



Working Paper 05/2011

*Critical examination of the strength and
weaknesses of the New Institutional approach
for the study of European integration*

Konstantina J. Bethani

M.A. in International Relations, University of Essex

Trainee Researcher at the Centre for European Governance (KEDIA)

Konstantina I. Bethani obtained her first degree in Political Science at the University of Crete, Greece, before completing a Master of Arts in International Relations at the University of Essex, UK. She is a member of the European Studies Group for Young Researchers (ENEES), the Greek Politics Specialist Group, Political Studies Association and the Hellenic Society of International Law and International Relations. She is currently a trainee researcher at the Centre for European Governance (KEDIA), which is part of the Institute of International Relations at Panteion University. Since September 2011, she has been working in the European Commission, Representation in Greece, in the Section of Political Reports and Political Analysis.

Centre for European Governance (KEDIA)

Institute of International Relations

Panteion University of Athens

3-5 Hill Str., Athens GR-105 58

Tel. (+30) 210-3312325-7

Fax. (+30) 210-3313572

© Konstantina I. Bethani

© Centre for European Governance (KEDIA) - October 2011

ISSN 1792-8834

Available on KEDIA website: <http://www.kedia.gr>

All rights reserved. No part of this paper may be reproduced in any form without permission of the author. If cited or quoted, reference should be made as: Author(s), Title, KEDIA Working Paper, No./Year, [URL].

Introduction	4
1. The three variants	5
2. Defining the relationship between institutions and behaviour	7
3. Explaining how institutions originate and change	8
4. The other theories	11
Conclusion	13
References	15

Introduction

The European Union is, without question, the most densely institutionalized international organisation with a welter of intergovernmental and supranational institutions and a rapidly growing body of primary and secondary legislation. Small wonder, then, that the body of the literature known as “the new institutionalism” has been applied with increasing frequency and success to the study of the Union as a polity and to European integration as a process.

The new institutionalism(s) in political science did not originate in the field of EU studies, but reflected a gradual and diverse re-introduction of institutions into a large body of theories in which institutions have been rather absent or epiphenomenal, i.e. reflections of deeper factors or processes such as capitalism or the distribution of political power in a domestic society or international system (Wiener and Diez, 2004) or even as a reaction to the behavioural approaches that had come to dominate political science in the decades of 1960s and 1970s. Behaviouralism had been a reaction against formal institutional analyses of government and politics that had lost sight of the real political procedures that lay behind the formal structures of government; in particular, the influence of

societal groups (Bache and George, 2006). Thus, by contrast with these institution-free accounts of politics, institutionalism arose during the course of the 1960s, while it developed extensively during the course of the 1980s and early 1990s. One thing that was new about this reassertion of institutionalism was that institutions were not just defined as the formal organisations that the old institutionalism had recognised – such as parliaments, executives and judicial courts – but extended to categorize informal patterns structured interaction between groups as institutions themselves; these structured interactions were institutions in the sense that they constrained or shaped group behaviour.

New institutional accounts argued that formal institutions were not neutral arenas, since formal institutional structures and rules biased access to the political process in favour of some societal groups over others (Bache and George, 2006). Besides, they argued that institutions could be autonomous political actors in their own right.

Collectively, this reassertion of institutionalist perspectives known as new institutionalism, is common to distinguish between three variants, each with a distinct definition of institutions and a distinct account of how they 'matter' in the study of politics, not as just a reflection of states (March and Olsen 1984, 1989; Hall and Taylor, 1996).

1. The three variants

The first of these three variants of institutionalism arose within the rational choice approach to the study of politics: in general, rational-choice institutionalists employ a characteristic set of behavioural assumptions, positing that the relevant actors have a fixed set of preferences and behave entirely instrumentally so as to maximize the attainment of these preferences in a highly strategic manner (Hall and Taylor, 1996). Besides, they tend to see politics as a series of collective action dilemmas, as instances when individuals acting to maximize the attainment of their own preferences are likely to produce an outcome that is collectively sub-optimal (Hall and Taylor, 1996). One of the great contributions of rational-choice institutionalism has been to emphasize the role of strategic interaction in the determination of political outcomes, while its scholars have also developed a distinctive approach to the problem of explaining how institutions originate. Rationalists like Moravcsik (1998), Majone (2001) and Pollack (2002) devise and

test hypotheses about the motives of EU member governments in delegating specific powers to the supranational actors, while others have attempted to model the EU legislative process, including both the relative voting power of member states in the Council of Ministers, as well as the variable agenda-setting powers of the Commission and the European Parliament under different legislative procedures.

By contrast with the formal definition of institutions in rational-choice approaches, sociological institutionalism define institutions much more broadly to include informal norms and conventions, such as symbol systems, cognitive scripts and moral templates that provide the 'frames of meaning' guiding human action, as well as formal rules, procedures and norms (Hall and Taylor, 1996); its scholars argue that such institutions 'constitute' actors, shaping the way the latter view the world. In the case of the European Union, sociological institutionalism scholars examined the process by which the European Union is diffused and shape the preferences and behaviour of actors in domestic and international politics.

Historical institutionalism came by and hooked into the critique on group theories, providing a broader definition than rational-choice institutionalism; it refers to former rules and operating strategies, including informal institutions and informal interaction (Hall and Taylor, 1996). Historical institutionalist accounts focused on the effects of institutions over time, the ways in which a particular set of institutions, once established, can influence the behaviour of the actors who established them (Hall and Taylor, 1996). Furthermore, historical institutionalists tend to conceptualize the relationship between institutions and individual behaviour in relatively broad terms. Also, they emphasize the asymmetries of power associated with the operation and development of institutions and tend to have a view of institutional development that emphasizes path dependence and unintended consequences (Hall and Taylor, 1996). Finally, they are concerned to integrate institutional analysis with the contribution that other kinds of factors, such as ideas, can make to political outcomes.

In general, the new institutionalisms significantly advance our understanding of the political world; they have been the dominant approaches to the study of European integration.

2. *Defining the relationship between institutions and behaviour*

The three approaches present certain images of the political world which are by no means identical; and each displays characteristic strengths and weaknesses. These are considered first with respect to the problem of specifying the relationship between institutions and behaviour.

Historical institutionalism has the most commodious conception of the above relationship. Analysts of this particular school often utilize both 'calculus' and 'cultural' approaches to this problem (Hall and Taylor, 1996). Both perspectives plausible are considered important. However, historical institutionalism has devoted less attention than the other schools to developing a sophisticated understanding of how institutions affect behaviour and some relative works are less careful than they should when they specify the precise causal chain through which the institutions identified by them as important affect the behaviour they try to explain.

Rational-choice institutionalism, on the other hand, has developed a more precise conception of the relationship between institutions and behaviour and a highly-generalizable set of concepts that lend to systematic theory-building. However, these foundations rest on a relatively simplistic image of human motivation, which may miss many of its important dimensions. The usefulness of the approach is also limited by the degree to which it specifies the preferences or goals of the actors exogenously to the analysis, especially in empirical cases where these underlying preferences are multi-faceted, ambiguous or difficult to specify *ex ante* (Hall and Taylor, 1996).

Rational-choice institutionalism, though, has made major contribution in instrumental behaviour, by highlighting key aspects of politics often underestimated by other perspectives and providing tools for their analysis. It emphasizes that political action involves the management of uncertainty and demonstrates the importance that flows of information have for power relations and political outcomes.

Furthermore, it imposes to the role of strategic interaction between actors plays in the determination of political outcomes. This represents a major advance on traditional approaches that explain political outcomes in terms of the force that

structural variables, such as level of socioeconomic development, educational attainment or material discontent, exercise directly over individual behaviour (Hall and Taylor, 1996).

Therefore, rational-choice analysts can incorporate into their analyses an extensive appreciation for the role that human intentionality plays in the determination of political outcomes, in the form of strategic calculation, integrated with a role for structural variables in terms of institutions.

There are dimensions to the relationship between institutions and actions that may not be highly instrumental or well-modelled by rational-choice theories. Sociological institutionalists are rather better placed to elucidate these dimensions. Their theories specify ways in which institutions can affect the underlying preferences or identities of actors that rational-choice institutionalists take as given. Moreover, they argue that even a highly instrumental actor may be choosing strategies from culturally-specific repertoires, identifying additional respects in which the institutional environment may affect the strategies that actors choose (Hall and Taylor, 1996).

3. Explaining how institutions originate and change

There are also distinctive strengths and weaknesses in the approaches taken by the three schools of institutionalism to the problem of explaining how institutions originate and change.

Rational choice institutionalists have produced the most elegant accounts of institutional origins, turning on the functions that these institutions perform and the benefits they provide. This particular approach has a significant strength for explaining why existing institutions continue to exist, since the persistence of an institution often depends upon the benefits it can deliver. However, several features of the approach limit its adequacy for explaining the origins of institutions.

First, the approach of rational-choice institutionalism is considered to be often highly 'functionalist': it explains the origins of an institution in terms of the effects that follow from its existence (Hall and Taylor, 1996). Although these effects may contribute to the persistence of an institution, the problem of explaining

persistence should not be confused with the one of explaining an institution's origins. Furthermore, this approach often does not give an explanation for the much inefficiency that institutions display (Hall and Taylor, 1996).

Second, this approach is considered rather 'intentionalist', as it rather tends to assume that the process of institutional creation is purposive, under the control of actors who perceive the effects of the institutions they establish and create them in order to secure these effects (Hall and Taylor, 1996). These assumptions about the prescience of historical actors and their capacity to control the course of events are rather heroic, as in certain cases, historical actors may be seen to operate from a more complex set of motivations.

Finally, many of these analyses are considered highly 'voluntarist', as they tend to view institutional creation as a quasi-contractual process marked by voluntary agreement among relatively equal and independent actors (Hall and Taylor, 1996). There are many cases in which such an approach understates the degree to which asymmetries of power vest some actors with more influence than others over the process of institutional creation. Furthermore, the rational-choice approach has an 'equilibrium' character: the starting-point from which institutions are to be created is likely to reflect Nash equilibrium, making it not obvious why the actors would agree to change in existing institutions (Hall and Taylor, 1996). The efforts of the scholars of the particular approach to show that institutions are stable, by invoking the uncertainty that lies in institutional change, render the problem of explaining why institutions change even more.

Although rational-choice accounts explains in a satisfactory way why institutions continue to exist, the explanation it offers for institutional genesis is rather best applicable in certain, limited cases. Though, it offers the greatest analysis in settings where consensus among actors accustomed to strategic action and of equal standing is necessary for institutional change, as in international arenas (Hall and Taylor, 1996). Finally, it may be applicable to settings where intense competition among organisational forms selects for those with some kind of efficiency that is specifiable *ex ante*, as in market competition (Hall and Taylor, 1996).

Historical and sociological institutionalists approach this particular problem of explaining the origins and changes of institutions in a different way. They

primarily argue that new institutions are created or adopted in a world already replete with institutions.

The scholars of sociological institutionalism explore the processes whereby the developing new institutions 'borrow' from the existing world of institutional templates and focus on the way in which the existing institutional world circumscribes the range of institutional creation (Hall and Taylor, 1996). Moreover, this certain approach develops a conception of why a particular institution might be chosen, the processes and the role of interpretation and social legitimacy. Finally, this specific approach explains the presence of much different inefficiency in social and political institutions (Hall and Taylor, 1996).

However, sociological institutionalism misses the extent to which processes of institutional creation or reform entail a clash of power among actors with competing interests. Many actors, both inside or outside an organisation, have deep stakes in whether that government adopts new institutional practices and reform initiatives often provoke power struggles among these actors, which an emphasis of diffusion could neglect. In certain cases, the new institutionalists in sociology seem so focused on macro-level analysis that the actors involved in these processes seem to be ignored and the result begins to look like 'action without agents' (Hall and Taylor, 1996). In general, the approach might benefit from attention to the way in which meaning, scripts and symbols emerge from processes of contention and not only from processes of interpretation.

Historical institutionalists use the same starting-point, a world replete with institutions, but rather focus on the way in which the power relations present in existing institutions give some actors or interests more power than others over the creation of new institutions. They joint with the rational-choice institutionalists to impose the argument that 'organisation is the mobilization of bias', made by an earlier generation of analysts (Hall and Taylor, 1996). In general, this particular theory includes a conception of path dependence that recognises the importance of existing institutional templates to processes of institutional creation and reform.

Rational-choice accounts of the origin of institutions are dominated by deduction, while those of historical institutionalists often seem to depend on induction. Their answer to why the historical actors behaved as they did is given by them by scouring the historical record for evidence. Historical actors attribute to their own actions enhances the realism of the analyses produced by the scholars of

historical institutionalism and it allows them to discriminate among competing explanations when the deductive calculus associated with rational actors specifies more than one equilibrium outcome (Hall and Taylor, 1996). Historical institutionalists have produced many revisions to the understandings about the origin of institutions as Swedish corporatism. However, this emphasis on induction has been strength along with being weakness, as historical institutionalists have been slower than others to aggregate their findings into systematic theories about the general processes involved in institutional creation and reform.

4. The other theories

Despite the differences between them, all three institutionalisms offer substantial advantages over the traditional neofunctionalist and intergovernmentalist theories of European integration, analysed below.

First, while the old neofunctionalist / intergovernmentalist debate was limited almost exclusively to EU studies, the new institutionalist analyses draw explicitly from and can contribute to the development of general theories of politics. Indeed, the rational-choice and historical institutionalist theories share basic assumptions and approaches not only with each other, but also with a wide variety of rationalist theories of EU theories (e.g. liberal intergovernmentalism), comparative domestic politics (Thatcher and Stone Sweet, 2002), and international politics (Milner 1998) and the theoretical compatibility of these studies allows for comparison with relevant domestic and international cases outside the EU (Wiener and Diez, 2004).

This observation points to the second advantage; the institutional analyses generally challenge the traditional distinction between international relations and comparative politics, and indeed, the basic concepts of institutionalist analyses are applicable both at the 'international' level of the EU and at the level of member states, where the mediating impact of domestic institutions can help explain patterns of Europeanization among current member states and applicant countries (Wiener and Diez, 2004).

Finally, all three institutionalisms have advanced considerably over the past decade, both in terms of theoretical elaboration and empirical testing. Rational-

choice scholars have accomplished a remarkable specification of formal models, while gathering new data to test them (Wiener and Diez, 2004). In contrast, historical institutionalist accounts haven't been that keen to move beyond the concepts of lock-in and path-dependence as broad metaphors for the integration process; though, there has been an effort recently to refine the theory into distinct, testable hypotheses (Wiener and Diez, 2004). The specification of new and more accurate models of institutions of the European Union and the testing of those models through a range of empirical approaches including qualitative as well as quantitative analysis is considered to be the primary challenge for the rational-choice institutionalists (Wiener and Diez, 2004).

Despite of the multiple strengths of the new institutionalism mentioned above, it is crucial to be mentioned that the latter reveals potential weaknesses as well.

At first, all possible varieties of the new institutionalism are essentially mid-level theories, concerning of the effects of institutions which are seen as intervening variants in the politics of the European Union. An adequate theory of European integration has not been constituted by any of the variants of new institutionalism.

Historical institutionalism addresses to some point this equilibrium, by examining the ways in which initial integrative acts may create certain consequences in order to lead to a path-dependent process of integration (Wiener and Diez, 2004). Though, in such accounts the risk is that the causes of integration could be external to the theory.

However, rational-choice and historical institutionalism are compatible to other rationalist theories of politics, enabling the linking of mid-level analysis of EU institutions to larger theories that might explain the integration process in a more full way.

The other weakness of this particular theory consists of the following: there is a specific set of restrictive assumptions about the nature of actors and institutions that the rational-choice institutionalism, as far as the EU is concerned, is based on. These particular assumptions have been questioned by sociological institutionalists; the latter impose that the rational-choice institutionalism doesn't consider the transformative effects of the institutions of the European Union on the preferences and identities of the people who interact with them (Wiener and

Diez, 2004). Rational-choice institutional accounts finally do underestimate the significant importance and, of course, the impact of the European institutions, which was their primary research question.

Conclusion

In conclusion, political science today is confronted with three 'new institutionalisms' and it is striking how distant these schools of thought have remained from each other. Each, moreover, has been assiduously burnishing by its own paradigm. In recent works, it is suggested that a better acquaintance with the other schools would lead the partisans of each towards a more sophisticated appreciation for the underlying issues still to be resolved within their own paradigm (Hall and Taylor, 1996).

When confronting each other on the highly theoretical terrain of first principles, the most extreme proponents of each approach take very different positions on such fundamental issues as whether the identities of the actors can be given exogenously to the institutional analysis and whether it makes sense to assume kind of rational or strategic action across cultural settings.

Each of these approaches seems to reveal different and genuine dimensions of human behaviour and of the effects institutions may have on behaviour. None of these literatures is considered to be substantially untrue; more often, each seems to be providing a partial account of the forces in a given situation or capturing different dimensions of the human action and institutional impact present there.

Furthermore, these schools share common analytical ground on which the insights of one approach might be used to supplement or strengthen those of another, if the most extreme assumptions of each school's theoretical position are relaxed. For instance, both the 'calculus' and 'cultural' approaches to the relationship between institutions and action argue that institutions affect action by structuring expectations about what others will do (Hall and Taylor, 1996). Those expectations are considered to be shaped by what should seem instrumentally viable to the other actor; or they are considered to be shaped by what would seem socially appropriate to the other actor.

Similarly, proponents of the 'cultural' and 'calculus' approaches could acknowledge the fact that behaviour is goal-oriented or strategic but the range of options for a strategic actor is likely to be circumscribed by a culturally-specific sense of appropriate action (Hall and Taylor, 1996).

A number of analysts suggest that considerable promise may lie in such syntheses. For instance, Kreps extends the argument to encompass 'corporate culture', understood as a set of collective templates for action; he argues that such 'cultures' can be an efficient supplement to the traditional monitoring and enforcement mechanisms of an organisation, especially when the latter cannot readily specify appropriate behaviour for all contingencies (Hall and Taylor, 1996).

Other rational-choice analysts have begun to include 'culture' or 'beliefs' in their accounts in order to explain why actors move toward an outcome when a conventional analysis specifies many possible equilibrium outcomes (Hall and Taylor, 1996).

Many of the arguments of historical institutionalism recently produced could be translated into rational choice terms, while others display clear openings toward the new institutionalism in sociology. A number of these analyses already affect something of integration by showing how historical actors select new institutions for instrumental purposes, much as a rational-choice analysis would predict, but draw them from a set of alternatives through the mechanisms specified by sociological institutionalism. Finally, other scholars suggest that strategic responses to a particular institutional environment may eventually give rise to worldviews and organisational practises that continue to act even after the institutional environment has been reformed.

In toto, all three institutionalism accounts have been enlightening through the implicit debate among them. After some years in which these schools of thought have incubated in relative isolation from each other, an extensive interchange among them and a crude synthesis of the positions made by each, could lead to remarkable assumptions. After all, each school of thought has something to learn from the others.

References

Bache, I. and George, S. (2006): *Politics in the European Union*, 2nd Edition, Oxford: Oxford University Press.

Hall, P.A. and Taylor, R. (1996): *Political Science and the Three New Institutionalisms*, *Political Studies*, XLIV.

Majone, G. (2001): 'Two Logics of Delegation: Agency and Fiduciary Relations in EU Governance' *European Union Politics* 2(1), 103-21.

March, J.G. and Olsen, J.I. (1984): *The New institutionalism: Organizational Factors in Political Life*, *American Political Science Review*, 78(3), 734-49.

March, J.G. and Olsen, J.I. (1989): *Rediscovering Institutions: The Organizational Basis of Politics* (New York: Free Press).

Moravcsik, A. (1998): 'Federal Ideals and constitutional Realities in the Treaty of Amsterdam', *Journal of Common Market Studies*, Annual Review, 36, 13-38.

Pollack, M.A. (2002): *the Engines of European Integration: Delegation, Agency and Agenda-Setting in the EU* (New York: Oxford University Press).

Wiener, A. and Diez, T. (2004): *European Integration Theory* (Oxford: Oxford University Press).