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**THE NEW INSTITUTIONALISM AND ADMINISTRATIVE REFORM:  
EXAMINING ALTERNATIVE MODELS**

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B. Guy Peters is Maurice Falk Professor of American Government in the Department of Political Science at the University of Pittsburgh. This paper is based on a series of two seminars he presented at the *Center for Advanced Study in the Social Sciences* of the Juan March Institute, Madrid, on 13 and 14 May 1997, entitled “Institutional Theory: An Evaluation” and “Administrative Reform: Explaining the Adoption of Changes in Government”.

In this paper we will introduce Johan P. Olsen to Ken Shepsle (1989) and then to Graham Allison, and then take them all along to meet Vice President Al Gore. A much more precise definition of what this paper is about is that it will examine three alternative versions of the "new institutionalism" in political science. These three conceptions are the normative institutionalism of March and Olsen, various versions of rational choice institutionalism, and finally the historical institutionalism usually associated with scholars such as Peter Hall (1986) and Steinmo, Thelen and Longstreth (1992). The paper will then use those three conceptions of institutional theory to examine one important managerial reform in the United States--"Reinventing Government", or the Gore Commission. As well as being an exegesis of the three versions of institutionalism, the paper therefore is also an exercise in "triangulation", or looking at the same set of events through different theoretical lenses. This research strategy is often associated with Graham Allison (1971) and his examination of the Cuban Missile crisis, but it is of more general applicability. For example, Webb, Campbell, Sechrest and Schwartz (1967) advocated this strategy, especially the use of multiple types of evidence, as a means of overcoming some of the inherent weaknesses of the obtrusive methods common in the social sciences. More recently, Denzin (1978) advocated the use of multiple indicators as a central source of validation in research.

This paper also assesses the general utility of institutional theory in confronting the real world of public administration and public policy. There has been a great deal of theoretical development in this area, and a number of critiques (Jordan, 1990; Pedersen, 1991; Sened, 1991; Hall and Taylor, 1996). There has, however, been somewhat less application of those theories to real world cases, especially contemporary developments. Historical institutionalism (see below) has been built on the persistence of policies and real cases, but its relevance to contemporary developments may be questionable. Thus, using these three approaches to look at one institutional change allows an assessment of the general utility of institutionalism, as well as the relative utility of the three competing approaches.

Finally, we will be looking at the utility of institutional theory for coping with the problem of change within an organizational or institutional setting. Institutional theories are often labelled as

static, and concentrating on structure to the exclusion of explanations based on agency and greater mutability of policy. Therefore, applying these theories to instances of change, and especially to more or less planned change, provides a rather severe test to this approach to social life. Can existing institutional approaches cope adequately with change, and with the problems of designing, and redesigning, institutions? What can the several institutional theories do, and not do, in explaining change?

In summary, this paper has several items on its agenda, all of which revolve around the issue of the nature of institutional theory, and more precisely the utility of institutional theory. This agenda, while broad, is focussed on how to enhance the understanding of institutions and institutional change in order to advance political science theory in this area. Very much as March and Olsen argued in their manifesto for the development of the new institutionalism, the discipline tends to be dominated by theories based on individualistic assumptions, so that these developments are an attempt to provide a more collective, and more structural, alternative.

### **The New Institutionalism**

As intimated above, this work emanated in large part from an interest in the new institutionalism. Having personally maintained an interest in institutions even in the face of behavioral and rational choice individualism, I was heartened by the return to more structural analysis in the discipline. As heartening as that theoretical (re)development may have been, it was also somewhat unsatisfying. The concern about the pattern of development was that any number of scholars were concerned with institutional developments but they were rarely engaging in any debate and discussion about the strengths and weaknesses of their different views about what institutionalism meant.

The above disquiet led me to write a book (Peters, 1998) on institutional theory in political science. In that book I distinguish among seven different approaches to institutions that are used in the discipline. The approaches are:

**Normative Institutionalism**, as developed by March and Olsen, with its emphasis on the role of values and a "logic of appropriateness" in defining an institution.

**Rational Choice Institutionalism**, using the basic assumptions of rational choice theories to analyze institutions. Within this approach there are at least three different versions: 1) principal-agent models, 2) game-theoretic models; and 3) a rules-based approach.

**Historical Institutionalism**, stressing the persistence of choices and the "path dependency" of institutions, especially institutions in the public sector

**Empirical Institutionalism**, in which there is an attempt to use differences in formal institutional configurations (presidentialism versus parliamentary government) to explain differences in policy outcomes

**International Institutionalism**, in particular the use of regime theory in international relations as an analogue to institutional theories in domestic politics. Regimes appear to have many of the structural and persistent features used to characterize institutions in other theoretical perspectives

**Sociological Institutionalism**, derived from major sociological thinkers such as Selznick, Eisenstadt, and more recently W. Richard Scott (1995). This set of approaches tends to focus on the process of creating institutions, as well as on the cognitive aspects of institutional life.

**Institutions of Mediation**, with the argument being that interest groups and political parties that mediate between state and society have many institutional features. This is true of the organizations themselves, and is also true of groups of these organizations (party systems and policy networks).

The book on institutional theory addresses a number of issues about these different approaches, but this paper will focus on two related issues. One is the nature of change, and the other is the capacity of the theories to cope with organizational design and redesign. As noted, organizational theories are often considered to be excessively static, so we need to see if they can be used to understand a major change. Also, some versions of institutionalism appear to be skeptical

about the capacity of individual or collective actors to create institutions in certain ways--they appear to happen rather than to be planned and purposively designed (but see Weimer, 1995; Goodin, 1995).

Redesign, or changing institutions, may be even more difficult than the initial design. As we have argued elsewhere (Hogwood and Peters, 1983), changing organizations and policies is often as more problematic than their initial formulation. This is in some ways the basic argument of the historical institutionalists, who see institutions as difficult to alter from their initial paths. Institutions tend to embody and promote values, so change tends to require changing not just structures but also mind-sets about what the institution should do. Further, public institutions once created tend to have structural relationships with society and with powerful social actors so that changing the institutions becomes politically more difficult. They also have relationships with other institutions, so that change becomes threatening to a number of actors. Redesign also becomes less likely because most institutions are given the capacity to recruit and to train their own staff with the result that their members attempt to infinitely replicate themselves and their values. As we will point out, they often fail, and that failure becomes one powerful source of pressures for change.

The above having been said, however, redesign is a more viable option in some approaches than in others. It is obvious that historical institutionalism does not admit readily to redesign, but instead would argue that patterns once initiated will continue to maintain an equilibrium unless moved by powerful social or political forces. On the other hand, as we will point out, some of the economic theories of institutions accept virtually a *tabula rasa* so that any redesign is possible, given the right set of economic incentives.

Even if the basic institutional structure can be redesigned as if it were on a *tabula rasa*, the actors involved may have persisting memories that will shape the future politics of the policy area. For example, if bureaucratic participants in the process have a history of "defection", or following their own course of action rather than that prescribed by their nominal political masters, then any

change in the formal structure of government may have little effect. The political organizations are likely to continue to exercise a great of monitoring over the seemingly unreliable participant.

### **The Gore Commission and Reinventing Government**

We will begin to "test" some of these notions about institutions by examining the National Performance Review, more commonly called the Gore Commission, and its attempts to "reinvent government" in the United States. We put "test" in quotation marks above simply because the level of theoretical development makes it difficult to develop testable propositions from these sets of ideas (but see Peters and Pierre, 1997). Institutionalism is still in many ways better at providing explanations for events after the fact than it is in providing predictions before the fact.

The attempt to reinvent government and to provide (in the words of the Gore Report) a federal government that "works better and costs less" was a pledge by President Clinton during the 1992 campaign. He and the Vice President to be made the apparent inefficiency<sup>1</sup> of the federal government one of the centers of their campaign and, once elected, the task of converting the pledge into action was given to the Vice President. Vice President Gore took this assignment very seriously and personally, and set about the task of reinvention.

Unlike many programs of reform in the United States, the Gore Commission was staffed largely by people familiar with, and mostly part of, the public sector. Civil service employees were the largest group in the Commission staff, and most of the remainder came from other governments, especially states such as Ohio and Texas that had been through recent exercises in major reorganization and reform. These were not, however, stereotypical public servants but rather

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<sup>1</sup>By this time many state and local governments had surpassed the federal government in converting their operations into more efficient and business like operations. Even Arkansas, often portrayed as a backwater of American politics, was more modernized than many aspects of the federal government.

were very "change oriented"; their self-description was the "sand in the oyster".<sup>2</sup> Many had been waiting years for the opportunity to be involved in an effort to change the federal government and Gore presented just that opportunity. One major addition to this team was David Osborne, co-author of the execrable "Reinventing Government" book and a friend of Clinton of some standing.

The final Report (National Performance Review, 1993) that emanated from the Gore Commission contained three major strands of thinking about how to make government perform better. The first of these ideas was empowerment, meaning granting enhanced powers to lower echelon members of public organizations, and to some extent to the organizations themselves, to make decisions for themselves. One major manifestation of this style of thinking was the advocacy of flattening organizations, and removing some 238,000 employees (most of them middle managers) from the federal payroll by the year 2000. This flattening would, in turn, mean that people at the bottom of these organizations would have less direct supervision and more opportunity to make decisions on their own.

Three points should be made about this reduction in the federal workforce. The first is that this reduction was advocated and approved by the staff of the Commission, themselves largely public servants, as necessary to make the jobs of the remaining civil servants more meaningful. The second point is that this target figure was a last minute addition to the Report, in part designed to make it more meaningful to citizens "outside the Beltway". The third is that the target figure will be reached, and probably surpassed, by the end of the century with almost all jobs losses coming through attrition rather than from firings. By the year 2000 the federal government will be much smaller.

The second strand of thinking about reform was deregulation, meaning here not deregulation of the economy but deregulation of the public sector itself (see DiIulio, 1994; Barzelay, 1992; Horner, 1994). The Gore Report argued that the federal government was too bound up in rules and red tape to be effective, and there should be greater latitude for managers to manage

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<sup>2</sup> This phrase was used in a personal interview with one of the staff members by the author.



without being so bound by those rules. This internal deregulation of the federal government involved reducing the power of the central agencies over some aspects of the system, for example, eliminating most civil service regulations on hiring and promotion. It also involved a drastic increase in the limit below which managers could purchase supplies and equipment without having to go through bidding procedures.

The third component of the Gore reforms was reinvention. This is an extremely vague concept, but it does imply permitting organizations to change their own conceptions of how they conduct business and how they managed their affairs. Thus, the concept was one of "bottom up" change, rather than a uniform set of changes imposed from above. Further, "reinvention" implied a fundamental rethinking of the activities of the organization in question, asking if the organization should even continue to do what it has been doing and if so, should the activities be performed in the same way. One means of achieving that rethinking of activities was to create reinvention "laboratories". These were organizations in the federal government that were given a period of one year to rethink what they do and how they do it, and develop new solutions for their policy problems. For some, this meant only slight changes in management, while for others it produced an immense overhaul of activities.

Another of the important, and unusual, features of the Gore plan for reform was that it assumed a very long time span for implementation. Whereas most reforms demand immediate implementation (in large part for political reasons), the Gore plan was to be a project of ten or more years. Members of the team who drew up the plan talked about implementation as "guerilla warfare" that would be waged by people committed to the ideas of the plan over a very long time. Further, implementation was to be guided only by a relatively small staff assigned to the Office of Management and Budget (OMB), with the organization that devised the plan going out of business. Implementation was, therefore, largely to be self-implementation rather than by imposition from above.<sup>3</sup>

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<sup>3</sup>Of course, OMB is a powerful organization so that any "suggestions" coming from it are likely to be considered seriously by line agencies.

## **Institutional Theory and Administrative Reform**

We will now proceed to see to what extent institutional theory can help explain, or at least illuminate, the experiences of the Gore Commission. The American federal bureaucracy is, by anyone's definition, a large institution. It has over one and a half million civilian employees working in a large number of departments, agencies, public corporations, and a host of other organizational formats. Does looking at these structures in institutional terms help to understand the impact of Gore, or does the theory actually cloud the reality? Further, can institutional theory say anything important about the design and redesign of public institutions?

### **March and Olsen--the Intellectual Godfathers**

James March and Johan Olsen issued the manifesto for the "New Institutionalism" in their 1984 article, and in a more complete form in their 1989 book. They were reacting against the individualism that characterized both behavioralism and the rational choice approach, and against the utilitarian values characteristic of the rational choice approach. In their view it is crucial to emphasize the role of institutions in shaping political behavior. But what is an institution?

The most fundamental feature of institutions in the March and Olsen approach is the importance of values in defining institutions. In this view, the members of institutions have their behavior shaped by a "logic of appropriateness" defined by the values of the institution. This is in contrast to the "logic of consequentiality" characteristic of economic models of political behavior. This logic of appropriateness establishes parameters of acceptable behavior for members of an

institution, boundaries that are learned and interpreted by the members as they come into contact with the institution.<sup>4</sup>

Given this view of institutions, how can institutions be designed, or are they too much defined by the evolution of values to be subject to conscious designing? Further, once an institution has been created, are the values that have been inculcated difficult or impossible to change, so that "reform" becomes a virtual impossibility? The basic argument that emerges from the advocates of this view of institutions is that reform is indeed possible, but changing values once institutionalized is difficult. The good news, however, is that if the change is accomplished it tends to be enduring.

The clearest statement of reform in this perspective on institutions can be found in Nils Brunsson and Johan P. Olsen's book (1993; see also Brunsson, 1989) on the "reforming organization." Brunsson and Olsen argue that any successful, designed reform of institutions must be a "top down" process in which the leaders of the institution attempt to impose their view of the new logic of appropriateness on the remainder of the institution. Any attempt to build reform from the bottom up is viewed as almost certainly doomed to failure, given the need for a clear vision of the future direction of the institution.<sup>5</sup> Further, the possibility of producing a successful transformation of the internal values of an institution will vary with the degree of institutionalization of the values of the previous regime in the structure.

The capacity to reform the organization/institution is a function also of the degree of institutionalization of the environment of that body. If the environment is highly institutionalized, for example, it has an integrated set of values and procedures, then changing an institution will be difficult. For (an extreme) example, if the firms operating in a market have agreed to collusive price-fixing any attempt for a firm to go it alone and engage in freer market behavior will not be

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<sup>4</sup>This view of institutions is closely allied with Mary Douglas's (1982; 1987) conceptualization of the role of culture in defining "group" and "grid" values that shape social behavior.

<sup>5</sup>Parts of the organizational culture literature, however, argue that changes in collective culture can result from "orthogonal" cultures within the organization that create internal discussion and then change.

successful. As sociologists argue for institutional structures, there may also be some isomorphism of institutional values as well (see DiMaggio and Powell, 1991).

The above discussion has been focussed on designing change in institutions. In the basic March and Olsen text the emphasis was more in unplanned, incremental change in institutional values and "logics". In their view institutions changed largely through recognizing that their stated values and their performance were not in conformity. When an institution recognized the existence of such a discrepancy they had the option either of reinforcing commitment to the old values or finding some way of making effective changes. That may only be the willingness to accept the continuing evolution of ideas and values that reflect changes in the individuals being recruited into the institution, as well as the changing external environment of the institution. The successful institution will be the one that is able to make its "logics of appropriateness" match the demands of that changing environment.

Interestingly, the March and Olsen view on institutions appears more effective in explaining changing organizational logics than in explaining the initial formation of those logics. This is in marked contrast to the usual "structure versus agency" argument in social theory in which structural theories such as institutionalism are assumed to be static (Hay, 1995; Dessler, 1989). It appears that in this conception of institutions, the logics of appropriateness grow over time and through the interaction of institutional members rather than through more conscious design. Certainly there are institutions in which the founding leaders impose a strong view of what the institution will be, but the basic conception appears to be evolutionary and developmental.

### **Normative Institutionalism and the Gore Commission**

Given that we now have a reasonable view of the normative institutionalism of March and Olsen in mind, we can apply that model to the reforms being implemented as a result of the Gore Commission. Does this perspective on institutions and institutional change help us understand

Gore's intentions, and does it help us make any predictions about the likelihood of success of the reform initiative?

In some ways, the theory and the practice do not fit well. Brunsson and Olsen talk about reform coming from the "top down" but the logic of the National Performance Review was largely "bottom up" (at least after the initial decision to produce change). Each organization in government was to be allowed a good deal of freedom to reinvent itself, and to devise a mode of operating that better suited its needs and its own culture. Of course, there did appear to be a particular template of the "good organization" in mind, with a flatter, more participatory and less hierarchical organization being the implicit goal.<sup>6</sup>

We should also remember that the Gore Report was being implemented in a highly institutionalized administrative system, and a highly institutionalized environment. First, although often compared poorly to its European counterparts, the federal civil service is a well-institutionalized service with its own set of values and a clear "logic of appropriateness" for the behavior of its members.<sup>7</sup> The service has been in existence as a service for over 100 years and changes such as the creation of the Senior Executive Service may have strengthened rather than weakened its internal logic.

The civil service also functions within a highly institutionalized political environment, generally characterized by clashes between the two political branches of government, president and congress. Indeed, one of the remarkable aspects of the Gore Report was the failure to involve Congress in the process at the very beginning. Even at the time of writing, Congress has had little to say about the changes coming out of Gore, preferring to focus on their own reform--the Government Performance and Results Act of 1994 (Jones and McCaffrey, 1997). Most of the changes coming out of Gore do not require legislative action, but any that do will encounter a well-

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<sup>6</sup> It is not clear what would happen if, after due deliberation, an organization decided it liked the Weberian model and wanted to be as hierarchical as possible. One suspects that this would not be seen as an appropriate form of reinvention.

<sup>7</sup> Any number of surveys of values and attitudes in the civil service demonstrate the existence of this system of largely positive values. See in particular Aberbach and Rockman (1997).

developed set of preconceptions about the federal bureaucracy, especially in a Republican Congress.

Finally, the pattern of change of the federal civil service has been, to borrow a phrase from Peter Hennessey, "routines punctuated by orgies". That is, the pattern of change has tended to be non-incremental with little institutional change (albeit a good deal of policy change) other than at periods of large-scale reorganization. Thus, the history of the civil service and federal management tends to be written in terms of the major reform commissions--Brownlow, Hoover, Ash, Grace, Volcker and now Gore (see Peters, 1997b). Most of these reform efforts have not achieved their stated goals, but they also have established ideas about what good practice in federal management would be. There has been the discrepancy between stated goals and practice that might be thought to produce change within the normative institutionalist model, but the discrepancy appeared more important to reformers than to the practitioners within the system.

The above having been said, there are also some ways in which the Gore Report fits very closely with the normative institutionalist logic of March and Olsen. The fundamental logic of Gore and the fundamental logic of normative institutionalism are identical--to change organizations you must first change the values that operate within those structures. More than anything else, the Gore Commission has been about changing the way in which people in government think about their organizations and about their jobs. Unlike many other reform efforts structural change has been seen as a means to the end of producing value change, rather than as an end in itself.

Also, as noted, there has been a major discrepancy between the stated values and the behaviors in many federal organizations. Government, like the private sector, is facing the need to manage differently with more people in senior positions reflecting the values of the 1960s and the more democratic styles associated with that time and the following time periods. As well as these general social changes, the reduction of the secretarial/clerical groups within most organizations means that the workforce has changed further. The clerical staff were the part of the federal workforce most suitable for old fashioned, machine-style management, so that as technology

replaces many of these jobs, the federal civil service becomes more professional and para-professional almost every day.<sup>8</sup>

The final way in which the Gore Report appears compatible with the logic of the normative institutionalism is in its style of implementation. This implementation was conceived of as a ten-year, or longer, process of "guerilla warfare". The idea was to use "change agents" in particular organizations, rather than attempt to impose the change all at once from the top. Again, the idea was to change ideas and values over time, with the change agents being the aforementioned "grains of sand in the oyster" that would produce change in the end.

Therefore, as a process of institutional change, there is not too bad a fit between the March and Olsen, Olsen and Brunsson conception of change and the Gore Commission's actions. Again, the fundamental logic of changing values is central in the National Performance Review just as it is in normative institutionalism. There do appear to be some differences in the details of designing change, and whether change can be imposed from above, but they do agree that if there is to be enduring change it is values that must change.

### **Rational Choices Versions of New Institutionalism**

We will now move on to rational choice versions of the new institutionalism. First, it must be said that March and Olsen would tend to see this term as an oxymoron; much of their reason for advocating their normative version of the New Institutionalism was to combat the growing power of rational choice thinking in the discipline. That having been said, however, we can identify several alternative versions of institutionalism that are based on the logic of rational choice analysis.

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<sup>8</sup> Managers now tend to type their own letters, or send e-mail, with computers handling the filing tasks. This may not be an efficient use of managerial talent, but it does appear to be the pattern of evolution within most organizations, public and private.

We will now proceed to work through three components of this family of approaches, pointing to their relevance for understanding institutions in general. We will then proceed to see how they fit with the apparent logic of the Gore Commission and its reforms.

Within this family of approaches to institutions there are actually some common problems that all the versions of rational choice institutionalism attempt to address. The most basic of these questions is the control of the bureaucracy by political actors. March and Olsen were more concerned about the performance and internal management of public organizations. The rational choice theorists, on the other hand, are concerned with the capacity of the elected institutions of government to hold the non-elected accountable and to have a set of desired policies enacted, even if the bureaucracy is not particularly supportive of those policies. This is hardly a new problem, but it is a crucial problem in the study of democratic government.

The rational choice theorists are also concerned with the capacity of governments to produce constraints on individual choice in order to produce certain results that might not be possible without strong institutions. These questions involve some of the long standing conundrums in the study of decision-making. For example, there is the classic "Arrow problem" of creating a social welfare function that maps preferences into decisions without imposition, and the "tragedy of the commons" (Ostrom, 1990) and the general problem of common pool resources (Ostrom, Gardner and Walker, 1996). The various versions of rational choice may give different answers to these questions, but they all attempt to address the questions.

The various versions of rational choice institutionalism also all use the same basic logic of analysis. They first assume that the actors in the process are rational, and are attempting to maximize their own utility; in the terms of March and Olsen, the logic of consequentiality is dominant in their decisions. Also, all the versions tend to point to the importance of rules as a way of defining institutions. Finally, the approaches all tend to assume a *tabula rasa*, or certainly a slate that is readily erasable, so that there is little persistence from one set of policy decisions to the next.



**Principal Agent Models.** The first of the rational choice models is the "principal-agent" model, an approach that places its major emphasis on the problem of controlling the bureaucracy by the legislature and the political executive (Banks and Weingast, 1992). The latter two institutions are the "principals", who attempt to make their agents--the bureaucracy--act in the way the principals (and indirectly the public) wants them to behave. This is an age-old question in democratic politics, but the rational choice approach does provide some analytic leverage that might be missing in other, more descriptive, approaches.<sup>9</sup> This model becomes particularly interesting in cases such as the United States or the European Union in which there are multiple principals, or in which it is not always clear who is principal and who is agent (Peters, 1997c).

The agents are not assumed to be passive in this model of the relationships between institutional actors. Whether the agent is conceptualized as organizations or as an individual bureaucrat, the agent has goals of its own, and is assumed to employ strategies for achieving those aims.<sup>10</sup> In particular, it is assumed that the agent has policy goals of its own and hence has an incentive to shirk from control by the principal. The model then becomes one of designing a structure of incentives and punishments to generate as much compliance as possible, given the possible costs of gaining that compliance.

The principal-agent model has been used very explicitly in some cases of reorganizing bureaucracies. In particular, in New Zealand, the model was used to redesign public sector organizations and to structure the relationships among systems of organizations within the reformed system (Horn, 1995). There is also some evidence that regulatory organizations think about their relationships with the regulated in this way, and that this provides them an operational perspective on the process of controlling other organizations (Wood and Waterman, 1994; but see Eisner, Worsham and Ringquist, 1996).

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<sup>9</sup>Defenders of the older approaches would argue that all the verbiage of the rational choice approaches disguises more than it illuminates and actually makes understanding the relationships among institutions more difficult.

<sup>10</sup>The goals may be as simple as a larger salary or more leisure time, or may be real policy differences with the principal in charge of the organization.

**Game Theory.** Game-theoretic models represent a second class of rational choice perspectives on organizations and institutions. (see Calvert, 1995). As with any application of game theory, there is an assumption of two or more actors involved in a "game", each attempting to maximize its own utility in the context of a set of rules for the game. The game is made more interesting, and more difficult, by the simple fact that any one actor can not always predict the behavior of his or her opponent, but the result of the game will, of course, depend at least in part on the behavior of that opponent.

One of the more common games found in conceptualizing institutions is the prisoner's dilemma, a simple cooperative game. If the two actors involved choose to cooperate, they can both come out ahead, but if one defects from the cooperation the other player is punished. If both defect, then they both are punished slightly. For understanding institutional dynamics it is crucial that any game be understood as a repetitive game (see Axelrod, 1984).<sup>11</sup> In a one-play game defection is easy, but when the game is repeated -that is, the budget game repeated year after year- defection at one play can be punished in subsequent plays (Wildavsky, 1992; Kraan, 1996). The relationships among interest groups in plural and corporatist societies is another good example of "games" in which defection can be extremely costly; more than anything else the players want to remain a part of the game (Heisler, 1974).

Therefore, it makes sense to conceptualize the control of the bureaucracy as a repetitive game between "principals" and "agents". One group will have strategies designed to maximize their own freedom and their rewards for participation in the governing system. The other group will use strategies designed to reduce the latitude of the bureaucracy for action, and ensure compliance with the wishes of the politicians. Thinking about these interactions as games is, however, the easy part of the exercise. The more difficult, and more interesting, part is attempting to define the payoff matrices for these games that would produce cooperation among the participants.

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<sup>11</sup>Some gloomy predictions based on game theory are a function of assuming that defections are easy and costless. See Scharpf (1988) and Peters (1997a) to contrast the different outcomes.

Even the conceptualization as a game of control, however, makes some important, and perhaps inaccurate, assumptions about the relationships among the actors involved. This characterization of the game tends to assume *a priori* that bureaucrats and politicians are adversaries, and that they fight over policy as well as over things like salaries. This is but one of several possible assumptions about this relationship (see Peters, 1987; Page, 1992), with most of the others having more felicitous prospects for these relationships.

**Institutions as Rules.** The third rational choice perspective on institutions, usually associated in political science with Elisor Ostrom, has many elements of the old institutionalism. That is, it focuses on rules as a means of defining institutions and of governing behavior within those institutions (see also North, 1990). Ostrom has been especially concerned with institutions in relationship to common property resources, for example, the management of scarce fish stocks. The argument is that rules are the only mechanism, or at least the best mechanism, for governing these resources in a way that will allow for appropriate exploitation without depletion.

In this view of institutions, rules are used to "prescribe, proscribe and permit" behavior by members of the institution. These are logics of appropriateness, but they tend to be backed more explicitly by sanctions than in the March and Olsen version of the theory. There is, in fact, an interesting question about the standing of the rules in this model. Is it actually a massive tautology--institutions only exist when rules are obeyed; but why are the rules obeyed--because it is an institution? Tautology or not, rules are problematic in the study of organizations and institutions, here as well as in the rest of the literature.

**Relationship with NOR.** Unlike his counterparts in New Zealand, Vice President Gore does not appear to have read any of this literature about rational choice models of institutions. Indeed, much of the purpose of the reforms proposed appears to run exactly opposite to the logic of the rational choice approach. In particular, many of the reforms coming from the work of the Gore Commission appear designed to make control of the bureaucracy more problematic. Phrased in

terms of the first version of the rational choice approach, principals are losing some tools for control over their agents. This loss of instruments is evident structurally, but even clearer behaviorally.

The most obvious contradiction between the Gore Commission and these models comes over the use of rules to control institutions. Following Gore, rules are being removed very rapidly in the US federal bureaucracy. For example, the Office of Personnel Management has rescinded the thousands of pages of rules governing the hiring, firing, grading, promotion, etc. of federal employees; agencies are now free to do these things as they will, consistent with merit principles. Likewise, the federal government has loosened its rules of procurement, allowing managers to purchase things on their own that previously would have required a bidding process.

These changes give the agents in the bureaucratic system a great deal more latitude than usually considered appropriate. The agents can now make many of their own rules, consistent with broad principles. But who gets to judge whether those broad principles have indeed been followed? And what mechanisms are in place to ensure that government is conducted properly? "Good government" can in part be expected to occur simply because the current occupants of the system are the products of the old system, and have been thoroughly socialized. The real danger may be in the next generations of public employees who have not been brought up on the rules and the principles of a civil service.<sup>12</sup>

Also, there is some evidence of an increased use of "spoils" and political appointment as a kind of principal-agent system (Light, 1995). The logic here is that if there are not formal rules to ensure that bureaucrats do not defect then there must be politically committed supervisors to guard against that defection. The problem, of course, is that those political appointees may actually want some form of defection--away from strict neutrality and in favor of the wishes of the party in power.

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<sup>12</sup>This is, of course, very much an argument for the March and Olsen normative view of institutions.

Still, in a system in which formal rules are devalued this may be the option available to political leaders.

There are several other points that should be made about the relationship of the Gore Report to the logic of rational choice institutionalism. First, given the strong role of Congress in the political system the likelihood of defection is less than in many other governments. Congress, more than perhaps any other legislative body, is capable of extensive and effective oversight of the bureaucracy. This occurs through functional committees as well as through budget committees, and finally through the General Accounting Office. An agency may wish to go its own way, but will find that difficult, and likely will be punished in the next round of the "game".

We should also point out that this is clearly a case of redesign; in the United States, civil service values have been well institutionalized so that loosening control may not have quite the adverse effect that would be expected in some other systems. The difficulty is that many international organizations, and many private sector consulting firms, are in the business of exporting these reform ideas, almost regardless of the context in which they will be implemented.

Finally, the United States may be a particularly difficult context within which to think about the principal-agent form of institutionalism. Administrative agencies in the United States all have multiple principals, and those multiple principals often have diametrically opposed views about what constitutes good policy. Thinking about these relationships would be much easier in a more organized political system, that is, one in which there was not a legislature with the autonomy and resources of the Congress of the United States.

### **The Legacy of the Past: Historical Institutionalism**

The third school of institutional thought we will discuss is self-described as "historical institutionalism" (Steinmo, Thelen and Longstreth, 1992). The basic logic of this approach is that

the initial policy and organization decisions made tend to shape the history of a policy, so that once the *tabula rasa* is written on, it becomes very difficult to erase it completely. The historical institutionalism depends upon a logic of persistence, or path dependency, so that once a policy is launched down a particular path it is likely to remain going down that path unless some effort is made to divert it. This further implies that the formulators of policy at the first stage of development need to be extremely careful in their designs.<sup>13</sup>

In terms of the types of explanations used, the historical institutionalists have something of a mixture of structures and values. On the one hand, scholars such as Liebfried and Pierson (1995) tend to explain the growth and decline of the welfare state through the institutionalization (and subsequent deinstitutionalization) of values. Ellen Immergut (1992a; 1992b), on the other hand, focuses on structures as series of "veto points" that must be passed successfully if a policy is to go into effect.<sup>14</sup>

In terms of an understanding of institutional design, the historical institutionalists appear to assume a lack of intentionality and of design criteria in the initial formulation of policies and institutions. The basic pattern is that "politics rules", and the particular constellation of political forces at play at the time of the initiation of the policy will determine the outcomes. This is a much less conscious approach than the other forms of institutionalism that contain some design concepts and some design logic. Further, this approach tends to provide almost no capacity for predicting changes from the current patterns of institutions. It uses the phrase, borrowed from New-Darwinian biology, of "punctuated equilibria" (Krasner, 1984) to *describe* changes, but this appears insufficient to explain when and how change occurs. We know very well after the fact that there was sufficient political force to produce the change, but have no way of knowing that before the fact.

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<sup>13</sup>King (1995), for example, points to the continuing impacts of poor designs in British and American social policy.

<sup>14</sup>This idea is very similar to the "clearance point" idea developed by Pressman and Wildavsky (1974).

### **Historical Institutionalism and the Gore Commission**

The basic prediction that would come from the historical institutionalists would appear to be that any attempt at radical restructuring of an institution such as the US federal bureaucracy may not work. They could, in fact, make the argument that most other reform efforts in this system have not been successful and the system has largely swallowed them without real change (see Johnson and Libecap, 1994). This is certainly true of the attempts of Presidents Carter and Reagan to change the system, and should probably be expected for Gore as well. This is true despite the accumulation of problems within the federal civil service, and the growth of several alternative views of the service within government itself.

The historical institutionalists might also argue that perhaps the most important actor in the process--Congress--has yet to be engaged in the process. As noted, it has been concerned with its own views of civil service reform and has done relatively little to either assist or hinder the Gore reforms. If, however, the reforms appear to become more serious, and begin to threaten some of the interests of Congress (and their client groups) then there is a strong likelihood of greater intervention.

There is also some evidence that the civil service itself is attempting to revert to type. For example, when given the opportunity to do more creative things with personnel rules, many organizations simply readopted old civil service rules. Those rules were comfortable and the agencies knew how to manage using them. Further, the conflicts between presidential appointees and the career civil service appear to be as vehement under Clinton as under Reagan (and less than with Bush). That being the case, the likelihood of real change is diminished. Finally, there is some evidence (personal interview by author and colleagues) that some reforms, for example, the creation of "performance based organizations", are being less than successful in the federal government, with again the familiar ways offering great security to the members of existing organizations.

It appears that the old ways of managing government organizations are deeply ingrained in Washington, and that the absence of a strong push from Gore may mean that little actually happens. Thus, an implementation strategy designed to change values gradually (very compatible with one version of institutionalism) might appear in another version to be an insufficient "punctuation" in the equilibrium. It is as yet too early to tell absolutely which version will be correct in the long run, with some evidence now to support either position.

## **Conclusion**

Although there is now a great deal of interest in institutional design in the world, with new constitutions and regime forms being created and manipulated in a number of political systems, the literature on institutional theory actually tends to say little directly about design (see Power and Gasiorowski, 1996). Most versions of institutionalism look more at the evolution than the design of their subject matter. What we have done here is to extract some thoughts that reside within the literature on design but which are often not clearly articulated. This extrapolation from the texts may have produced some errors in emphasis, but the basic pattern of thinking about institutions and designing institutions is, I believe, correctly stated.

Also, as we work our way through these various intellectual approaches to institutions we find that they often do not confront one another. To the extent that they are interested in design, some speak more about initial design, while others speak more about the redesign and change of institutions. Further, some focus on institutions as collections of value, while others focus on institutions as structures and (almost as the "old" institutionalism) as systems of formal rules. If we wanted to "test" in some social scientific way the relative virtues of these approaches it is difficult because in some ways they are not talking about the same phenomena.

Perhaps the most important difference among the approaches is the way in which they consider change, and the possibility of change (whether planned or not). For rational choice



theorists, institutions are highly mutable; if the correct set of rules or the correct payoff matrix is selected then the desired outcomes can be engineered. At the other end of this dimension, the historical institutionalists tend to see institutions as largely immutable except in times of crisis or severe external challenge. Finally, for the March and Olsen perspective, change, while not particularly easy, is certainly possible. Further, if an organization is successful in producing the change of values then that change is likely to be enduring.

Among other things, I hope that this paper has demonstrated that all the interest in the "new institutionalism" has yet to produce a coherent conception of just what that term means, and what contemporary institutional theory in political science can do, and should do. These three strands of thinking all label themselves as institutionalist but operate with very different conceptions of what an institution is, how institutions and individuals interact, and how much change is possible in an institutionalized setting.

At the same time that this theoretical plurality can be frustrating, it is also useful. Applying the three lenses to the case of the Gore Commission revealed three different aspects of the reforms, and three different understandings of the changes being implemented. We therefore have a trade-off here, as in many other parts of the discipline, between the virtues of accepting one theory and several more partial approaches. Given that none of the contenders in political science have the range of explanatory capacity that might be needed if we were to settle on one approach, accepting the plurality encountered here may be both necessary and wise. What this can do, in the short run, is facilitate building a more robust version of institutional theory that can explain a wider range of phenomena more effectively.

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