



Health Politics: Interests and Institutions in Western Europe.; Institutions and Social Conflict.; Governments at Work: Canadian Parliamentary Federalism and Its Public Effects.; Structuring Politics: Historical Institutionalism in Comparative Analysis.; Do Institutions Matter? Government Capabilities in the United States and Abroad.

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The American Political Science Review, Vol. 89, No. 1. (Mar., 1995), pp. 174-178.

Stable URL:

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NEW HORIZONS IN INSTITUTIONAL ANALYSIS

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Health Politics: Interests and Institutions in Western Europe. By Ellen M. Immergut. New York: Cambridge University Press, 1992. 336p. \$49.95.

Institutions and Social Conflict. By Jack Knight. New York: Cambridge University Press, 1992. 234p. \$59.95 cloth, \$17.95 paper.

Governments at Work: Canadian Parliamentary Federalism and Its Public Policy Effects. By Mark Sproule-Jones. Toronto: University of Toronto Press, 1993. 291p. \$45.00 cloth, \$18.95 paper.

Structuring Politics: Historical Institutionalism in Comparative Analysis. Edited by Sven Steinmo, Kathleen Thelen, and Frank Longstreth. New York: Cambridge University Press, 1992. 257p. \$54.95 cloth, \$18.95 paper.

Do Institutions Matter? Government Capabilities in the United States and Abroad. Edited by R. Kent Weaver and Bert A. Rockman. Washington: Brookings, 1993. 498p. \$36.95 cloth, \$16.95 paper.

When Melissa P. Collie, as Book Review Editor for the *American Political Science Review*, asked me to write a book review essay including the above books she wrote that: "As a set, these books address issues relating to the significance of political institutions. They are diverse in their methodologies and all directly deal with the relation between institutions and policy." She hit the nail squarely on the head. All of these books address the significance of political institutions. They relate institutions and policies. Further, they all stress that institutions make an important difference in policy outcomes—jointly challenging the substantial political science literature that has argued that institutions are irrelevant. After the theoretical and empirical onslaught of this set of books, political scientists should affirmatively answer Weaver and Rockman's question—Do Institutions Matter?

While united on these themes, these five volumes are indeed "diverse in their methodologies." The volumes reflect the differences among political scientists in the way that they conceptualize institutions and their consequences. Kathleen Thelen and Sven Steinmo, in their introductory essay to *Structuring Politics*, distinguish between two approaches within "new institutionalism": the historical institutionalist approach and the rational choice institutionalist approach. The major difference they see between these approaches is whether individual preferences are perceived to be endogenous or exogenous. The Weaver and Rockman book represents still a different tradition where institutions are roughly equated with national governmental systems.

Historical institutions, including the chapter authors in the Steinmo, Thelen, and Longstreth volume—Bo Rothstein, Ellen M. Immergut, Peter A. Hall, Colleen A. Dunlavy, Victoria C. Hattam, Mar-

garet Weir, and Desmond S. King—take the goals, strategies, and preferences of actors as something to be explained rather than something to be assumed. Historical analysis is used in this volume to explain why actors seek some goals over others and choose some strategies rather than others in a diverse array of empirical settings including labor markets, health politics, monetary policy, railroad policy, labor union strategies, employment policy, and welfare policy.

Peter Hall's analysis of the dramatic British change from Keynesianism to monetarism that occurred during the 1970s, epitomizes the historical, institutional approach. Hall defines institutions to refer to "the formal rules, compliance procedures, and customary practices that structure the relationships between individuals in the polity and economy" (p. 96). His framework is composed of three levels. At the highest level, he identifies a market economy combined with a constitutional, democratic polity as imposing broad constraints on the direction of policy that could be adopted in Britain and other countries sharing these overarching characteristics. One step down in this framework are features intrinsic to the organization of the political economy of each country including how labor unions are organized, the structure of firms and their associations, the relations among banks within a country and the importance of international economic forces, how the party system is organized, and how administrative agencies at a national and local level are structured. At the bottom of the framework are the standard operating procedures of public and private agencies. The difficulty of changing each of these structural features gets harder as one moves from the regulations and routines of organizational life up through the overarching constitutive structures of a country.

The question that Hall poses is how with all of these multi-level constraints, one could obtain a dramatic change in monetary policy within one decade. The overarching level, while constraining the choice of policy to one that retains markets as key organizing mechanisms for production and distribution, did not narrowly constrain the policies that could be adopted as illustrated by the divergent paths of countries with similar overarching structures. The second and third levels thus were the crucial institutional aspects of Hall's analysis. Labor unions were strong enough to have generated inflationary pressures but fragmented enough to negate efforts toward neocorporatist arrangements.

The intensely competitive, British party system gave the major party that is out of power strong incentives to seek clear policy alternatives to current woes. Further, once a party gained control in a "responsible" party system, it had substantial capacity to inaugurate dramatic change. Rather than think-

ing of institutions primarily as constraints, Hall urges the reader to recognize that "some kinds of institutional configurations may be systematically biased in favor of change" (p. 107). At the second level, the concentrated structure of the British press spread the word of monetary theory ahead of the Conservative takeover of the national government.

The third level of the historical institutionalists' framework focuses on the operating routines of both government and financial organizations. Here there is a fascinating story of small changes in procedures generating large and at times unintended consequences. As Hall himself notes, many of these changes could be analyzed with game-theoretic techniques that would highlight how the herding instinct of the buyers in an altered bond market gave financial interests a substantially enhanced voice over monetary policy without the need to expend resources in formal organization. A careful reading of Hall's article and several others in this volume illustrates that much of the work in the historical and rational choice approaches to the study of institutions is complementary and not as different as the introductory chapter suggests.

Jack Knight, as an institutional theorist drawing overtly on rational choice foundations, analyzes the processes affecting institutional change—one of the key issues identified by Thelen and Steinmo as the "frontier issues in historical institutionalism" (p. 2). Knight focuses, however, on changes in rules (usually, one at a time) at a microinstitutional level. Knight wishes to explain the processes through which rules become socially shared prescriptions and why one particular rule is adopted rather than others. He challenges earlier efforts to identify socially optimum rules as those that will be adopted. The explanatory factor in the choice of rules, according to Knight, is rather the distributional consequences of the adoption of alternative rules. For Knight, "social institutions are conceived of as a product of the efforts of some to constrain the actions of others with whom they interact" (p. 19, author's emphasis).

In focusing on the bargaining process that implicitly or explicitly is involved in the evolution (or design) of institutions, Knight looks at the differential in the power of participants. A key aspect of that power is the relative threat points of the various participants, that is, the net benefits that would accrue to each participant if there were no agreement in a bargaining situation. If the continuance of the status quo is more beneficial to one participant than to others, and that participant's agreement is needed for a change in rules to occur, then that participant has a stronger position and can differentially affect the outcome of the bargaining over rules.

While the origin of rules for Knight is explained by the relative power position of some participants in relation to others, the maintenance of a system of rules is dependent upon shared understandings of what the rules are and how likely they will be enforced. Thus, rules are changed or sustained depending upon the relative power balance of partici-

pants, including the introduction of new participants or changes in the valuation of the resources of prior participants. Rules leading to a suboptimal outcome may be continued in force for long periods of time because the distribution of benefits favors those who would be required to agree to a change.

Knight overtly deals with three of four major criticisms of rational choice theories as applied to institutional analysis and argues that any "theory based on the relationship between rational action and social institutions can readily incorporate questions of historical experience, commonality of experience, or suboptimality" (p. 18). In response to the fourth criticism focused on the assumption of fixed preferences, however, Knight points out that the assumption is difficult to maintain with a historical focus. It is also a difficult assumption to change within a rational choice focus and thus, he continues to assume individuals with fixed preferences throughout the volume. With this exception, Knight bridges the content of both approaches and deals with many of the questions of power and distribution that particularly interest those associated with a more historical approach.

Ellen Immergut's book (as well as her chapter in the Steinmo, Thelen, and Longstreth volume) also bridges both approaches to institutional analysis. By focusing on how interest groups in France, Switzerland, and Sweden pursued their diverse interests and strategies in the political contests over health care policies, Immergut provides an insightful analysis of how institutions—perceived as the rules of the game—affect the capabilities of similar interest groups in differently structured polities. She picked her policy area and cases in order to examine how similarly situated interest groups in regimes where political parties were not strongly divided on the relevant issue ended up with considerably different policies.

Immergut convincingly points out that the numerical or financial strength of the diverse interest groups does not explain the difference in policy outcomes. Rather, the opportunities and constraints created by different institutional configurations at a macro-constitutional level enhance and limit the capabilities of different groups. She convincingly argues that those who affect constitutional structure may do so for the reasons that Knight articulates. She also demonstrates that they may fail in their efforts to predict the array of consequences that follow from their changes. Conservatives who pushed constitutional reforms in Sweden at the turn of the century found that these institutional changes later insulated Social Democratic governments, giving their opponents greater capabilities to initiate national health insurance reforms while providing medical interests with few veto points over these policies.

Veto point analysis not only enables Immergut to explain the difference in policies adopted within the three systems but approaches a general theory that can be applied outside the three systems studied. Veto point analysis is a powerful tool and closely

aligned with the type of strategic analysis that emerges from an understanding of games in extensive form. Veto points are essential variables in systems with checks and balances.

By focusing on the rich institutional experience in three countries over time, Immergut introduces major challenges to the presumption that those involved in the choice of constitutional- or collective-choice rules are able to predict how these rules will affect their own positions in the future. Regardless of whether rules are adopted to achieve social optimality or to achieve distributional advantage, the impact of rules—particularly those that affect the structure of diverse arenas—on the incentives of future participants across a long period of time is difficult to predict.

The difficulty in predicting future effects is the result of several factors. First, changes in overarching rules are apt to be long-lasting while the interests of participants change at a more rapid pace. Second, the difficulty of predicting long-term consequences of rule changes is compounded by the creativity of the human actors in inventing new strategies to follow given the opportunities and constraints offered by a change in rules. Hall also points to the new strategies adopted by financial houses and private economic analysts in response to changes introduced by the Heath government in 1971, which were intended only to allow greater competition in the banking sector. Third, rules frequently operate in a configural manner and thus how a change in one rule will affect incentives and behavior over time depends on the particular configuration of other rules that are involved. Given both the large number of single rules that can be changed and the immense variety of configurations of rules, knowledge about the effects of changes in rules over time is particularly difficult to amass. It is not possible, when interaction effects exist among rules, to study changes in one or a few rules in isolation of one another and achieve warrantable knowledge. The problem of misspecifying models is well-understood in the use of econometric models of behavior and outcomes. The problem of misspecifying institutional theories by including rules as simple additive variables has yet to be well-understood.

Mark Sproule-Jones also works at the frontier that Thelen and Steinmo (p. 2) identify by examining institutional change over time and the interaction of institutional and ideational variables in policy formation and change. Sproule-Jones's roots are in both rational choice theory and the historical school of scholars such as John R. Commons. Readers from both traditions will find many important insights here that will affect the way they do their own work in the future.

His book focuses on rule configurations and on multiple layers of rules nested within one another that jointly affect the particular situations in which individuals find themselves in complex societies. Sproule-Jones, like Knight and Immergut, equates institutions with the rules of the game. He stresses, however, that more than one rule tends to operate in

most settings and that rules-in-use are developed by participants in both public and private settings. He focuses particularly on rule configurations at a constitutional, institutional, and operational level. Sproule-Jones's three analytical levels are similar to the three levels in Peter Hall's framework. The complexity implied in both approaches is substantial.

Sproule-Jones also distinguishes between rules-in-form and rules-in-use—the latter being the rules followed in a particular time and place to structure relationships around a particular policy process. In order to study the effect of institutions on outcomes, he argues that one needs to learn what the rules-in-use are, that this cannot be done for a macro system as a whole, nor can one learn what rules are in use without substantial empirical research on the ground. Rather, he makes the strong methodological argument that scholars can only understand rules-in-use by intensive field research and not by studying formal legislation and committee reports.

Sproule-Jones overtly introduces the attributes of goods that are of relevance to considering how rules affect incentives and outcomes. If one were to use this aspect of the Sproule-Jones analysis in viewing the articles in the Steinmo, Thelen, and Longstreth volume and the Weaver and Rockman volume, one would try to understand what difference in attributes, such as excludability and divisibility, occurs as one moves from the redistributive policies associated with welfare benefits, to regulating the patterns of relationships between labor unions and management, to structuring the monetary policies of a nation. Rule configurations that generate positive incentives and outcomes when related to the distribution of private goods (excludable and divisible) are likely to generate perverse incentives and counterproductive outcomes when applied to the provision of public goods (nonexcludable and joint). Theoretical accumulation within both the historical and the rational-choice approach would be enhanced by a more self-conscious recognition of the importance of the physical and technological attributes of the policy fields involved in a study.

Sproule-Jones himself focuses on the question of how the nested set of rule configurations of the Canadian federal system affects the capacity of diverse local actors to cope with the development and regulation of a local level water resource: Hamilton Harbor. He looks specifically at commercial shipping (a private good provided largely by cartels of shippers facing a limited set of competing port authorities); pleasure boating (a common-pool resource good obtained by a large number of "squatters" who have no legal property rights to invest in, maintain, or protect their activities); and water quality (a negative externality produced by many different point and non-point sources that adversely affect the use of Hamilton Harbor for other potential benefits).

Immergut holds the policy field constant while looking at the impact of diverse institutional arrangements on policy outcomes. Sproule-Jones holds the broader institutional arrangements and local setting

constant while looking at three types of local policies bundled together in one resource. Both contribute greatly to our understanding of how asymmetric relationships created by rule configurations can generate relatively predictable outcomes given the attributes of the goods involved.

The multi-author volume edited by R. Kent Weaver and Bert A. Rockman, on the other hand, adopts a still different approach to the study of institutions than either the historical or rational-choice approaches represented by the other four volumes. They turn to a question first posed by Woodrow Wilson concerning the performance of American institutions when contrasted to those of other democracies. They ask the authors of individual chapters in this volume to address three questions:

- What are the effects of difference in institutional arrangements for governmental effectiveness, if any? Which institutions matter and how do they affect governmental performance?
- If political institutions do facilitate differences in policymaking capabilities, how do these differences come about?
- How, if at all, can knowledge about institutional consequences be applied? Are differences in institutional effectiveness so severe that reforms are called for in the United States or in other countries (p. 5)?

After reading the other books stressing the incentives of actors within diverse institutions or how rules combine in a configural manner, these highly general questions appear blunt and unanswerable. Further, each case-study author was asked to examine the capabilities of *all* governments included in their study according to ten specific performance measures. The first five of these capabilities are stated as the capacity to:

- *set and maintain* priorities among the many conflict demands made upon them so that they are not overwhelmed and bankrupted;
- *target resources* where they are most effective;
- *innovate* when old policies have failed;
- *coordinate conflicting objectives* into a coherent whole; and
- *be able to impose losses* on powerful groups (p. 6, authors' emphasis).

The hypotheses that they used to initiate their studies were that parliamentary systems, as compared to the U.S. checks-and-balances system, would: (1) have more responsible and accountable governments, (2) have greater capabilities, (3) make superior policy choices, and (4) have a higher probability of turning policy choices into policy outcomes.

Based on a wide diversity of case studies by a distinguished group of scholars, the editors concluded that neither the U.S. nor other industrial democracies had a full set of capabilities as they had defined them and that whether a parliamentary or checks-and-balances system existed was not as crucial as other aspects of the institutional attributes of a

system. They reach eight "firm" conclusions that might be characterized by some readers as more vacuous than one would expect given the immense effort of organizing 12 different chapters by a total of 16 major scholars. The first four of these firm conclusions are:

- *Although institutions affect governmental capabilities, their effects are contingent* (p. 446).
- *Specific institutional arrangements often create both opportunities and risks for individual governmental capabilities* (p. 447).
- *Policymaking capabilities may also differ substantially across policy areas within a single political system* (p. 447).
- *Institutional effects on government capabilities are channeled through governmental decisionmaking characteristics* (p. 449).

They also conclude that the institutions of government are better thought of as being composed of multiple layers. After starting out with a traditional focus on governments as a whole, Weaver and Rockman end up where the other volumes in the series begin.

We learn from the entire set of books, and related literature, that we are in an era of remarkable convergence. The recent Nobel prizes in economics to Herbert A. Simon, Ronald H. Coase, James M. Buchanan, Douglass C. North, and Robert W. Fogel, and now to John C. Harsanyi, John F. Nash, and Reinhard Selten, exemplify how much change is going on in a sister social science. All of these Nobel laureates have contributed to how political scientists think about institutions. Coase, North, and Selten, in particular, have explored different questions about how the information available to individuals and the ideas that they use substantially affect behavior and resulting outcomes. We learn from games in extensive form that very small changes in the rules of a game can dramatically alter predicted outcomes. Exactly who moves first, the specific moves allowed, what information is available to which players, the number of times players expect to repeat interactions with one another, the shared cultural norms about appropriate strategies, together with many other precise attributes of a game, affect structure, best response strategies, and predicted outcomes. Experimental work by institutional theorists is slowly generating a better grounded empirical theory drawing on a general framework that includes a major role for human agency but also includes precise control of the particular combination of rules and physical constraints that affect human choice.

While the divisiveness of the behavioral revolution drove us to "separate tables," the emerging congruence among institutional theorists originally coming from diverse backgrounds may finally enable political scientists to get down to the business of building a cumulative discipline. To build that "House of Political Science," many artisans with diverse skills will be needed. Studying micro-level phenomena requires micro-level theories and empirical methods appropri-

ate to testing these theories. Macro-level phenomena also require their own theories and methods of empirical analysis. The reductionist-holist debate has embroiled all of the social sciences, and some of the biological sciences, in a debate that has at times degenerated into name-calling events. Instead of separate tables, we need to imagine ourselves working at separate levels, all viewing a complex mosaic of recursive processes occurring on multiple time-space

fields. Those of us working at the lowest level need the help of those who can see broader outlines. Those of us working at a higher level need the help of those who can see how individuals actually interact with one another to produce the higher-level phenomena. In such a scientific house, there is no single level that provides the best answer to all questions. Rather, one has to understand how different levels provide better answers to some questions than others.