

Explaining Institutional Change

Ambiguity, Agency, and Power

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Explaining Institutional Change

Ambiguity, Agency, and Power

This book contributes to emerging debates in political science and sociology on institutional change. Its introductory essay proposes a new framework for analyzing incremental change that is grounded in a power-distributional view of institutions and that emphasizes ongoing struggles within but also over prevailing institutional arrangements. Five empirical essays then bring the general theory to life by evaluating its causal propositions in the context of sustained analyses of specific instances of incremental change. These essays range widely across substantive topics and across times and places, including cases from the United States, Africa, Latin America, and Asia. The book closes with a chapter reflecting on the possibilities for productive exchange in the analysis of change among scholars associated with different theoretical approaches to institutions.

James Mahoney is the Fitzgerald Professor of Economic History and a professor of political science and sociology at Northwestern University. He is the author of *The Legacies of Liberalism: Path Dependence and Political Regimes in Central America* (2001), which received the Barrington Moore Jr. Prize of the Comparative and Historical Section of the American Sociological Association. He is also coeditor of *Comparative Historical Analysis in the Social Sciences* (Cambridge University Press, 2003), which received the Giovanni Sartori Book Award of the Qualitative Methods Section of the American Political Science Association. His most recent book is *Colonialism and Postcolonial Development: Spanish America in Comparative Perspective* (Cambridge University Press, 2010).

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Preface

Until recently, gradual institutional change has not been a central focus of explanation in the social sciences. Instead, most institutional analysts have considered change during moments of abrupt, wholesale transformation. Yet it is not clear that such episodes of institutional upheaval capture the most common ways through which political institutions change over time. A growing body of work suggests that important changes often take place incrementally and through seemingly small adjustments that can, however, cumulate into significant institutional transformation. These forms of gradual institutional change call for more attention than they have received so far.

The present volume seeks to respond to this call. In the introduction, we propose a theory of gradual institutional change grounded in a power-distributional view of institutions that emphasizes ongoing struggles within but also over prevailing institutional arrangements. On this view, analyses of stability and change are intimately linked. Institutional stability is a function not simply of positive feedback but of active, ongoing political mobilization, and institutions are vulnerable to change not just in moments of crisis but on a more ongoing basis. Features of the overarching context and the properties of the institutions themselves hold the key to understanding the processes through which such change can be accomplished. We emphasize in particular that institutional rules are subject to varying interpretations and levels of enforcement and therefore exhibit ambiguities that provide space for interested agents to exploit in their effort to alter them. We use

these orientations to develop causal propositions about the connections among particular types of institutions, strategies for change, and modes of gradual institutional transformation.

The five empirical essays that follow the introduction bring these propositions to life in the context of sustained analyses of specific instances of incremental change. These chapters span a wide spectrum of substantive topics and political contexts. The authors examine instances of institutional change in Africa, Southeast Asia, and Latin America as well as in the United States, and they consider changes in diverse institutions, from the rules governing the conduct of business within the U.S. Congress to the system of property rights in postcolonial Kenya. Even as they develop their own insights about the specific cases under study, the authors also apply and elaborate the general theoretical framework presented in the introduction.

Our point of departure for thinking about institutional change builds on insights coming out of a body of work broadly associated, as we are, with historical institutionalism. However, the theory we develop in this book, and the specific propositions we lay out, can be fruitfully taken up by scholars associated with any of the various “isms” in institutional analysis. In this spirit, the book concludes with an essay by Peter A. Hall reflecting on the possibilities for productive exchange in the analysis of change between historical-institutionalist scholars and scholars associated with rational-choice and sociological approaches to institutions.

It is our great pleasure to be able now to acknowledge formally those individuals and organizations that made this book possible. This volume grew out of a conference at Northwestern University in October 2007. Our largest debt is to the participants in that conference, for many of the insights contained in the pages to follow came out of the stimulating discussions we had over two days together. In conceiving the project, we sought to gather together some of the best recent work on institutional change undertaken by a new generation of institutional analysts. We are grateful to these authors, who brought fresh insights and original empirical material from their respective fields of study to provide a rich foundation for the discussion. We were also extremely fortunate to have secured the participation of a distinguished group of more senior scholars to serve as discussants at the conference.

Anna Grzymala-Busse, Peter A. Hall, Desmond S. King, Paul Pier-son, Theda Skocpol, and Sven Steinmo provided detailed comments on the individual papers but also shaped this volume (and our own thinking) through their broad commentary on the project as a whole. We thank Peter A. Hall especially for going a step further to deliver a characteristically insightful and synthetic concluding chapter to round out the volume.

We are enormously grateful to the Roberta Buffett Center for International and Comparative Studies of Northwestern University for funding this conference. The Buffett Center is home to Northwestern's Program in Comparative Historical Social Science, a tight-knit group of faculty and graduate students from sociology and political science that provides the core intellectual community out of which this project grew. The center's past and current directors – Andrew Wachtel and Hendrik Spruyt – and its associate director – Brian Hanson – offered their encouragement and provided support of all varieties from the inception of the project to its completion. The center's staff, and in particular Diana Snyder, made the conference logistics easy for us.

It is always a real pleasure to work with Lewis Bateman at Cambridge University Press, who was immediately enthusiastic about this project and who oversaw the book's production with his characteristic efficiency and good humor. Finally, working together on this project has been a wonderful intellectual and personal experience for us. It gave the two of us a reason for bringing together different generations of institutional analysts and an opportunity to think together about problems of institutional change.

James Mahoney
Kathleen Thelen

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A Theory of Gradual Institutional Change

James Mahoney and Kathleen Thelen

Once created, institutions often change in subtle and gradual ways over time. Although less dramatic than abrupt and wholesale transformations, these slow and piecemeal changes can be equally consequential for patterning human behavior and for shaping substantive political outcomes. Consider, for example, the British House of Lords. This is an institution that began to take shape in the thirteenth century out of informal consultations between the Crown and powerful landowners. By the early nineteenth century, membership was hereditary and the chamber was fully institutionalized at the center of British politics. Who would have thought that this deeply undemocratic assembly of aristocrats would survive the transition to democracy? Not the early Labour Party, which was founded in 1900 and understandably committed to the elimination of a chamber from which its constituents were, more or less by definition, excluded.

We are grateful to the participants in the Workshop on “Explaining Institutional Change: Ambiguity, Agency, and Power in Historical Institutionalism” at Northwestern University in October 2007. The empirical chapters presented at that event, and the stimulating discussions they provoked, provided the inspiration for many of the ideas laid out in this chapter. For subsequent written comments on this essay, we thank Tulia Falleti, Peter Hall, Alan Jacobs, Adam Sheingate, Theda Skocpol, and Dan Slater. We benefited as well from valuable input from Suzanne Berger, Nancy Bermeo, Giovanni Capoccia, Bruce Carruthers, Edward Gibson, Desmond King, Richard Locke, Ann Orloff, Paul Pierson, Dick Samuels, Ben Schneider, and the participants in the Comparative Historical Social Science workshop at Northwestern University and in seminars at Oxford University and M.I.T.

Yet Labour did not dismantle the House of Lords – despite recurring opportunities to do so during the twentieth century. Instead, the institution was reformed over time in a series of more measured moves that, successively: circumscribed its powers (especially in 1911 by a Liberal Party government), altered its composition (especially in 1958 under a Conservative government, with the addition of life peerages), and rendered it less unwieldy and – in the eyes of some – more legitimate (in 2000 under a Labour government, by reducing dramatically the number of hereditary peers). The cumulative effects of these changes have allowed the chamber not just to survive but to position itself as a significant player in, of all things, the defense of civil liberties in Britain (*The Economist*, February 11, 2006, 51). This is quite a change – from undemocratic bastion of traditional interests to champion of individual rights – and it illustrates that incremental shifts often add up to fundamental transformations.

While institutional analysis has earned a prominent place in contemporary social science, the vast literature that has accumulated provides us with precious little guidance in making sense of processes of institutional change such as occurred in Britain's House of Lords. We have good theories of why various kinds of basic institutional configurations – constitutions, welfare systems, and property right arrangements – come into being in certain cases and at certain times. And we have theories to explain those crucial moments when these institutional configurations are upended and replaced with fundamentally new ones. But still lacking are equally useful tools for explaining the more gradual evolution of institutions once they have been established. Constitutions, systems of social provision, and property right arrangements not only emerge and break down; they also evolve and shift in more subtle ways across time. These kinds of gradual transformations, all too often left out of institutionalist work, are the focus of this volume.

In the literature on institutional change, most scholars point to exogenous shocks that bring about radical institutional reconfigurations, overlooking shifts based on endogenous developments that often unfold incrementally. Indeed, these sorts of gradual or piecemeal changes often only “show up” or “register” as change if we consider a somewhat longer time frame than is characteristic in much of the literature. Moreover, when institutions are treated as causes, scholars are too apt to assume that big and abrupt shifts in institutional forms are

more important or consequential than slow and incrementally occurring changes. As the chapters in this book show, these conclusions are in need of fundamental rethinking. Gradual changes can be of great significance in their own right; and gradually unfolding changes may be hugely consequential as causes of other outcomes.

An emerging body of work provides ideas on which we can build to understand gradual institutional change. New insights have grown out of the literature on path dependence and the ensuing debate over this framework (e.g., North 1990; Collier and Collier 1991; Arthur 1994; Clemens and Cook 1999; Mahoney 2000; Pierson 2004; Thelen 1999, 2004). Among other things, this work has led analysts to theorize the circumstances under which institutions are – and are not – subject to self-reinforcing “lock-in.” Important strands of this literature suggest that path-dependent lock-in is a rare phenomenon, opening up the possibility that institutions normally evolve in more incremental ways. Likewise, works such as Pierson’s *Politics in Time* (2004) discuss various slow-moving causal processes (e.g., cumulative causes, threshold effects, and causal chains) that do not evoke the punctuated equilibrium model of change that is frequently embedded in conceptualizations of path dependence (see also Aminzade 1992; Abbott 2001). Inspired by these works, Streeck and Thelen (2005) have offered an inventory of commonly observed patterns of gradual institutional change that allows us to classify and compare cases across diverse empirical settings.

If theorizing is going to reach its potential, however, institutional analysts must go beyond classification to develop causal propositions that locate the sources of institutional change – sources that are not simply exogenous shocks or environmental shifts. Certain basic questions must be addressed. Exactly what properties of institutions permit change? How and why do the change-permitting properties of institutions allow (or drive) actors to carry out behaviors that foster the changes (and what are these behaviors)? How should we conceptualize these actors? What types of strategies flourish in which kinds of institutional environments? What features of the institutions themselves make them more or less vulnerable to particular kinds of strategies for change? Answering these basic questions is a critical next step if scholars are to theorize the sources and varieties of endogenous institutional change.

In this chapter, we advance answers to these questions. We begin by noting that all leading approaches to institutional analysis – sociological institutionalism, rational-choice institutionalism, and historical institutionalism (Hall and Taylor 1996) – face problems in explaining institutional change. We then consider how a power-distributional approach to institutions, common in historical institutionalism and present as well in some strands of sociological and rational-choice institutionalism, provides a basic motor for change. To account for actual change, however, this power-distributional approach needs to be supplemented with attention to issues of compliance going well beyond the usual concern for *level* or *extent* of compliance. We argue that institutional change often occurs precisely when problems of rule interpretation and enforcement open up space for actors to implement existing rules in new ways. Expanding our focus to include these concerns allows us to observe and theorize forms of incremental change that are routinely overlooked in most institutional analysis.

Our discussion culminates in the presentation of a new model of institutional change. The model elaborates a set of propositions that link particular modes of incremental change to features of the institutional context and properties of institutions themselves that permit or invite specific kinds of change strategies and change agents. The model sees variations in institutional properties as encouraging different types of change strategies, which are in turn associated with distinctive change agents who work to foster specific kinds of incremental change.

The Challenge of Explaining Change

Despite many other differences, nearly all definitions of institutions treat them as *relatively enduring* features of political and social life (rules, norms, procedures) that structure behavior and that cannot be changed easily or instantaneously. The idea of persistence of some kind is virtually built into the very definition of an institution. This is true for sociological, rational-choice, and historical-institutional approaches alike. The connection between institutions and persistence makes it natural for all of these approaches to focus on explaining continuity rather than change. Nevertheless, the three major institutional approaches do vary in subtle ways in how they conceive of institutions and this turns out to have important implications for their ability to theorize institutional change.