a similar theoretical project premised on deduction from a limited number of theoretical assumptions and the application of a set of concepts that are held to be universally applicable (class for Marxists; rationality and interest maximization for rational choice theorists). Rational choice shares both the strengths and weaknesses of these previous attempts to build deductive theories to explain political outcomes.

Historical institutionalists lack the kind of universal tool kit and universally applicable concepts on which these more deductive theories are based. Rather than deducing hypotheses on the basis of global assumptions and prior to the analysis, historical institutionalists generally develop their hypotheses more inductively, in the course of interpreting the empirical material itself. The more inductive approach of historical institutionalists reflects a different approach to the study of politics that essentially rejects the idea that political behavior can be analyzed with the same techniques that may be useful in economics. Rational choice theorists criticize this as inelegant and atheoretical, and sometimes even dismiss it as storytelling. As can be readily imagined, we disagree, and would argue that since each approach has characteristic strengths and weaknesses that flow rather directly from their different assumptions and logics, it may be more fruitful to explore what they have to offer each other than to decide between the two once and for all.

To conclude, for all of their diversity, historical institutionalists share a common theoretical project and a common research strategy. The emphasis on institutions as patterned relations that lies at the core of an institutional approach does

not replace attention to other variables – the players, their interests and strategies, and the distribution of power among them. On the contrary, it puts these factors in context, showing how they relate to one another by drawing attention to the way political situations are structured. Institutions constrain and refract politics, but they are never the only cause of outcomes. Rather, as Hall points out, the institutionalist claim is that institutions structure political interactions and in this way affect political outcomes.

While many theories achieve elegance by pointing to particular variables that are alleged to be decisive (Marxism: class; pluralism: interest groups), institutional analyses focus on illuminating how different variables are linked. None of the contributions to this book proposes a simple, single-variable explanation. All demonstrate the relationships and interactions among a variety of variables in a way that reflects the complexity of real political situations. However, just as a particular institutional configuration gives structure to a given political situation, an institutional approach structures the *explanation* of political phenomena by providing a perspective for identifying how these different variables relate to one another. Thus, by placing the structuring factors at the center of the analysis, an institutional approach allows the theorist to capture the complexity of real political situations, but not at the expense of theoretical clarity. One of the great attractions and strengths of this approach is in how it strikes this balance between necessary complexity and desirable parsimony.

We have argued here that part of the initial appeal of the institutionalist approach to comparativists was that it offered a new angle through which to better understand policy continuities within countries and policy variation across countries. The chapters in this book go a step further, extending the logic of the institutionalist approach to build powerful explanations for variation in political behavior and outcomes *over time* as well as across countries, and a framework for understanding the sources and consequences of institutional change. We now turn to what we consider to be the crucial frontiers of this approach and to the contributions made by the authors in this book to those frontiers.

FRONTIERS OF HISTORICAL INSTITUTIONALISM

The essays in this book demonstrate the strengths of historical institutionalism as a general approach to comparative politics. In addition, however, they push at the frontiers of this approach to overcome some of the limits in its development to date. In particular, these essays confront a strong tendency toward "static" institutional analyses and, from various vantage points, all address the often neglected issue of dynamism in institutional analysis. Some chapters illustrate how the meaning and functions of institutions can change over time, producing new and sometimes unexpected outcomes. Other chapters are concerned with the political processes through which institutions themselves are created and continue to evolve. Finally, some of the chapters delve into the interaction of "idea-

tional innovation" and institutional constraints to illuminate distinctive patterns of policy innovation and change.

Until now, the strong focus on how institutional structure shapes politics has yielded compelling accounts of policy continuities within countries over time (see, for example, Shonfield, Skowronek) and differences in policy outcomes across countries (for example, Zysman, Hall, Steinmo). But precisely because institutionalism has proved so powerful in explaining different policy trajectories across countries, it often creates the impression that political outcomes can simply be "read off" the institutional configuration (see Chapter 2, by Colleen Dunlavy). Part of the reason, as John Ikenberry has pointed out, is that the emphasis on institutional constraints has meant that institutional approaches have often been better at explaining what is not possible in a given institutional context than what is.[50] What has been missing is more explicit theorizing on the reciprocal influence of institutional constraints and political strategies and, more broadly, on the interaction of ideas, interests, and institutions. The tendency in many existing analyses toward institutional determinism becomes clear when we consider two aspects of the literature to date: (1) the emphasis on analyzing "comparative statics" and (2) the relative underdevelopment of theories of institutional formation and change.

So far, historical institutionalism has been especially helpful in illuminating cross-national differences and the persistence of patterns or policies over time within individual countries. Cross-national studies in the new institutionalism tend toward the study of comparative statics; that is, they explain different policy outcomes in different countries with reference to their respective (stable) institutional configurations. But such argumentation invites a kind of institutional determinism. We can illustrate this critique by focusing on a recent essay by none other than one of the authors of this introduction.[51] Sven Steinmo's analysis is concerned with the way political institutions have shaped tax policy in the United States, the United Kingdom, and Sweden. He demonstrates how the electoral and constitutional structures, combined with the structure of economic interest organizations in these three countries have led rational actors (elected officials, interest-group elites, and bureaucrats) in each case to make quite different policy choices, which have in turn produced different policy outcomes. The preferences, strategies, and relative power of the relevant actors are defined by the institutional context in which the political game is played. The result is quite different taxation systems and very different (and unexpected) distributions of effective tax burdens.

Steinmo's analysis provides a compelling explanation for significant cross-national differences in tax policy, but his framework is not well suited to deal with the question of change. First, while it is empirically true that these three tax systems have undergone considerable transformations over the past several decades, Steinmo's analysis obscures changes within individual countries over time. Second, and related to this, the argument can create the impression that domestic

political institutions are the only variables that matter in determining tax-policy outcomes, and that no other outcomes were possible given these institutional constraints. Such an argument highlights the thin line that institutionalists often walk between institutional constraints and institutional determinism.[52]

The relative underdevelopment of explicit theorizing about the reciprocal influence of institutions and politics is also clear when one considers the question of institutional formation and change. Although arguably one of the most important issues in comparative politics, this issue has received relatively little attention in most of the literature to date. Again, one reason for this deficit is that institutionalists generally focus on constraints and offer explanations of continuity rather than change.

Up to this point perhaps the most explicit model of institutional change in the literature is Stephen Krasner's model of "punctuated equilibrium."[53] This model appears to enjoy rather widespread acceptance among institutionalists.[54] Briefly, Krasner's model posits that institutions are characterized by long periods of stability, periodically "punctuated" by crises that bring about relatively abrupt institutional change, after which institutional stasis again sets in. Institutional arrangements help explain policy outcomes during periods of institutional stability, since these arrangements structure political conflicts in distinctive ways. In Krasner's version, institutional crises usually emanate from changes in the external environment. Such crises can cause the breakdown of the old institutions, and this breakdown precipitates intense political conflict over the shape of the new institutional arrangements.

The punctuated equilibrium model suggests a very elegant and powerful theory of institutional change. It is entirely appropriate that this model emphasizes the "stickiness" of historically evolved institutional arrangements. After all, if institutions simply respond to changes in the balance of power in society around them, then, as Krasner points out, they are epiphenomenal and we should be studying the forces that affect them. Institutionalists can scarcely take issue with this fundamental point.

But beyond this central observation, the "punctuated equilibrium" metaphor involves broader assumptions that warrant closer scrutiny. The problem with this model is that institutions explain everything until they explain nothing. Institutions are an independent variable and explain political outcomes in periods of stability, but when they break down, they become the dependent variable, whose shape is determined by the political conflicts that such institutional breakdown unleashes. Put somewhat differently, at the moment of institutional breakdown, the logic of the argument is reversed from "Institutions shape politics" to "Politics shape institutions."[55] Conceiving of the relationship in this way, however, obscures the dynamic interaction of political strategies and institutional constraints. A more dynamic model is needed to capture the interplay of the two variables over time.

Institutional dynamism

We have argued that the critical inadequacy of institutional analysis to date has been a tendency toward mechanical, static accounts that largely bracket the issue of change and sometimes lapse inadvertently into institutional determinism. The chapters in this book significantly extend institutional analysis by explicitly addressing the sources of what we will call "institutional dynamism." They do so by examining the interaction of institutions and political processes both across countries and over time. They not only look at how institutions mediate and filter politics but turn the question around to demonstrate how the impact of institutions is itself mediated by the broader political context. In short, all of them go beyond comparative statics to explore the political conditions under which particular institutions have specific consequences, and several of them also deal explicitly with the issue of institutional formation and change.

We can identify four distinct sources of institutional dynamism, by which we mean situations in which we can observe variability in the impact of institutions over time but within countries. These sources of change are often empirically intertwined, but it is useful to separate them analytically for purposes of exposition.

First, broad changes in the socioeconomic or political context can produce a situation in which previously latent institutions suddenly become salient, with implications for political outcomes.[56] For instance, the European Court of Justice has until very recently played a rather minor role in European politics, until the political events surrounding the Single European Act suddenly transformed the institution into an increasingly important locus of conflict and cooperation among the states in Europe.[57]

Second, changes in the socioeconomic context or political balance of power can produce a situation in which old institutions are put in the service of different ends, as new actors come into play who pursue their (new) goals through existing institutions. A classic example of an old institution being harnessed to new ends can be found in the system of job classifications in U.S. industrial relations. Job classifications were introduced by some large employers in the 1920s (prior to widespread unionization) as the basis for incentive systems in which foremen could reward workers for their industry or cooperation by shifting them to better jobs within the plant hierarchy. However, as unions grew in the 1930s and 1940s, they were able to capitalize on the power they gained due to changing political and labor-market conditions and to attach a number of conditions to personnel moves within the plant. They did so among other things by attaching to the job classifications rules regarding transfers and the content of individual jobs. Over time, this process through which union rights became attached to job classifications ultimately turned the logic of the system on its head: from a system of management control to one of union control.[58]

Third, exogenous changes can produce a shift in the goals or strategies being pursued within existing institutions – that is, changes in outcomes as old actors adopt new goals within the old institutions. An illustration comes out of the literature on the "crisis" of Fordism.[59] A number of authors have argued that certain features of the American political economy – notably the structure of the state and the U.S. model of the multidivisional (and often, multinational) corporation – were ideally suited for an international trade regime premised on international liberalism and mass production. But in the 1970s and 1980s, the decline of the free trade regime and the crisis of Fordism and mass production called for new, more "flexible" strategies. As capitalists moved to adapt to the new political and economic context, the very same institutions produced dramatically different results. Rather than guaranteeing the continued competitiveness of American industry, these institutions are seen as a major impediment to it under conditions in which markets are more volatile and competitiveness hinges on factors other than simply economies of scale.

These first three sources of dynamism in fact describe situations in which the very same institutions can produce different outcomes over time. But of course a fourth source of dynamism can occur when political actors adjust their strategies to accommodate changes in the institutions themselves. This can occur in moments of dramatic change (institutional breakdown or institutional formation of the sort that Krasner's model of punctuated equilibrium highlights), but it can also be the result of more piecemeal change resulting from specific political battles or ongoing strategic maneuvering within institutional constraints. The latter possibility is documented, for example, in Kathleen Thelen's study of the development of Germany's "dual system" of labor relations.[60] Thelen elaborates a model of "dynamic constraints" that differs from the punctuated equilibrium model in two important respects. First, it emphasizes that institutional breakdown is not the only source of institutional change (and that it is not just in moments of institutional breakdown that political strategies matter). Strategic maneuvering by political actors and conflict among them within institutional constraints (also short of crisis) can influence the institutional parameters within which their interactions occur. Second, while the external pressures that are central to the punctuated equilibrium model are important, the dynamic constraints model focuses more on maneuvering *within* the institutions in response to these external events. Groups and individuals are not merely spectators as conditions change to favor or penalize them in the political balance of power, but rather strategic actors capable of acting on "openings" provided by such shifting contextual conditions in order to defend or enhance their own positions. In short, Thelen's analysis illustrates a pattern in which changes in the meaning and functioning of institutions (associated with broader socioeconomic and political shifts) set in motion political struggles within but also over those institutions that in fact drive their development forward.

The following chapters of this book provide illustrations of many of these points. All of them speak not only to issues of institutional constraints, but also

to questions of institutional dynamism. The vantage point adopted by each author varies, but the essays cluster around three general themes into which we can organize them for purposes of introduction. First, we examine sources of policy change under stable institutional arrangements. Here we ask the question, "How can we explain policy change if institutions remain (relatively) stable?" We turn next to the issue of institutional change itself. How and under what conditions do institutions themselves become the object of change? Finally, we explore the dynamic interaction between political institutions and political ideas to explain how ideational innovation within particular institutional constraints can produce policy change.

Policy change within stable institutions

Political institutions do not operate in a vacuum. But as we have suggested, there has not been a great deal of explicit theorizing about the ways in which institutions themselves interact with the broader socioeconomic context in which they operate. Several essays in this book take significant strides in this direction. Many institutionalist scholars have shown that institutions tend to remain "sticky" even when the political or economic conditions in which they exist have changed dramatically. But the implication of this line of analysis has generally been that institutions tend to have constant or continuous effects even while the world changes around them.[61] We take a different view. As several of the essays in this book illustrate, institutions themselves may be resistant to change, but their impact on political outcomes can change over time in subtle ways in response to shifts in the broader socioeconomic or political context.

Two of the chapters in this book provide excellent examples of how the meaning and functioning of institutions can be transformed by changes in the socioeconomic context or political balance of power. Chapter 6, by Victoria Hattam, best illustrates the first source of institutional dynamism described earlier, how a shift in the socioeconomic or political context can cause certain previously latent institutions to become salient; Chapter 5, by Colleen Dunlavy, echoes this conclusion and provides an analytic bridge to the second point, the emergence of new actors pursuing new goals through existing institutions.

In her analysis of nineteenth-century working-class politics, Hattam addresses the puzzle of why the British and American labor movements took off in very different directions in the late nineteenth century. She demonstrates how the strategies of the two union movements were closely parallel until that point, before diverging sharply as the Americans retreated from politics into an increasing focus on the industrial realm to pursue working-class goals through "business unionism." Hattam solves the puzzle of sharp strategic divergence between the two labor movements by examining the political and institutional landscape that organized labor faced in its formative years in the two countries.

She shows that so long as workers defined themselves as producers rather than

laborers, British and American political institutions seemed equally open. But in the late nineteenth century, when workers turned their attention to securing rights to collective action as workers, the role of the courts in the two countries, which had previously not been an important part of workers' institutional context, suddenly became so. In that moment, significant differences in the relationship between the legislature and the courts (previously present but latent, as it were) channeled conflicts in very different ways. In both countries, unions won significant legislation protecting their rights to organize workers and press their claims on employers. In Britain, where the judiciary is clearly subordinate to parliament, the courts upheld the spirit of these new laws, and the labor movement learned that its political lobbying could result in very tangible benefits. In the United States, in contrast, the courts enjoyed more autonomy and continued to hand down conservative rulings in spite of similar legislation. This experience reinforced a very different lesson about what labor could expect to gain through political action; organized labor's retreat from politics was a pragmatic response to repeated experiences in which legislative victories were rendered meaningless by subsequent court actions.

In sum, Hattam's argument highlights how social and political realignments (as wage earners began to organize as members of a distinct working class) led to the sudden salience of the courts as an arena of conflict. The institutional context did not change; rather, the power and autonomy of American courts was simply revealed as the goals of workers shifted. Latent institutions became salient, which accounts for why English and American labor's strategies diverged in the last part of the nineteenth century and not before.

Colleen Dunlavy's analysis of public infrastructure development in nineteenth-century Prussia and America dovetails theoretically with Hattam's, and also provides an analytical bridge to the second source of dynamism discussed earlier, namely the emergence of new actors who pursue their new goals through existing institutions. Contrary to popular conceptions that contrast Germany's "strong and interventionist" state with the United States' "weak and noninterventionist" state, Dunlavy shows how until the 1840s, it was the latter that was both more active and successful in regulating railroads, a key vehicle for industrialization. Not the federal government, but rather state governments were the main actors, actively promoting but also successfully regulating the nascent railroad industry in the United States. The relative openness of American political institutions (especially state legislatures) allowed railroad capitalists their say in policy, but it also served as a point of access for other interests who were able to impose certain restrictions on railroad development. Political liberalism in this sense brought with it a degree of economic illiberalism, in the form of state intervention and regulation.

However, as Dunlavy shows, this outcome obtained only so long as the task faced by the American government was regulating railroads on a fairly small scale. By the mid-nineteenth century, railroad development itself outgrew the

regulatory framework and capacities of the individual American states. As railroads increasingly crossed state boundaries, railroad regulation became a problem of national rather than state regulation. With this shift, the fragmented authority of national institutions (federalism, but also the separation of powers) came into play, offering capitalists ways to avoid regulation (in Dunlavy's terms, "escape routes"), among other things by playing authorities in different states off against one another.

Although the empirical cases are quite different, the theoretical parallels between Hattam's and Dunlavy's analyses are clear. In Dunlavy's case, federal institutions gained new salience for railroad regulation as the industry grew beyond state bounds. In addition, however, Dunlavy emphasizes that the shift from the state to the federal level as the primary arena of conflict was not simply the logical culmination of the growth of the industry itself. She also stresses how railroad development helped to create a new group of political actors, large-scale industrial capitalists whose economic activities spanned state boundaries and who could pursue their goals by actively playing the full range of institutions at all levels (indeed, sometimes pitting them against each other). This new class of entrepreneurs (of which the great robber barons of the railroad industry are only one part) orchestrated the shift to the national level, for example, as they sought to extract more favorable outcomes from federal courts in their efforts to escape regulation at the state level.

Ellen Immergut's theory of shifting veto points (in Chapter 3) is compatible with the kind of analysis suggested by Hattam and Dunlavy. Indeed, one might recast their arguments in terms of Immergut's language to show how in both cases new veto points emerged as a result of changes in exogenous conditions. In the case Hattam examines, the changing goals of workers played a role in shifting the arena of conflict to the courts, which provided a new veto point for opponents of labor organization in the United States, though not in Britain. In the case Dunlavy presents, it was the growth of the railroads themselves that helped shift the arena to the national level, opening new veto points for U.S. capitalists to fend off regulation. The Prussian story is the "mirror image" of the United States: There similar developments had the consequence of closing certain veto points that Prussian capitalists had been able to exploit before the 1850s, which in turn allowed the Prussian government to impose more restrictions on their activities.

In sum, by viewing the institutional landscape as a whole, these studies highlight important and often neglected sources of dynamism. They pose a challenge to more static institutional analyses that imply that political outcomes can be read off the institutional map, by illustrating how the meaning and functioning of institutions are shaped by features of the socioeconomic and political context in which they are embedded.

Institutions as objects of change

Another dimension of institutional dynamism, in some ways the most obvious, concerns the question of institutional change itself. Some authors have been concerned to illuminate how institutions themselves become the object of contention, and to show how institutional change results from deliberate political strategies to transform structural parameters in order to win long-term political advantage. Others have explored related questions of more gradual institutional evolution and change, often emerging as unintended consequences of political battles fought over other issues.

Bo Rothstein's analysis of unemployment insurance systems, in Chapter 2, focuses on one particularly significant set of institutional choices that were explicitly designed to have longer-term policy impacts. Rothstein demonstrates that labor's long-term organizational strength is more firmly anchored in countries that adopted union-administered unemployment insurance schemes (the so-called Ghent system) rather than universal compulsory unemployment systems. His analysis provides a very elegant explanation for why some countries are more unionized than others.

Beyond this, however, Rothstein also makes an important theoretical contribution to our understanding of institutional formation and change. By tracing the development of the Ghent system he is able to show how "at certain moments in history . . . institutions are created with the object of giving the agent (or the interests the agent wants to further) an advantage in the future game of power." In the case of Sweden, conscious political strategies produced a system that ensured high organization levels and union power to control critical aspects of the labor market. While not optimal in the short run (and indeed despite an initially rather cool reception to the Ghent system by the unions), inspired political leadership by the Social Democratic leader Gustav Möller gave the unions an organizational advantage that entrenched their power in the long run.

Rothstein shows that in other countries either labor could not implement the system of its choice, or in some cases even where it could have, labor leaders apparently did not see the strategic advantages of the Ghent system. Rothstein thus explicitly allows for the possibility of mistaken strategies or "wrong choices." His shadow cases (outside Sweden) show that the consequence of piecemeal decisions and less inspired leadership was that these labor movements ended up with insurance schemes that did not anchor labor unions as firmly as in Sweden. Thus, while Rothstein agrees with some rational choice theorists in viewing institutions as the product of deliberate political strategies, his analysis of unintended consequences outside of Sweden also emphasizes how behaving "rationally" is not so straightforward. Where actors hold conflicting preferences, and where it is not clear to them which goals to maximize (short- or long-term) or how best to pursue their interests, other factors – such as leadership – appear to play a key role in defining goals and how to pursue them.

Immergut's analysis of health care policy in France, Switzerland, and Sweden demonstrates just how important the unintended effects of institutional structure and change can be for policy-making. In Immergut's analysis, a nation's electoral rules and constitutional structure provide the institutional "rules of the game" in which subsequent political battles are fought. She demonstrates convincingly how quite different national health systems developed in France, Switzerland, and Sweden because different institutional configurations provided different "veto points" for competing interests as each country attempted to reform the financing and delivery of medical care. "By making some courses of action more difficult, and facilitating others," she argues, "the institutions redefined the political alternatives and changed the array of relevant actors. The institutions, in other words, established a strategic context for the actions of these political actors that changed the outcome of specific policy conflicts."

Immergut makes a clear distinction, however, between "political actors and their strategies" on the one hand, and the institutional framework in which action takes place on the other. As she points out, institutions are most certainly created and changed in struggles for political power. But, she suggests, those who participated in institutional design are not necessarily the same individuals who engage in later policy struggles. She implies that the long-term policy impact of particular institutional changes is unknown or at least highly uncertain. Indeed, as she shows in the case of Sweden, constitutional reforms designed to protect the interests of Conservatives at the turn of the century in fact had the effect of insulating and entrenching Social Democratic governments and, in the area of health care, providing medical interests fewer veto points through which they could block national health insurance reforms.

In sum, people fight about both institutions and policy outcomes. Battles over institutions are important precisely because broad policy paths can follow from institutional choices. Each of these authors demonstrates how the existence of certain institutional structures shapes subsequent policy battles. In addition, these analyses provide us with important insights into the politics of institutional design and change. Rothstein devotes special attention to the Swedish case because it in fact deviates from what appears to be a broader pattern that corroborates March and Olsen's argument that

> institutional change rarely satisfies the prior intentions of those who initiate it. Change cannot be controlled precisely. . . . [Moreover] understanding the transformation of political institutions requires recognizing that there are frequently multiple, not necessarily consistent, intentions, that intentions are often ambiguous, that intentions are part of a system of values, goals, and attitudes that embeds intention in a structure of other beliefs and aspirations.[62]

Ideational innovation in institutional constraints

The chapters by Peter Hall, Desmond King, and Margaret Weir all speak to a third theme and source of dynamism in institutional analysis by explicitly exploring the relationship between new policy ideas and the institutional configuration that mediates between such ideas and specific policy outcomes. They offer an important alternative to more abstract treatments of the realm of ideology or public philosophy that reify the concepts and obscure the concrete processes through which certain ideas (and not others) come to dominate political discourse. Rather than bracketing the realm of ideas, or treating ideas and material interests as separate and unrelated variables (or as competing explanatory factors), they explore how the two interact within specified institutional contexts to produce policy change.

In Chapter 4 Peter Hall explores the development of monetarist ideas in the United Kingdom, arguing that what has really occurred since the mid-1970s is a shift between two competing "policy paradigms," each deeply rooted in very different ideas about how the economy works. Understanding both the timing and source of the shift from Keynesianism to monetarism, he argues, requires an examination of how the institutional structure of British politics mediated conflicting interests and structured the flow of ideas in the 1970s and 1980s. While the Heath government had proposed many specific policies of a monetarist tone in the early 1970s, the deep entrenchment of Keynesian ideas, especially in the powerful and autonomous Treasury, and the lack of a fully articulated alternative policy paradigm with which to confront and resist these entrenched ideas prevented the prime minister from accomplishing a full shift in policy.

By the time Margaret Thatcher came to power, however, the possibilities for policy innovation looked very different. Changes in the socioeconomic balance of power, especially the waning strength of the unions, had eroded important sources of support for Keynesianism. At the same time, institutions that reflected but also reinforced the growing power and cohesion of financial markets (including newly founded economic institutes and the media) came to play an increasingly important role in policy discourse, all the more so because they represented what in the meantime had developed into an increasingly coherent alternative policy paradigm. Thatcher was able to draw on growing support from key actors in the City, universities, and the media, to fashion a new coalition premised on a now fully articulated monetarist alternative to Labour's failed policies and to effect a radical break with the entire policy paradigm on which they had been premised. Moreover, the structure of government facilitated this full-scale shift. The high degree of power and autonomy available to reigning governments in the British parliamentary system enabled Thatcher to bring about policy switches that would have been far more difficult in more decentralized decision-making systems. In short, the structure of British political institutions helps Hall explain why new ideas were sought, the process by which new ideas were filtered and cultivated, and ultimately why certain ideas and interests (and not others) prevailed when they did.

By tracing the interaction of institutions, ideas, and interests, Hall confronts a widespread characterization of institutions as biased toward policy continuity or

even posing obstacles to change, and he explores the idea that some institutions may facilitate rather than impede policy change. His analysis thus forces us to rethink some of our assumptions about institutions. We tend to think of institutions as bureaucracies that are conservative and biased toward continuity. But as Hall points out, some institutional structures may establish a dynamic tension that inspires creativity and encourages innovation. In Britain the combination of two-party competition (which gives parties a "structural interest in product differentiation and incentive to initiate changes" to garner electoral support) and responsible cabinet government (which allows governments great power to implement their programs) provided the institutional parameters that enabled Thatcher to implement more thoroughgoing reforms than her conservative counterparts in many other countries.

Desmond King's comparative analysis of the adoption of work–welfare programs in the United States and Britain, in Chapter 8, drives home these basic points. For King, much like Hall, the institutional structures define the channels and mechanisms by which new ideas are translated into policy. As King puts it, "Ideas must be translated into language and slogans appropriate for political decision-making, a process that often results in metamorphosis of the original notions. Parties and elected state officials play a crucial role in this 'translation'." King's analysis shows how New Right ideas linking welfare to work requirements traversed two different institutional routes to power in the United States and Britain. In the United States, changes in federal policies (especially Reagan's "New Federalism" initiatives in the early 1980s) pushed policy-making in the area of welfare and training programs toward the state level. This shift set the stage for state governments to emerge later as important actors in the move to reform federal policy concerning unemployment, especially as particular state programs became important models for national reform. However, the approach and ideas such programs represented were compromised in their journey through the national policy-making process. In particular, Reagan was able to use the power of the office of the president to interpret the successes of these programs in a way that recast them in terms of the New Right approach to poverty, toward which the president himself tended. In addition, the institutional power of the president (especially veto power) forced compromises at the drafting phases that led to the incorporation of work requirements for welfare benefits that had been absent in many of the state programs after which the federal legislation had been modeled.

King shows why political parties were institutionally better positioned in Britain than in the United States to play the role of initiator of policy change in work–welfare programs. In Britain New Right ideas and indeed explicit imitation of the American model entered the political arena through the Conservative Party and made their way through the legislative process relatively unscathed. In the absence of checks on central government policy-making that constrain U.S. policy-makers (federalism and the separation of powers), Thatcher – borrowing

ideas from Reagan – was able to bring about a more fundamental break with prevailing policy ideas rooted in the tradition of a separation of welfare from labor-market policies, and even to successfully restructure existing institutions (such as the Manpower Services Commission) that stood in the way of the policy shift she sought.

In short, King's two cases demonstrate different institutional channels for policy innovation in Britain and the United States. Beyond this, however, his analysis shows how the institutional labyrinth can affect the content of new ideas, diluting them in the United States through the need to forge compromise in the context of fragmented national authority, and magnifying them in Britain, where similar compromise was unnecessary because of greater centralization in policy initiation and legislation. Like Hall's analysis, King's study thus shows how "institutions shape the absorption and diffusion of policy ideas." For both authors the specific mechanisms for integrating or adopting new ideas into the political arena are critical in shaping the interpretation and meaning behind those ideas.

Margaret Weir (Chapter 7) also explores the dynamic relationship between ideas and political institutions, in this case to illuminate how the structure of the American state led to a narrowing of the possibilities for policy innovation in the area of employment policy from the 1930s through the 1980s. As she puts it, "Central to this narrowing was the creation of institutions whose existence channeled the flow of ideas, created incentives for political actors, and helped determine the meaning of policy choices." "Bounded innovation" is Weir's description of the process through which particular institutional arrangements "created opportunities for some kinds of innovation [but also] set boundaries on the types of innovation possible." The fragmentation of American political institutions make the U.S. government relatively open to a wide range of policy innovations. Keynesian ideas first developed "on the outskirts" of the political mainstream, but when these ideas were picked up by key presidential advisers, and when Franklin Roosevelt put the power of the presidency behind them, the United States became a leader in social Keynesianism. However, these ideas proved difficult to institutionalize in the American context. The same fragmentation of national policy made it easy for opponents to mobilize opposition, which forced innovators to rely on short-term coalitions and to pursue innovation through existing channels rather than recast the institutions themselves.

The compromises that were necessary to implement Keynesianism in turn left an imprint on the form it assumed and channeled subsequent policy debates along particular paths. For example, one of the legacies of the postwar conflicts over the implementation of Keynesianism in the American context was an institutionally anchored division between social and economic policy that made it difficult to forge a conceptual and policy link between the two later. Indeed, other programs, such as Lyndon Johnson's War on Poverty in the 1960s not only reflected but reinforced these divisions. And when this program "intersected unexpect-

edly'' with subsequent events – in particular the racial tensions of the 1960s – policy-makers again sought to channel answers to new questions through existing institutions. Weir shows how the racial focus assumed by the War on Poverty program shaped its political fate. In short, innovators' reliance on short-term coalitions ultimately undermined future possibilities for forging the kinds of coalitions that would have been necessary to reorient American policy toward the unemployed in a more fundamental way, and especially threw up impediments to creating the institutional foundation that would have been necessary to anchor these new conceptions. This absence of strong institutional moorings meant that the programmatic ideas behind social Keynesianism were difficult to sustain over time; ultimately the failure to institutionalize these ideas made it difficult to defend government action when it came under attack by proponents of market-oriented approaches to employment policy in the 1970s.

CONCLUSION

We close this essay with some observations about where we see the theoretical insights offered by historical institutionalists leading, and what this suggests in terms of a future theoretical and methodological agenda in the study of comparative politics and comparative political economy.

The field of comparative politics has long suffered a dilemma. The ''scientific revolution'' in political science inspired comparativists to search for continuing patterns of politics across nations and over time and to set these down in a limited number of propositions which could be systematically tested. Przeworski and Teune are very explicit about the core premise of comparative analysis in *The Logic of Comparative Social Inquiry*, which states that, ''The pivotal assumption of this analysis is that social science research, including comparative inquiry, should and can lead to general statements about social phenomena. This assumption implies that human and social behavior can be explained in terms of general laws established by observation.''[63]

At the same time, however, there has also been an enduring skepticism among many scholars of an overemphasis on science in the study of comparative politics. The suspicion here is that in modeling themselves on the physical sciences, political scientists are inviting reductionism and ignoring the inherent complexity of human political action in favor of elegant but unrealistic laws. Many comparativists would agree with Gabriel Almond when he argues: ''Social scientists who – for whatever philosophical or methodological reasons . . . view human behavior as simply reactive and consequently susceptible to the same explanatory logic as 'clocklike' natural phenomena are trying to fashion a science based on empirically falsified presuppositions.''[64] What distinguishes social and political from natural phenomena is that humans can and do consciously affect the environment in which they operate. This element of agency and choice does more than add analytic complexity; it also suggests that the premises of analysis are

different from those of natural science, in that ''a simple search for regularities and lawful relationships among variables – a strategy that has led to tremendous successes in the physical sciences – will not explain social outcomes, but only some of the conditions affecting those outcomes.''[65]

There are two issues suggested here for the role of institutional analysis within the logic of more refined comparative political inquiry. First, because humans shape the constraints in which they interact through institutional choice and design, it is especially compelling to look at these moments of institutional change. Conflicts over institutions lay bare interests and power relations, and their outcomes not only reflect but magnify and reinforce the interests of the winners, since broad policy trajectories can follow from institutional choices. Without taking away from the scientific interest in the regularities, then, political scientists legitimately can and should be particularly interested in moments of institutional choice and change. In this view, political evolution is a path or branching process and the study of the points of departure from established patterns (''critical junctures'' of institutional choice) becomes essential to a broader understanding of political history. The authors in this book illustrate the benefits of this approach. Each of these essays pushes well beyond the insight that ''Policies create politics'' (Heclo) and goes on to demonstrate how specific institutional arrangements structure particular kinds of politics. They present powerful institutional explanations that go a long way toward helping us understand not just the choice of particular policies adopted in various nations, but also sources of historical divergence and the more general paths that different countries have followed.

Second, as several authors in this book suggest, institutional choices can shape people's ideas, attitudes, and even preferences. In this view, institutional change is important not only because it alters the constraints in which actors make strategic choices but ultimately because it can reshape the very goals and ideas that animate political action. What makes political evolution different from physical evolution is that the former is influenced by the intentions of its subjects. The book's essays capture the dynamic interplay of humans both as agents and subjects of historical change. In each of these analyses political institutions directly affected political choices, but in no case does the author argue that state or societal structures are the only things that matter. Instead, each offers a sophisticated explanation of the way in which factors such as conceptions of class, public philosophies, historical contexts, and elite and public preferences intersect with institutional structures to produce particular policy outcomes. These outcomes, then, themselves become the arenas of future political and institutional struggles in which, as Weir puts it, ''ideas and interests develop and institutions and strategies adapt'' (Chapter 7). In addition, many of these essays also provide clues into the conditions under which both institutional and ideational innovation is possible.

To conclude, historical institutionalists have carved out an important theoret-

ical niche at the middle range that explicitly focuses on intermediate variables in order to integrate an understanding of general patterns of political history with an explanation of the contingent nature of political and economic development. As an alternative to broad and often abstract Marxist, functionalist, and systems theory approaches, historical institutionalism provides an approach to the study of politics and public policy that is sensitive to persistent cross-national differences. As a corrective to narrow interest-group theories, the institutionalist perspective illuminates how historically evolved structures channel political battles in distinctive ways on a more enduring basis. And most important, by focusing on institutions that are the product of political conflict and choice but which at the same time constrain and shape political strategies and behaviors, historical institutionalism provides a framework for directly confronting the central question of choice and constraint in understanding political life.

NOTES

1 James March and Johan Olsen, *Rediscovering Institutions* (New York: Free Press, 1989); see also James March and Johan Olsen, "The New Institutionalism: Organizational Factors in Political Life," *American Political Science Review* 78, no. 3 (Sept. 1984):734–49.

2 Peter Hall, *Governing the Economy: The Politics of State Intervention in Britain and France* (New York: Oxford University Press, 1986); David Bachman, *Bureaucracy, Economy, and Leadership in China: The Institutional Origins of the Great Leap Forward* (Cambridge: Cambridge University Press, 1991).

3 The kind of analysis these authors have undertaken differs in important ways from another variant of new institutionalism that builds on rational choice theory. See, for example, Douglass C. North, *Institutions, Institutional Change, and Economic Performance* (Cambridge: Cambridge University Press, 1990); Margaret Levi, *Of Rule and Revenue* (Berkeley: University of California Press, 1988); Robert H. Bates, *Beyond the Miracle of the Market: The Political Economy of Agrarian Development in Rural Kenya* (Cambridge: Cambridge University Press, 1989); and the entire Cambridge University Press series edited by James Alt and Douglass North, The Political Economy of Institutions and Decisions. We will address points of divergence and convergence between the two variants as a secondary theme in this introductory chapter, though this book focuses primarily on the non–rational choice variant.

4 We borrow the term "historical institutionalism" from Theda Skocpol, to distinguish this variant of institutionalism from the alternative, rational choice variant.

5 Including Marx, Weber, Veblen, and Polanyi, among others.

6 G. John Ikenberry, "Conclusion: An Institutional Approach to American Foreign Economic Policy," in G. John Ikenberry, David A. Lake, and Michael Mastanduno, eds., *The State and American Foreign Economic Policy* (Ithaca, N.Y.: Cornell University Press, 1988), pp. 222–3.

7 Hall, *Governing the Economy*, p. 19. On its face, and at this rather abstract definitional level, Hall's definition is not very different from definitions used by some rational choice theorists. Douglass North, for example, defines institutions to include "any form of constraint that human beings devise to shape human interaction." He includes both formal constraints "such as rules" and informal constraints "such as conventions and codes of behavior." See Douglass C. North, *Institutions, Institutional Change,*

and Economic Performance (Cambridge: Cambridge University Press, 1990), p. 4. Where historical institutionalism and rational choice diverge more sharply is on the question of how institutions affect political behavior and where institutions come from. We return to these points later in the chapter.

8 Ikenberry, "Conclusion," p. 226.

9 For example, we ourselves are in full agreement with Ikenberry's first two levels of institutions, but somewhat more skeptical about whether the third, the "normative order defining relations between state and society" should be included. While norms that define the "legitimacy and illegitimacy of alternative types of policy" (p. 227) may pose constraints on behavior, these are not necessarily *institutional* constraints. Because most institutionalists readily admit that institutions cannot explain everything, there would seem to be great analytic advantage to casting a somewhat narrower definitional net and focusing on the question of how institutions interact with these other causal variables. Several of the essays in this volume pursue this strategy, focusing on the often blurred relationship between ideas and institutions.

10 And of course this list is not exhaustive.

11 We will return to this issue below, offering our own view of how broadly the institutional net should be cast.

12 Hall, *Governing the Economy*, p. 19.

13 Nelson Polsby.

14 For the best single review of the history of the discipline up to the 1960s see Harry Eckstein, "A Perspective on Comparative Politics, Past, Present and Future," in H. Eckstein and D. Apter, *Comparative Politics* (New York: The Free Press, 1963), pp. 3–32. See also Sidney Verba, "Some Dilemmas in Comparative Research," *World Politics* 20 (Oct. 1967):111–27. For another review of the development of the field from this perspective, see James Bill and Robert Hardgrave, *Comparative Politics: The Quest for Theory* (Columbus: Charles Merrill, 1973).

15 See, for example, Daniel Bell's *The End of Ideology* (New York: Free Press, 1965).

16 This applies to much of the literature associated with "modernization" theory of the 1960s.

17 And of course everyone can think of specific literatures that continued to look explicitly at the impact of different institutional arrangements on political outcomes. The literature on political parties is an important example.

18 See *Pressure Group Politics* (Stanford, Calif.: Stanford University Press, 1960), p. 8; or, for example, E. E. Schattschneider, *The Semi-Sovereign People* (New York: Holt Reinhart, 1960). Even David Truman's classic pluralist analysis *The Governmental Process* (New York: Knopf, 1951) contains oblique references that his analysis is set in an American institutional context. He does not, however, elaborate or make this point explicit, and instead falls into the classic pluralist trap that *assumes* a particular institutional structure and builds an entire model of politics based on behavior within these institutions.

19 Reinhard Bendix, "Tradition and Modernity Reconsidered" in Reinhard Bendix, *Nation-Building and Citizenship* (Berkeley: University of California Press, 1977). See also his introduction to *State and Society* (Berkeley: University of California Press, 1973), in which he criticizes those theorists who neglect the "formal" aspects of society and focus only on "informal interactions" among actors: "We, on the other hand, hold that social life is structured – not exclusively of course, but structured nonetheless – by just those formal institutional mechanisms. To disregard such structures at least implies the belief that social life is essentially amorphous. This does not mean that institutions work as they are intended to work; it does mean that they have an effect" (p. 11).

20 From a different perspective, Marxist theorists in the 1970s were coming to comple-

mentary conclusions as they began to pay closer attention to state structures and the ways these interacted with class interests in liberal democracies. Marxist theorists of the state were still primarily interested in how the same general "requirements of capital accumulation" were met in different settings, but the thrust of the analysis – focusing on how different institutions mediated class relations differently – also provided early insights into persistent differences across the advanced capitalist countries. See Hall's discussion of their contribution in *Governing the Economy* (p. 18).

21 Structural functionalists certainly were, but institutions also figure in the work of some behavioralists.

22 Shepsle, "Institutional Equilibrium and Equilibrium Institutions," in Herbert Weisberg, ed., *Political Science: The Science of Politics* (New York: Agathon Press, 1986), p. 52.

23 This is exactly what Eckstein meant when he criticized pluralists for implying that pressure group politics were fought on a "clean slate" (see Eckstein, *Pressure Group Politics*, p. 8). For another such critique in its time, see Schattschneider, *The Semi-Sovereign People*. See also Chapter 3, by Ellen Immergut, in this volume.

24 And even before that, the student rebellions and worker unrest of the late 1960s put an end to the belief in the "end of ideology."

25 In one of the most important early contributions to new institutionalism in comparative politics, this is exactly how Katzenstein frames his empirical and theoretical agenda. See his introduction to *Between Power and Plenty* (Madison: University of Wisconsin, 1978). See also Peter Gourevitch, *Politics in Hard Times* (Ithaca, N.Y.: Cornell University Press, 1986); Suzanne Berger, ed., *Organizing Interests in Western Europe* (Cambridge: Cambridge University Press, 1981); Philippe Schmitter, "Modes of Interest Intermediation and Models of Societal Change in Western Europe," *Comparative Political Studies* 10, no. 1 (April 1977):7–38; and other corporatism theorists.

26 Katzenstein's sophisticated analysis explains cross-national variation in both policy objectives and instruments. Although he places the greatest weight on the structure of domestic institutional arrangements for explaining the specific foreign economic policies in the 1970s, his analysis also pays careful attention to the position of each country in the international political economy as well as the historical policy traditions within each country *(Between Power and Plenty,* p. 297).

27 See, for example, Philippe Schmitter and Gerhard Lehmbruch, eds., *Trends toward Corporatist Intermediation* (Beverly Hills, Calif.: Sage, 1979); Peter Lange and Geoffrey Garrett, "The Politics of Growth: Strategic Interaction and Economic Performance in the Advanced Industrial Democracies, 1974–1980," *World Politics* (July 1986):792–827. See also Frank Wilson, "Interest Groups and Politics in Western Europe: The Neo-Corporatist Approach," *Comparative Politics* 16, no. 1 (1983), and Gary Freeman, "National Styles and Policy Sectors: Explaining Structured Variation," *Journal of Public Policy* 5 (1986):467–96.

28 Suzanne Berger, "Introduction," in Suzanne Berger, ed., *Organizing Interests in Western Europe* (Cambridge: Cambridge University Press, 1981); Theda Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research," in Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985); Douglas Ashford "Structural Analysis of Policy or Institutions Really Do Matter" in D. Ashford, ed., *Comparing Public Policies: New Concepts and Methods* (Beverly Hills; Calif.: Sage, 1978).

29 See, for example, March and Olsen, "The New Institutionalism," pp. 734–49; Ikenberry et al., eds., *The State in American Foreign Economic Policy;* Stephen Skowronek, *Building a New American State* (Cambridge: Cambridge University Press, 1982).

30 Hall, *Governing the Economy*, p. 19.

31 For some of the best recent work in this tradition, see the excellent series edited by Alt and North, The Political Economy of Institutions and Decisions (Cambridge University Press).

32 To be sure, many scholars who come from the rational choice tradition are also willing to relax the rationality assumption. Indeed, some of the most interesting work in rational choice theory is moving away from a narrow view of *Homo economicus* toward a more contextual view of human behavior. See, for example, Douglass North, "A Transaction Cost Theory of Politics," *Journal of Theoretical Politics* 2, no. 4 (October 1990):355–67; Douglass North, Karen Cook, and Margaret Levi, eds., *The Limits of Rationality* (Chicago: University of Chicago Press, 1990); and, from a different perspective, Jon Elster, "Social Norms and Economic Theory," *Journal of Economic Perspectives*, 3, no. 4 (Fall 1989):99–117. See also Jane Mansbridge, ed., *Beyond Self-Interest* (Chicago: University of Chicago Press, 1990).

33 Herbert Simon, "Human Nature and Politics: The Dialogue of Psychology with Political Science," *American Political Science Review* 79 (1985):293–304; March and Olsen, "The New Institutionalism," James March, "Theories of Choice and Making Decisions," *Society* 20 (Nov.–Dec. 1982):29–39.

34 Paul DiMaggio and Walter Powell "Introduction," in Powell and DiMaggio, eds., *The New Institutionalism in Organizational Analysis* (Chicago: University of Chicago Press, 1991), p. 9.

35 Rational choice theorists would not deny such rule-following behavior, but they would attempt to explain it as a rational response – for example, to complex situations or high costs of information gathering.

36 See, e.g., Sven Steinmo, "Political Institutions and Tax Policy in the United States, Sweden, and Britain, *World Politics* 41, no. 4 (July 1989):502.

37 We thank Geoffrey Garrett for this point.

38 In the present volume, Peter Hall (Chapter 4) and Margaret Weir (Chapter 7) explicitly probe this deeper impact of institutions. Other historical institutionalists – among the authors represented here, Ellen Immergut, for example – are more agnostic on the issue of how institutions shape preferences. Consequently, her analysis is in some ways more compatible with a rational choice perspective than others in this book. Immergut treats this issue briefly in Chapter 3.

39 Thorstein Veblen, *The Place of Science in Modern Civilization and Other Essays* (New York: Russell and Russell, 1961). Karl Polanyi's *The Great Transformation* is another example. Polanyi's book is about the social and political ramifications of the rise of the (meta-)institution of the market economy. See also C. E. Ayers, *The Theory of Economic Progress* (New York: Schocken Books, 1962). For a more recent account of the economic institutionalist school and its view of history, see Edyth Miller, "Institutional Economics: Philosophy, Methodology, and Theory," *Social Sciences Journal* 15, no. 1, (Jan. 1978):13–25.

40 Roger Friedland and Robert Alford, "Bringing Society Back In: Symbols, Practices, and Institutional Contradictions" in Powell and DiMaggio, *New Institutionalism*, p. 232.

41 For a very interesting essay on the difference between historical and rational choice institutionalists as it bears on preferences, see John Ferejohn, "Rationality and Interpretation: Parliamentary Elections in Early Stuart England," unpublished manuscript, Stanford University, Jan. 1990.

42 See Geoffrey Garrett and Barry Weingast, "Ideas, Interests, and Institutions: Constructing the EC's Internal Market," paper presented at the American Political Science Association Meeting, Aug. 28–Sept. 1, 1991, esp. pp. 2–3. (And there is also the difference between short-term and long-term interests.)

43 We thank Peter Katzenstein for this insight.

44 Hall, *Governing the Economy*, p. 19.

45 See especially Williamson and early North. Some rational choice theorists are also critical of this version of transaction costs theory.
46 This efficiency view of institutions also cannot explain the persistence of clearly dysfunctional or inefficient institutions. See the discussion in North, *Institutions, Institutional Change*, p. 7.
47 Katzenstein, *Between Power and Plenty*.
48 Hall, *Governing the Economy*.
49 Discussions with Geoffrey Garrett, Peter Hall, and Atul Kohli helped to sharpen the argument presented here. "Universal tool kit" is Garrett's term; "deductive logical system" is Kohli's.
50 Ikenberry, "Conclusion," p. 242.
51 Steinmo, "Political Institutions and Tax Policy," pp. 500–35.
52 See Sven Steinmo, *Taxation and Democracy: Swedish, British and American Approaches to Financing the Welfare State* (New Haven, Conn.: Yale University Press, forthcoming 1993) for a more nuanced treatment of these issues.
53 Stephen D. Krasner, "Approaches to the State: Alternative Conceptions and Historical Dynamics," *Comparative Politics* 16, no. 2 (Jan. 1984):223–46. Krasner borrows this model from the evolutionary biologists Stephen Jay Gould and Niles Eldredge.
54 See, for example, Ikenberry, "Conclusions," pp. 223–5 and 233–5; Samuel Huntington's *American Politics: The Promise of Disharmony* (Cambridge, Mass.: Harvard University Press, 1981) also seems compatible with this.
55 In addition, the "punctuated equilibrium" model tends to understate the continuities that are so key to institutional analysis in times of institutional stability. As Skocpol points out, institutions may break down in a national or international crisis, but they are never constructed entirely from scratch; successor institutions bear the stamp of their predecessors, partly because they are reconstituted out of pieces of the old. This is essentially Shonfield's point when he describes how, after being shattered in World War II, the institutions of the postwar German political economy (bank–industry links, for example) were recreated in ways that reflect the prewar institutions.
56 We owe this point to Victoria Hattam, and her essay in this book (Chapter 6) provides an excellent example of this source of change. See also our discussion of her essay later in the present chapter.
57 With the new salience of the Court has come renewed scholarly interest in this institution – its activities and its sources of legitimacy, for example. On the latter, see Garrett and Weingast, "Ideas, Interests, and Institutions."
58 See Nelson Lichtenstein, "The Union's Early Days: Shop Stewards and Seniority Rights," in Mike Parker and Jane Slaughter, eds., *Choosing Sides: Unions and the Team Concept* (Boston: South End Books, 1988). Desmond King and Bo Rothstein demonstrate a similar analytical point in their analysis of labor market policies. See Desmond S. King and Bo Rothstein, "Institutional Choice and Labour Market Policy: A British–Swedish Comparison," *Comparative Political Studies* (forthcoming).
59 See, especially, Michael Piore and Charles Sabel, *The Second Industrial Divide* (New York: Basic Books, 1984), among many others.
60 Kathleen Thelen, *Union of Parts: Labor Politics in Postwar Germany* (Ithaca, N.Y.: Cornell University Press, 1991).
61 This general idea is implicit in the work of some historical institutionalists (e.g., Skowronek) and quite explicit in that of others.
62 March and Olsen, *Rediscovering Institutions*, pp. 65–6.
63 Adam Przeworski and Henry Teune, *The Logic of Comparative Social Inquiry* (New York, John Wiley and Sons, 1970), p. 4.
64 Gabriel Almond and Stephen Genco, "Clouds, Clocks, and the Study of Politics," *World Politics* 29, no. 4 (1977):493.
65 Ibid., p. 493.

2

Labor-market institutions and working-class strength

BO ROTHSTEIN

The central question in this essay is simple yet important: Why are some working classes more organized than others? This phenomenon has since World War II shown increased variation among Western capitalist countries (von Beyme 1980; Wallerstein 1989). The latest figures show that unionization among these countries ranges from below 15% in France to 86% in Sweden (see Table 2.1). Among industrialized Western states hardly any other political variables of this kind vary to such an extent. In this essay I will equate degree of unionization with working-class strength. It can of course be argued that working-class strength is also dependent on other variables such as party organization and cultural homogeneity. But following Marxist theory, unionization may be seen as the primary organization form of the working class and can thus be considered a basis for other forms of working-class strength, such as political and cultural organization (Olofsson 1979; Offe and Wiesenthal 1980).[1]

The importance of the level of working-class organizational strength stems, inter alia, from the established positive correlation between union strength and the development of welfare-state policies. One can say that, with few exceptions, the stronger is the organization of the working class, the more developed the welfare state (Korpi 1983; Shalev 1983a, b; Amenta and Skocpol 1986; Noble 1988). But, critically, this correlation does not in itself show how the causal link between social policies and working-class formation operates. It does not show, that is, which of the two variables explains the other or in what way they are interconnected (Esping-Andersen 1985; Przeworski 1985; Skocpol 1988).

How can this great variation in workers' inclination to join unions be explained? A traditional interpretation of Marxist theory (such as that of Cohen 1978) would explain it as due to differences in the development of the productive

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