

LEARNING RESOURCES

STUDY MATERIAL/CLASS NOTE NO - 01

SUBJECT- POLITICAL SCIENCE HONOURS

CLASS - B.A. HONOURS 4TH SEMESTER [CBCS]

NAME – PROF. LAKSHMAN BHATTA

TOPIC – NEW INSTITUTIONALISM [C8T]

PAPER - CC-8/C8T –POLITICAL PROCESSES AND INSTITUTIONS IN COMPARATIVE PERSPECTIVE

UNIT-1 APPROACHES TO STUDYING COMPARATIVE POLITICS

B. NEW INSTITUTIONALISM

NEW INSTITUTIONALISM

This topic is about how and why institutions matter in political life. More specifically, it is about how the behaviour of political actors is shaped and conditioned by the institutional contexts in which they operate. This perspective and question define the central concerns of the so-called 'new institutionalism' in political analysis.

As a discipline, political science has always been able to legitimately claim that the study of two things, power and institutions, have been at the core of its concerns and contribution. Institutions are important, because, as entities, they form such a large part of the political landscape, and because modern governance largely occurs in and through institutions. Institutions also matter because they (or at least actors within them) typically wield power and mobilise institutional resources in political struggles and governance relationships. Institutions are also said to matter because they are seen as shaping and constraining political behaviour and decision making and even the perceptions and powers of political actors in a wide range of ways. Hence, in institutional terms, students of politics have analysed party systems, the rules of electoral competition, government bureaucracies, parliaments, constitutions, the judicial system, as well as large institutional complexes made up of the government and the gamut of

public institutions we call the 'state'. There have also been studies of 'non-state' institutions such as business corporations and trade unions.

Although debate continues on how best to define institutions and institutional boundaries, it is probably best not to think of an institution as a 'thing' but as a process or set of processes which shape behaviour. My dictionary defines an institution as 'established law, custom or practice'. The reason why institutions matter is that laws, customs and established practices in institutional and organisational settings can play a powerful role in shaping the behaviour of individuals. There is broad agreement that in defining institutions in these terms we need to focus not only on formal institutions and practices but also on informal routines or relationships.

So, broadly speaking, institutions are important because they shape or influence the behaviour, power and policy preferences of political actors. The emphasis here on shaping and influencing implies that institutional dynamics, whilst often important, do not explain everything. The preferences and resources of political actors might be drawn from a number of sources. Also, institutionalism is a 'middle-range' theory because institutions can be thought of as standing above actors but below wider 'structural' forces in politics (Pontusson also by the institutional capacities and make-up of the state. In this respect Tsokhas (1995) tells an interesting story about how the impact of British financiers in shaping policy responses to the 1930s Depression in Australia was limited by our federal division of powers between State and federal governments.

In political science, the level of interest in institutions has, however, varied over time. Section one of this chapter briefly traces the intellectual journey from the 'old' to the 'new' institutionalism in political science. This is followed in section two by a closer look at so-called new institutionalism. This is done partly through distinguishing between various strands or versions of new institutionalist theory: particularly so-called rational choice institutionalism and historical institutionalism. In section three we briefly examine some theoretical applications of institutionalism in terms of how institutional factors have been used to build accounts of 'policy networks' and 'state capacity'. Mention will also be made of how institutions shape 'varieties of capitalism' across countries and section three also briefly looks at how institutionalist theory has found practical applications in areas such as public sector and central banking reform.

Finally, section four looks briefly at some of the frontiers of institutional analysis, especially at questions of institutional change.

The Road to New Institutionalism

In the late nineteenth and early twentieth centuries, political science did the obvious. It commenced by describing and mapping the formal institutions of government and the modern state, both within specific countries and on a comparative basis. In tandem with constitutional research by students of law and studies in public administration (a sub-field within political science), the emphasis in this kind of 'old' institutionalism in political science was on charting the formal-legal and administrative arrangements of government and the

public sector. From today's perspective, the old institutionalism displayed little interest in cumulative theory building (Shepsle 1989: 132; Easton 1971: 77; Eckstein 1979). The main emphasis was on description, not on explanation or theory building. Studies were also often constructed on an evaluative framework which attempted to assess how well certain institutions measured up to democratic norms or the principals of responsible government (Rhodes 1995). Old institutionalism is not dead, however. Description of institutional arrangements is still an important aspect of research in politics and formal-legalism is still prominent in fields such as constitutional studies and public administration. When old institutionalists did turn to explanation it was assumed that political behaviour was more or less scripted by the formal rules or procedures of the institutional setting. On this front, there is some overlap between the old and the new institutionalism (Hirsch 1997).

In the post-World War II era, a second major school in political science developed (especially in the United States). This rejected or at least watered down the focus on institutions and argued instead that political behaviour and the sources of political power were derived primarily through informal relationships within and beyond the institutions of government. In particular, attention shifted somewhat away from the state and the formal organisations of government towards a more 'society centred' focus, with an emphasis on the socially embedded nature of pressure group politics, individual political behaviour and informal distributions of power. It

was argued that the best way of explaining behaviour was not through reading the rule book but through the direct observation of behaviour itself: hence the term 'behaviourism' as the label for this school (Krasner 1984: 229; Rhodes 1995: 48-50). Not surprisingly, the institutional landscape tended to recede under this style of political analysis. In this regard, March and Olsen (1984: 735) highlight several central aspects of behaviourism. First, it was 'reductionist'. Explanations of political phenomena were reducible to the aggregate consequences of the behaviour of atomistic individuals and hence behaviourism was less inclined to 'ascribe the outcomes of politics to organisational structures and rules of appropriate behaviour'. As Shepsle (1989: 133) argues, institutions were assumed to be 'empty shells to be filled by individual roles, statuses and values.' Second, March and Olsen argue behaviourism was 'utilitarian' in that action was seen 'as the product of calculated self-interest' rather than the product of actors 'responding to obligations and duties'.

New institutionalism amounts to 'bringing institutions back in' and a revival and expansion of this approach that has been underway since the 1980s. In political science, there have been a number of reasons for the renewal of interest in institutions. First, 'social, political and economic institutions have become larger, considerably more complex and resourceful, and prima facie more important to collective life' (March and Olsen 1984: 734). Second, there has been a renewed interest in the 'state' in a number of schools of political analysis, including Marxism and so-called 'statism' (Krasner 1984; Skocpol 1985; Bell 1997). Third, institutional factors have figured prominently in explanations of why countries pursued such different responses to the common economic challenges of the 1970s and 1980s (especially the oil crisis and rising inflation and unemployment)(Thelen and Steinmo 1992: 5). Fourth, the major public policy revisions since the 1970s in the face of such challenges have also involved wholesale institutional restructuring, impacting especially on the role of the state and involving substantial public sector reform.

New Institutionalism

So pervasive has the impact of institutionalism been that each of the social science disciplines now has its own 'new institutionalism' (Lowndes 1996; Koelble 1995). In economics, there have been a range of arguments about how and why institutions matter (Hodgson 1988). For example, scholars have argued that institutions can play an important role in reducing

transaction costs and various associated forms of market uncertainty and information costs and also in helping to monitor and enforce contracts and agreements. Thus, economic institutions, such as the firm, are created to organise a process of pulling back from the open market to 'internalise' certain forms of transactions to help cope with such problems (North 1990, Williams 1985, Zald 1989). In sociology, emphasis is put on the way in which institutional life establishes normative orientations, conventions and taken-for-granted practices that shape and influence behaviour, often in subtle ways (DiMaggio and Powell 1991). And in political science, as we saw above, there has been renewed interest in how institutional arrangements shape the behaviour, power and preferences of actors in politics.

All strands of new institutionalism share a common critique of atomistic accounts of social processes (Lowndes 1996; Shepsle 1989: 134). In political science, the critical difference between behaviourism and new institutionalism is that the focus on atomistic actors in the former is replaced (or at least modified) by a focus on institutionally 'situated' actors in the latter. Institutions, according to Shepsle (1989: 134), 'are the social glue missing from the behaviourist's more atomistic account', whilst Krasner (1984: 228) writes that: The political universe is not atomistic. Atoms are bound together in stable molecules and compounds. The preferences of public officials are constrained by the administrative apparatus, legal order and enduring beliefs. It should also be added that institutions provide actors with opportunities as well as constraints. At bottom, however, and as argued above, institutions are important in providing actors with sets of behavioural incentives and disincentives, with sets of normative and ideational codes which shape not only behaviour but also preferences, and with resources, including power resources.

conclusion

It has argued that institutions matter in political life and it has tried to explain how and why this is so. Institutions can be defined as sets of rules, codes or tacit understandings which shape behaviour. Whether they determine behaviour is another matter above to the fact that the old institutionalism was somewhat theoretically anaemic. This cannot be said of new institutionalism. Instead of description or normative evaluation, the focus of new

institutionalism is more oriented towards explanation and explicit theory building. The approach forces us to reconsider central theoretical issues, such as the agency/structure debate. There is also the related issue of how institutions interact with wider structural forces in politics and the economy, and, as just noted, explorations of the links between the institutional and ideational realms are underway. These linkages underline the fact that institutional accounts of politics, whilst often being of critical importance, can only ever be one (middle range) dimension of more fully rounded explanatory accounts in political analysis.