

**James A. Caporaso (University of Washington)  
Joseph Jupille (University of Colorado)**

**Book Prospectus: *Theories of Institutions***

**Revised 11 May 2006**

**Under advance contract from Cambridge University Press**

**Manuscript delivery expected Fall 2007**

## **I. *Theories of Institutions*: Overview**

We propose a book on institutional theory entitled *Theories of Institutions*. The proposed book is modeled on the political economy survey by Caporaso and Levine entitled *Theories of Political Economy*. The book fulfills three broad functions. First, it surveys a broad range of existing approaches drawn political science, economics, sociology and history and from the American, comparative and international subfields of the first. Second, it critically analyzes these approaches on their own terms, in terms of how they speak to each other, and in terms of how they address key dilemmas in the institutionalist enterprise. Third, it provides an original synthesis of the authors' making, along three key dimensions: 1) the prospects for inter-field and interdisciplinary dialogue; 2) the key dilemma of institutional analysis (the "endogeneity" problem); and 3) the future directions for institutional theory.

The last two decades have witnessed a veritable explosion across the social sciences in work subscribing to "institutional theory." Yet, beyond the near-truism that "institutions matter", little consensus exists about key questions concerning the sources of institutions, their operation and maintenance, and their consequences. On the contrary, different approaches operate in largely and increasingly separate orbits. This profile – an increasingly large and influential body of increasingly poorly integrated work – cries out for book-length overview, critique, and synthesis that will be broadly accessible across disciplines, subfields and levels of expertise. To date, no such work exists. We propose to respond to this unmet need with *Theories of Institutions*.

Our method involves review, critical analysis, and synthesis of existing theories grouped around key variables with disciplinary connotations: power and authority (Political Science); choice and efficiency (Economics); norms and identities (Sociology); and time and sequencing (History). We focus especially on different disciplinarily-inspired answers to common questions surrounding the origins, maintenance and effects of institutions. Our market includes advanced undergraduate and graduate students, teachers and scholars working in the three substantive fields of political science (American, Comparative and International), in the allied disciplines of History, Sociology and Economics, and in related social scientific and professional fields. Our ambition is to make *Theories of Institutions* the most widely-used survey, analysis and synthesis of the wide-ranging work in the field.

*Theories of Institutions* unfolds in four parts. Part I (chapter 1) introduces institutional theory and the themes to be addressed in the book. Part II (chapters 2-5) surveys, analyzes, and queries institutional theories organized around the concepts of power and authority (chapter 2), choice and efficiency (chapter 3), norms and identities

(chapter 4) and time and sequencing (chapter 5). Part III (chapters 6-8) confronts several key problems in institutional analysis (economic development, international institutions, and legislative organization) that cut across (drawing from and informing) the conceptual-disciplinary perspectives considered in part II as well as the traditional American, Comparative, and International subfields in political science. Part IV (chapter 9) concludes with a summary of the book's claims and provides original syntheses along three lines: interdisciplinary dialogues in institutional theory, the "endogeneity problem" inherent in institutional analysis, and fruitful future directions for the field.

To the best of our knowledge, no single work groups together the most prevalent strands of institutional theory in a way that is accessible, balanced, and informed by the distinctive intellectual contributions associated with this range of disciplines. *Theories of Institutions* is designed to fill this crucially important unmet need.

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## **III. Chapter Abstracts**

### **Part I. Introduction**

*Part I of the book explains the necessity of survey and synthesis in the burgeoning field of institutional theory, provides a brief history of the field, surveys the various institutional approaches, and announces the plan to be followed and the contributions to be made.*

Chapter 1. Theories of Institutions

There are many books written on institutions. Why another? There are three main rationales. First, present knowledge is voluminous and fragmented, making it difficult to know what others have accomplished and hard to avoid needless debates. Second, the logic of different approaches is not always clear, or taken as far as it could be. Pushing the logic sometimes generates surprises. Third, related, unforeseen complementarities and contradictions sometimes exist that can encourage synthesis, borrowing, and integration of knowledge.

Unsurprisingly, there are different traditions or theories of institutions. This chapter provides a historical survey of theories of institutions and, building from work by Hall and Taylor (1994) and Goodin (1996), isolates four variants with specific disciplinary connotations.<sup>1</sup> While Hall and Taylor had organized their survey around rational choice, historical and sociological variants, we loosely follow Goodin in disaggregating the first category (“rational choice”) into approaches emphasizing, respectively, power and authority on the one hand and choice and efficiency on the other. Thus, the most deeply “political” theories of institutions place power and authority at the center of their analyses (if only as conceptual foils). Neoclassical economic theories of institutions highlight the role played by institutions in structuring choice and in promoting efficiency in production and exchange processes through the market mechanism. History, by contrast, takes the role of time and sequencing especially seriously. Implementing a historical institutional research program involves elucidating the role of initial conditions, ensuing sequences and path-dependent processes. Sociology, for its part, places special emphasis on the importance of norms and identities. Overall, each discipline identifies a particular set of core priorities around a broader range of “interdisciplinary” concepts. Without excluding other strands from any given research stream, we seek to emphasize the distinctive contribution of each conceptual priority and to draw out areas of complementarity.

The concluding part of the chapter sets a fourfold task for part II of the book: first, to identify the core and history of each conceptual/disciplinary approach; second, to highlight important and characteristic methods and applications; third, to subject each approach to a set of common questions surrounding institutional origins, maintenance and effects; and, fourth, to assess the contribution made by each approach to the broader project of institutional theory. The chapter concludes by setting forth the plan of the analysis and by signaling the original contributions to be made in Part IV.

## **Part II. “Disciplinary” Perspectives**

*Part II of the book surveys, analyzes and critiques theories of institutions focusing on four sets of factors (power and authority, choice and efficiency, norms and identities, and time and sequencing) with strong disciplinary connotations (respectively, to political science, economics, sociology and history).*

### Chapter 2. Power, Authority and the Politics of Institutions

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<sup>1</sup> To be clear, one cannot draw “bright lines” between social scientific disciplines. Indeed, part of the promise of institutional theory lies precisely in its ability to blur and bridge disciplinary divides. Accordingly, while we identify core disciplinary foci, we recognize the many overlapping concerns of different disciplines in practice.

The core concerns of political science may be said to be power (Goodin 1996) and authority. Power, of course, is a general part of human relations (within the family, in relations among friends). To be politically relevant, power has to be seen in the context of other key phenomena such as authority relations. Political theories of institutions thus concern themselves with the relationships between institutions on the one hand and power and authority on the other. The chapter examines this relationship in four steps.

First, we outline the core concept of power as it has been understood outside of an explicitly institutional context. There are different ways to conceptualize power. We will develop several ideas, including behavioral power à la Dahl, structural power à la Bachrach and Baratz, and the “third face” of power à la Lukes. The core model for both most views of power is as follows: social groups have conflicts with one another; political decisions are public or have public consequences; and authoritative decisions are impositions of the will of some on others. This logic holds even when the allocated goods are private in principle, e.g. welfare benefits and tax burdens. A second dimension along which we will elaborate power concerns “power to” vs. “power over”. That is, we examine the concept of power from the standpoint of some groups trying to achieve their aims over others (sometimes called “zero-sum” views of power) as well as different groups collectively trying to achieve their aims together.

Second, we trace the emergence and evolution of institutional theory within the discipline of political science. The transition from the “old” to the “new” institutionalism reflects, among other things, the gradual convergence of the themes of power and institutions. For power to be effective, it must be institutionalized so that actors do not have to start from ground zero every time they exercise power. To be institutionalized means that power must be incorporated in procedures and routines that are regularized and taken for granted. Thus, the Dahlian and structural conceptions of power can be assimilated to each other through institutional analysis.

Third, we examine characteristic and important applications of institutional theory in political science. The general method is to identify the values at stake, characterize extant power and authority relations, and to analyze the theoretical connections between power/authority and institutions. We survey a wide range of characteristic and important work on political power, authority and institutions from across the subfields (American, Comparative, and International) of the discipline, identifying points of convergence and divergence among them.

Fourth and finally, we analyze and critique the literature by considering how political-institutional theories respond to key questions surrounding the origins, maintenance (change) and effects of institutions. This helps us to identify strengths and weaknesses, areas of dialogue across fields and with other disciplinary approaches, and contributions to understandings of the “endogeneity problem”, i.e., how we understand the “dual nature” of institutions as both products and parameters of politics.

### Chapter 3. Choice, Efficiency and the Economics of Institutions

The key idea of economics, for Goodin, is “choice”. Its neoclassical variant emphasizes the efficient allocation of resources under conditions of scarcity. Institutional theory in economics thus concerns itself with the relationship between institutions on the

one hand and choice and efficiency on the other. The chapter analyzes these relationships in four steps.

First, we outline the core concepts of choice and efficiency as they have been understood outside of an explicitly institutional context. To say that an outcome is efficient is to say that it is somehow better than any other outcome given the preferences of the actors, the distribution of resources, technological parameters, and the distribution of property rights. We plan to explore the concept of efficiency in some detail and ask “for whom is a particular outcome better?” and under what conditions does improvement occur? The concept of efficiency is complex (slippery? sophisticated?) since it can apply to an entire distribution (a nation), an individual, or to various methods for allocating factors of production.

Second, we trace the emergence and evolution of institutional theory within the discipline of economics. The transition from the “old” institutionalism of Thorstein Veblen and John Commons to the “new institutionalism” of Coase, Williamson and North reflects, among other things, the gradual convergence of themes of institutions and efficiency. Do institutions evolve that create efficient property rights, thus leading to higher economic growth (as the early Douglass North argued)? Or do institutions “stick,” with possibly dysfunctional (inefficient) results? In general, to what extent do institutions reflect and shape the pursuit of efficiency?

Third, we examine modal and important applications of institutional theory in economics. The basic approach is to identify the actors, their preferences, the resources available to them, and the technological constraints. This is the core of the economic model before institutions were integrated into the equation. We survey a wide range of representative institutional work in this field, identifying different traditions within the discipline and the wide range of subjects attended to by economic institutional theory. Among these we include theories of the firm, property rights, contracting, and so forth.

Fourth, we analyze and critique the literature by considering how economic theories respond to key questions surrounding the origins, maintenance and effects of institutions. With respect to the question of institutional origins, for example, we examine a number of possibilities. They may be consciously and rationally chosen, which fits neatly with the choice theoretic orientation of mainstream economics. On the other hand, institutions may also come about through evolution (chance and selective retention) and the unintended by-products of other actions. They may also come about through learning and imitation, as stressed in the work of Friedrich von Hayek (1988) and Frank Knight (1947). A correspondingly wide range of accounts exists to explain institutional maintenance/change and effects, all of which we draw out in this chapter. The analysis aids us in identifying the relative strengths and weaknesses of institutional theory in economics as well as areas of possible dialogue with work in other traditions.

#### Chapter 4. Norms, Identities and the Sociology of Institutions

Sociology substantially concerns itself with intersubjectively defined and held norms and identities (in Goodin’s phrase, “the collective”). These are all, in a sociological sense, “institutionalized” insofar as they are broadly suffused throughout society and are internalized rather than externally imposed. Institutional theory in sociology thus concerns itself with understanding the relationship between institutions on

the one hand and norms and identities on the other (insofar as they can be separated). The chapter develops this theme in four parts.

First, we outline core understandings of norms and identities. Norms, for example, are neither as particular nor as purely wanton as preferences. An individual can prefer just about anything. No justification or attempt to fit into a larger order is necessary. Norms and identities, in the thoroughgoing sociological view, are not this individualistic. Norms and identities can only be such—less strongly, are best understood—insofar as they are shared, social, recognized by others.

Second, we trace the emergence of an explicit sociology of institutions. The emergence of a “new institutionalism” in sociology reflects gradual assimilation of the categories of norms and identities to the broader and more generic conception of institutions. What do institutions do? How do they matter? One answer is that institutions do not just reflect power realities or foster efficient exchange in the economy. They also inculcate norms, e.g. of cooperation, solidarity, individualism. We know that individuals over-cooperate in terms of the predictions of expected utility theory (Jones 1999, p. 298). Institutions also teach skills (how to “act” or “think” as a member of a profession, as expressed in the work of Fligstein, Meyer and others). They reinforce identities, thus providing some of the glue of societies that are pulled in many different directions. The problem of social order has been a problem for professional sociologists—not for economists—and has preoccupied sociologists from Durkheim to Parsons and Elster. Can sociological institutionalism shed light on what makes societies cohere? Finally, institutions can provide some background information needed for collective understanding, an inherently social enterprise. Ultimately, even if individuals only want to maximize their own satisfaction, they still need socially relevant information to do so.

Third, we examine some characteristic and influential applications of sociological institutionalism. The core model is as follows. One starts with a social ontology. Society is composed of social groups with shared values and identities. This is quite different from the world of socially unstructured individuals that economists study. From this starting point, sociologists emphasize that norms and identities are deeply internalized, yet shared, across numerous individuals. If this claim is plausible, norms and identities could not easily, or at all, be represented in individual utility functions, since they would in effect put the individual on “automatic pilot” (a norm becomes a script) and take certain matters outside the realm of choice. If norms and identities run deep, how do individuals acquire them? Shared values require an explanation. This points sociological institutionalists in the direction of socialization and learning, a key part of their program. Finally, socialization and learning imply that norms and identities—perhaps even preferences—are endogenous rather than exogenous to social interaction. In the social world, they are not given but rather facts that need to be explained. Among applications that we examine are the March and Olsen (1989) program surrounding logics of appropriateness, the Meyer *et al.* program surrounding world culture and institutional isomorphism, the “embeddedness” paradigm of Granovetter, and many others.

Fourth and finally, we analyze and critique the literature by considering how sociological institutional theories respond to key questions surrounding the origins, maintenance and effects of institutions. This helps us to identify particular strengths and weaknesses (in particular relative to the other disciplinary approaches considered in the

book), areas of dialogue with other approaches, and contributions to understandings of the endogeneity problem in institutional analysis.

## Chapter 5. Time, Sequencing and the History of Institutions

The core concerns of history concern time and temporal processes. The distinction is important: while time itself is not causal, it embodies processes that are. While time might seem so basic as to figure in every disciplinary enterprise, nothing could be farther from the truth. Some approaches, such as comparative statics of economics, drive out time. Historical institutionalism concerns itself with the relationship between institutions and temporal processes. This chapter explores those connections in four parts.

First, we outline the basic concept of time and temporal process inherent in the study of history. The core of this approach is that what happens in the present and future is a function of what happened in the past and that, in its most deterministic version, a full characterization of the past will produce the present. This is what Bergmann called a process law. It turns out that the phrases “time matters” and “a full characterization of the past” are not simple to operationalize. They require descriptions of initial states, sequences, conjunctures, and process information in order to make predictions about the present and future. One can’t throw all variables together into one great ahistorical blender, in the same way that one cannot ignore sequences in a recipe.

Second, we trace the emergence of “historical institutionalism” within the discipline of history itself as well as within allied fields. This development has entailed recognition that institutions have temporal contours. Specifically, institutions emerge at a given point in time but persist through it. Recognizing this leads historical institutionalists to consider a number of factors missed by other approaches. For example, institutions may come to exhibit features and exert consequences unintended by those who originated them. A related issue concerns the path-dependent role played by institutions and the concept of “lock-in”. The broad historical claim here is that the role of institutions is partly determined by its path over time. Different institutions may not be possible (i.e. may not be realistic choices) given the historical path on which things are moving.

Third, we examine some characteristic and important applications of historical institutionalist theory. The general approach is to specify a set of initial conditions, to identify corresponding institutional arrangements, and to trace through the interplay of background conditions and institutions over time. We survey a wide range of historical institutional work in a variety of empirical settings and with a wide variety of process mechanisms (including, for example, lock-in and path dependence).

Fourth and finally, we analyze and critique historical institutionalism by considering how it responds to key questions surrounding institutional origins, maintenance and change, and effects. This helps us to identify strengths and weaknesses, points of convergence and divergence with other approaches, and the distinctive (and perhaps distinctively powerful) historical contribution to understanding the endogeneity problem.

### **Part III. Problems in Institutional Analysis**

*Part III of the book turns to “applications” of the various approaches outlined in part II to three contemporary problems of great importance: institutions and economic development, international institutions, and legislative institutions.*

#### Chapter 6. Institutions and Development

Our globe is divided into several different zones of development separating the rich from the poor (with all shades in between). The process of economic and social development is a fascinating one because there are strong historical as well as comparative contrasts. Economic historians have described the long transition from a world in the fifteenth century where the ratios of richest to poorest were of the order of 2 to 1 to the modern world where the ratios are as high as 35-40 to 1. How do we explain both the growth and inequality that led to the contemporary distinction between developed and less developed countries? Many answers have been given to this question: abundance/scarcity of productive factors, geography and climate, cultural attitudes toward development, capital accumulation, and government policies toward savings, investment, and trade orientations. Another answer, not necessarily separate from all of the above, has to do with institutions. Countries (or regions; sectors) which develop are those where appropriate institutions exist. We will survey and critique this broad institutional hypothesis (really several different ideas) within the context of economic history. This chapter will have a historical component as well as a comparative (cross country) one.

#### Chapter 7. International Institutions

International institutions have figured centrally in broader theoretical debates in the field of international relations (IR). While few deny that international institutions are increasing in number and scope, serious disagreement exists about their independent impact, especially on state behavior. This chapter will review, analyze and synthesize work on international institutions from realist, liberal, and constructivist perspectives, emphasizing in particular the ways in which key “disciplinary” variables identified in part II are combined or otherwise deployed by those theoretical approaches. The analysis sheds new light on the relationship between theories of international institutions, identifying new avenues for theoretical dialogue, and locates those theories squarely within the broader range of institutional theory.

#### Chapter 8. Legislative Organization

Legislative institutions are ubiquitous, existing in every modern polity in the world. Work on legislative institutions has been correspondingly rich. For example, there have been strong disagreements between those who emphasize the efficiency-enhancing properties of legislative organization and those emphasizing its distributive (“pork barrel”) character. At the same time, studies of legislative organization have been at the frontier of research into the impacts of sequencing on institutional change, as well as the impact of socialization in generating patterned norms and institutionalized

identities (“roles”). Legislative institutions thus provide particularly fertile terrain for examining institutional theory. This chapter will review, analyze and synthesize work on legislative institutions done in the empirical settings of the US, Europe and Latin America, again emphasizing the ways in which key “disciplinary” variables are used and packaged in this body of work. The analysis gets at central issues of institutional theory, advances the project of generalizing institutional analysis across disciplines and subfields, and again speaks to the multidirectional flows of insights among narrower literatures and the broader range of institutional theory.

#### **Part IV. Assessment and Implications**

*Part IV of the book summarizes parts I-III, and assesses theories of institutions along three dimensions: the possibilities for inter-field and interdisciplinary dialogue, their contribution to understanding the key dilemma of institutional “endogeneity” and independence, and the future of the institutionalist research program.*

#### Chapter 9. Conclusion: Institutional Traditions and the Choice-Constraint Paradox

After briefly summarizing the terrain covered, the conclusion provides original syntheses along three dimensions. The first involves the possibility of inter-field and interdisciplinary dialogue. We examine the similarities, complementarities, and contradictions of the four institutional theory traditions that we have examined. We argue that the prospect exists for a truly interdisciplinary institutional project that draws on economics, sociology, history and political science, including work done in comparative, international and American settings. The second involves different approaches to the so-called “endogeneity problem,” also known as the “dual nature” of institutions (Grafstein 1992), whereby they must simultaneously represent objects of human creation or choice and sources of human constraint. We argue that this represents the core dilemma of institutional analysis, one that can and must be addressed by drawing on diverse disciplinary traditions. Third, we consider the future of institutional theory. Here we engage new thinking about the contributions of different disciplinary perspectives and about the ways in which they might be brought together to provide a fuller theory of institutions, in terms of their origins, persistence, change and destruction; effects on human behavior; and consequences for important economic, social and political outcomes.

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