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2. The inviolate position of voluntary exchange is questionable (Walzer, 1983). Most theories of government assume the appropriateness of restrictions on voluntary trade in the name of the inalienability of certain rights and restrictions on intersector (e.g., economic-political or economic-judicial) exchange. And involuntary exchanges, based on some form of interpersonal comparison of preferences and judgments about the commonweal, are usually seen as fundamental to political action.

3. In some circumstances an exchange-based political system—even if operating perfectly in a technical sense—will lead to unfortunate results in a moral sense (Polanyi, 1944). Many students of political philosophy insist on a moral criterion for collective action, asking that a system of governance contribute not only to voluntary exchange of prior endowments but also to justice, a good society, beauty, harmony. There is no guarantee that virtue is correlated perfectly with the distribution of endowments (Sen, 1990).

4. The emphasis on self-interested exchange as the basis for interpersonal relations has the potential advantage of being consistent with a self-seeking human nature, but it has the potential disadvantage of creating or accentuating that nature. Some philosophies of human existence portray self-interest as the highest moral principle (Mandeville, 1755; Smith, 1776), but the more common claim is that the pursuit of self-interest is an unavoidable limitation of human motivation. From the latter point of view, a focus on self-interested exchange is a necessary accommodation to a flawed human nature. If human nature is seen less as an immutable gift from God than as a consequence of the expectations we have for it, political institutions cannot take human nature as a given but must accept responsibility for their involvement in its creation.

By emphasizing the arrangement of Pareto-improving coalitions and policies, exchange theories tend to lose sight of those aspects of governance that focus on the development and transformation of constraints, on the ways the rights, rules, preferences, and resources that structure political outcomes are created, sustained, and reformed. They eliminate from the agenda for research and discussion much of what political science has traditionally found interesting (Moe, 1990; Petracca, 1991).

INSTITUTIONAL PERSPECTIVES

Historically, analyses of politics and political systems have involved more an interweaving of metaphors than a coherent theory or even an arena for competition among alternative theories. Those analyses have taken the traditions of Aristotle and Tocqueville combined with those of Hobbes and Bentham and grafted onto those roots elements of the ideas of Freud, Marx, Durkheim, Adam Smith, and Darwin. In recent years this pragmatic approach to ideas has been expressed most conspicuously in efforts to reconcile the exchange conception of politics just outlined with an institutional conception that builds on jurisprudential, sociological, and psychological conceptions of identity, and modern organization theory. In textbook writings about political institutions the term "institution" often refers only to systems that are organized formally, such as a national legislature or courts. We use the term in a more general sense to refer not only to legislatures, executives, and judiciaries but also to systems of law, social organization (such as the media, markets, or the family), and identities or roles (such as "citizen," "official," or "individual").

The Basic Ideas

Contests over the meaning of the word "institutional" are easy to see not only among academic disciplines and research traditions but also within them (March and Olsen, 1984).^{*} The word is clearly evocative enough to have captured attention, but "institutional" seems more notable for its capacity to engender variations and typologies of meaning than for its precision. Nevertheless, most people who write about institutions or the new institutionalism in social science

^{*}Consider, for example, the treatments in political science (Evans, Rueschemeyer, and Skocpol, 1985; Shepsle and Weingast, 1987; Lepsius, 1988; March and Olsen, 1989; Shepsle, 1989; Moe, 1990; Apter, 1991; Grafstein, 1992; Steinmo, Thelen, and Longstreeth, 1992; Weaver and Rockman, 1993; Orren and Skowronek, 1994), sociology (Meyer and Rowan, 1977; Scott, 1987; Thomas *et al.*, 1987; Hechter, Opp, and Wippler, 1990; Powell and DiMaggio, 1991), anthropology (Douglas, 1986), economics (Furubotn and Richter, 1984, 1993; North, 1990; Eggertsson, 1990), and law (Broderick, 1970; MacCormick and Weinberger, 1986; Smith, 1988).

share a few key ideas. An institutional supplement to voluntary exchange conceptions of politics and governance is built around:

1. A view of *human action* as driven less by anticipation of its uncertain consequences and preferences for them than by a logic of appropriateness reflected in a structure of rules and conceptions of identities.
2. A view of *change and history* as matching institutions, behaviors, and contexts in ways that take time and have multiple, path-dependent equilibria, thus as being responsive to timely interventions to affect the meander of history and susceptible to deliberate efforts to improve institutional adaptiveness.
3. A view of *governance* as extending beyond negotiating coalitions within given constraints of rights, rules, preferences, and resources to shaping those constraints, as well as constructing meaningful accounts of politics, history, and self that are not only bases for instrumental action but also central concerns of life.

In an institutional perspective, governance involves creating capable political actors who understand how political institutions work and are able to deal effectively with them (Anderson, 1990, pp. 196-97). It involves building and supporting cultures of rights and rules that make possible the agreements represented in coalition understandings. It involves building and supporting identities, preferences, and resources that make a polity possible. It involves building and supporting a system of meaning and an understanding of history.

Institutional Conceptions of Political Action

Institutional theories supplement exchange theories of political action in two primary ways: First, they emphasize the role of institutions in defining the terms of rational exchange. Rational action depends on subjective perceptions of alternatives, their consequences, and their evaluations. Pictures of reality and feelings about it are constructed within social and political institutions (March and Simon, 1958; Cyert and March, 1963). Second, without denying the reality of calculations and anticipations of consequences, institutional conceptions see such calculations and anticipations as occurring

within a broader framework of rules, roles, and identities (North, 1981, 1990; Shepsle and Weingast, 1987; Shepsle, 1989, 1990). At the limit, self-interested calculation can be seen as simply one of many systems of rules that may be socially legitimized under certain circumstances (Taylor, 1985, ch. 7; Naurta, 1992).

INSTITUTIONAL BASES OF RATIONAL EXCHANGE

In exchange theories, political action (decision-making, resource allocation) is a result of bargains negotiated among individual actors pursuing individual interests. Institutional theories focus on the behavioral and social bases of information and preferences in rational choice. They picture preferences as inconsistent, changing, and at least partly endogenous, formed within political institutions. Interests are seen as shaped by institutional arrangements and maintained by institutional processes of socialization and co-optation (Selznick, 1949; Lipset and Rokkan, 1967; Eisenstadt and Rokkan, 1973; Wladawsky, 1987; Sunstein, 1990; Greber and Jackson, 1993). Institutional theories similarly emphasize the ways in which institutions shape the definition of alternatives and influence the perception and construction of the reality within which action takes place. Institutional capabilities and structures affect the flow of information, the kinds of search undertaken, and the interpretations made of the results (Cyert and March, 1963; March and Olsen, 1989; Olsen and Peters, 1995a).

Awareness of the embedding of rationality in an institutional context has led to a considerable restructuring of theories of rational exchange, including political theories based on an exchange perspective. This restructuring has come to picture rational exchange as framed by and dependent on political norms, identities, and institutions. Insofar as political actors act by making choices, they act within definitions of alternatives, consequences, preferences (interests), and strategic options that are strongly affected by the institutional context in which they find themselves. Exploring the ways in which institutions affect the definition of alternatives, consequences, and preferences; the cleavages that produce conflict; and the enforcement of bargains has become a major activity within modern choice theory (Larvin, 1985).

RULES AND IDENTITIES

Institutional conceptions of action, however, differ from rational models in a more fundamental way. The core notion is that life is organized by sets of shared meanings and practices that come to be taken as given. Political actors act and organize themselves in accordance with rules and practices that are socially constructed, publicly known, anticipated, and accepted. Actions of individuals and collectivities occur within these shared meanings and practices, which can be called identities and institutions (Meyer and Rowan, 1977; March and Olsen, 1984, 1989; North, 1986). Institutions and identities constitute and legitimize political actors and provide them with consistent behavioral rules, conceptions of reality, standards of assessment, affective ties, and endowments, and thereby with a capacity for purposeful action (Douglas, 1986; Thompson, Ellis, and Wildavsky, 1990).

In the institutional story, people act, think, feel, and organize themselves on the basis of exemplary or authoritative (and sometimes competing or conflicting) rules derived from socially constructed identities and roles. Along the way, political institutions create rules regulating the possession and use of political rights and resources. Even the conception of an autonomous agent, with a particularistic way of self-understanding, feeling, acting, and expression, is a conception of an acquired identity; a socialized understanding of self and others (Taylor, 1985, p. 205). In such an institutional perspective, the axioms for political action begin not with subjective consequences and preferences but with rules, identities, and roles; and a theory that treats intentional, calculative action as the basis for understanding human behavior is incomplete if it does not attend to the ways in which identities and institutions are constituted, sustained, and interpreted (Friedrich, 1950; Tussman, 1960; March, 1994b).

Action is taken on the basis of a logic of appropriateness associated with roles, routines, rights, obligations, standard operating procedures, and practices (Burns and Flam, 1987). Appropriateness refers to a match of behavior to a situation. The match may be based on experience, expert knowledge, or intuition, in which case it is often called "recognition" to emphasize the cognitive process of pairing

problem-solving action correctly to a problem situation (March and Simon, 1993, pp. 10-13). The match may be based on role expectations, normative definitions of a role without significant attribution of moral virtue or problem-solving correctness to the resulting behavior (Sabin and Allen, 1968, p. 550). The match may also carry with it a connotation of essence, so that appropriate attitudes, behaviors, feelings, or preferences for a citizen, official, or farmer are those that are essential to being a citizen, official, or farmer—essential not in the instrumental sense of being necessary to perform a task or socially expected, nor in the sense of being an arbitrary definitional convention, but in the sense of that without which one cannot claim to be a proper citizen, official, or farmer.

Action as rule-based. Political institutions and rules matter. Most people in politics and political institutions follow rules most of the time if they can (Searing, 1991). The uncertainties they face are less uncertainties about consequences and preferences than they are uncertainties about the demands of identity. Rules and understandings frame thought, shape behavior, and constrain interpretation. Actions are expressions of what is appropriate, exemplary, natural, or acceptable behavior according to the (internalized) purposes, codes of rights and duties, practices, methods, and techniques of a constituent group and of a self.

The legal system, one of the key institutions of democratic politics, seeks to subject human conduct to rules that are general, stable, known, understandable, operational, and neither contradictory nor retroactive, rather than to the discretion and arbitrary power of authorities or those with exchangeable resources (Fuller, 1971). Institutionalized identities create individuals: citizens, officials, engineers, doctors, spouses (Dworkin, 1986). Institutionalized rules, duties, rights, and roles define acts as appropriate (normal, natural, right, good) or inappropriate (uncharacteristic, unnatural, wrong, bad).

The impact of rules of appropriateness and standard operating procedures in routine situations is well known (March and Simon, 1958; Cyert and March, 1963). But the logic of appropriateness is by no means limited to repetitive, routine worlds. It is also characteristic of human action in ill-defined, novel situations (Dynes, 1970;

Quarantelli and Dynes, 1977). Civil unrest, demands for comprehensive redistribution of political power and welfare, as well as political revolutions and major reforms often follow from identity-driven conceptions of appropriateness more than conscious calculations of costs and benefits (Lefort, 1988; Elser, 1989b). Appropriateness has overtones of morality, but it is in this context primarily a cognitive concept. Rules of action are derived from reasoning about the nature of the self. People act from understandings of what is essential, from self-conceptions and conceptions of society, and from images of proper behavior. Identities define the nature of things and are implemented by cognitive processes of interpretation and forming accounts (March and Olsen, 1989).

Rule-following can be viewed as contractual, an implicit agreement to act appropriately in return for being treated appropriately. Such a contractual view has led game theorists and some legal theorists to interpret norms and institutions as meta-game agreements (Shepsle, 1990; Gibbons, 1992), but the term "contract" is potentially misleading. The terms are often unclear enough to be better called a "pact" (Selznick, 1992) than a "contract," and socialization into rules and their appropriateness is ordinarily not a case of willful entering into an explicit contract (Van Maanen, 1976).

As a result, identities and rules assure neither consistency nor simplicity (Biddle, 1986; Berscheid, 1994). Defining an identity and achieving it require energy, thought, and capability. Fulfilling an identity through following appropriate rules involves matching a changing (and often ambiguous) set of contingent rules to a changing (and often ambiguous) set of situations. As a result, institutional approaches to behavior make a distinction between a rule and its behavioral realization in a particular instance (Apter, 1991; Thelen and Steinmo, 1992, p. 15). As they try to understand history and self, and as they try to improve the often confusing, uncertain, and ambiguous world they live in, individuals and collectivities interpret what rules and identities exist, which ones are relevant, and what different rules and identities demand in specific situations or spheres of behavior. Individuals may have a difficult time resolving conflicts among contending imperatives of appropriateness and among alternative concepts of the self. They may not know what to do. They also may know what to do but not have the capabilities to

do it. They are limited by the complexities of the demands upon them and by the distribution and regulation of resources, competencies, and organizing capacities, that is, by the capability for acting appropriately.

The elements of openness in the interpretation of rules mean that while institutions structure politics, they ordinarily do not determine political behavior precisely. The processes through which rules are translated into actual behavior through constructive interpretation and available resources have to be specified. Processes of constructive interpretation, criticism, justification, and application of rules and identities, are processes familiar to the intellectual traditions of the law (Dworkin, 1986; Sunstein, 1990; Teubner, 1993). Such processes give specific content in specific situations both to such heroic identities as patriot or statesman and to such everyday identities as those of an accountant, police officer, or citizen (Kaufman, 1960; Van Maanen, 1973; Spradley and Mann, 1975).

Identities and emotions. Emotion is an aspect of human behavior. People have feelings. They experience joy and sorrow. They love and hate, cry and laugh. They feel anxiety, remorse, exhilaration, fear, regret, anticipation. They have emotional pains and excitements to which they respond and which they try to control. They have attachments that link their own emotions to others. Despite their manifest importance, emotions fit into rational theories of politics only with difficulty. They are treated as part of the irreducible irrational error of human existence, perhaps buried in biology. Like other persistent irrationalities, they create a problem for the theory. If it is to be believed that competitive pressures tend to eliminate irrationalities in the genetic and social bases of behavior, the conspicuous endurance of emotions and emotionality is *prima facie* a puzzle.

Emotions are more easily accommodated in theories of identity-based action, though such theories tend to endorse a conception of emotions different from that of some psychological and biological students of the phenomenon. Institutions organize hopes, dreams, and fears, as well as purposeful actions. Institutionalized rules prescribe or prescribe emotions and expression of emotions (Flam, 1990a, 1990b). Sentiments of love, loyalty, devotion, respect, and friendship, as well as hate, anger, fear, envy, and guilt are made ap-

appropriate to particular identities in particular situations. In this conception, emotions are rule-based interpretations of identity. The reason girls exhibit joy at different times and in different ways from boys is because the codes of gender identity provide rules about emotion or the expression of emotions. The distinction between emotions and their expression is a source of dispute in emotion research: Do emotions exist independent of their expression or communication? The answer from the point of view of most students of rule-based, identity-based action is that there may well be some sense in postulating emotions as existing prior to and independent of their expression, but emotion is heavily influenced by the rules surrounding its expression. The dictum "Real men don't cry" can be interpreted as an identity rule about feelings or as an identity rule about communicating feelings.

In either case, an identity-based theory of politics encompasses feelings as an important component of identity. The identities of public officials (like those of professionals) are often interpreted as requiring a censoring of feelings. The interpretation is not quite correct. What such identities commonly require is the subordination of *private* feelings, the feelings associated with personal identities. Most public identities, in fact, mandate appropriate feelings. Witness, for example, the speeches of judges to convicted criminals, the reaction of political leaders to civic outrages, the welcomes by public officials to championship football teams, and the ritualized emotional celebration of military, legislative, and judicial victories.

Rules, shared meanings, and cultures. Institutional conceptions of politics emphasize shared meaning as a basis for political systems and for governance of them. There are, however, two varieties of shared meanings, both important, that are sometimes confused. The first is shared meanings about values, perspectives, and worldviews, understandings about the nature of things. These shared meanings are often associated with a homogeneous "culture." They underlie systems of governance that emphasize mutual sympathy, trust, and awareness among citizens. Shared values and mutual trust lead to government through consensus and congruence.

The second variety of shared meanings emphasizes institutions. Institutions are collections of interrelated practices and routines,

sometimes formalized into formal rules and laws and sometimes less formally specified. Those practices and routines, as well as their interpretations, must be built on shared understandings of the behaviors they mandate or permit, but such understandings do not necessarily require the kind of shared values and cognitive frames reflected in homogeneous cultures. Institutions buffer and regulate conflict of values and cognitions. As a result, institutions are substitutes for deeper levels of agreement. They are likely to be particularly elaborated in heterogeneous societies in which formal rules, bureaucratic control, and formal contracts substitute for informal coordination based on shared values and cognitions.

The longer-run dynamics of the relation between shared understandings of values and shared understandings of practices and routines are not easy to specify. Several quite different stories can be told. First, it seems clear that a certain amount of value consensus is essential to shared routines, and a certain amount of shared understanding of rules is essential to maintaining value understandings. Second, it also seems likely that shared understandings of practices and routines tend to substitute for shared understandings of values and identities. As capabilities for acting coherently without shared values are elaborated and improved through systems of laws and rules, experience with social and individual rehearsals and reinforcements of shared values is reduced. This, in turn, is likely to require agreement on a broader structure of routines. Third, it also seems likely that an escalation of routinization and heterogeneity will be echoed by a similar process involving escalation of informality and homogeneity. Value understandings and trust substitute for and lead to reduced elaboration of and experience with formal rule systems, thus to a decay in the sharing of their interpretation and in their effectiveness.

Identities, interests, and the common good. Some of the more celebrated differences between exchange theories of politics and institutional theories concern the concept of the "common good," the idea that individuals might—in some circumstances—act not for the sake of individual or group interest but for the sake of the good of the community. Exchange traditions downplay the significance, or meaning, of the common good and doubt the relevance of social investment in

citizenship. The assumption is that self-oriented interests cannot (and should not) be eliminated or influenced. The object is to provide an arena for voluntary exchange among them. If leaders wish to control the outcomes of this self-seeking behavior, they should do so by designing incentives that—as much as possible—induce self-interested individuals to act in desired ways (Hart and Holmström, 1987; Levinthal, 1988). Political norms are seen as negotiated constraints on fundamental processes of self-serving rationality rather than as constitutive (Coleman, 1986; Shepsle, 1990).

From this perspective, a community of virtuous citizens is *Gemeinschaftswärmeri*—a romantic dream (Yack, 1985). The fantasy in some democratic thought that modern society can be held together by, and that conflicts can be resolved through, reference to either a moral consensus or a shared conception of the common good is deemed to be wrong as a description and pernicious as an objective. For example, although both Habermas (1992a, 1992b, 1994) and Rawls (1993) seem to suggest that citizens may share some aims and ends that do not make up a comprehensive doctrine, as well as basic rules for regulating their political coexistence in the face of persistent disagreements and different ways of life, they criticize models that overburden citizens ethically by assuming a political community united by a comprehensive substantive doctrine. The dream can be seen not only as romantic but also as dangerous. Developing a community based on a shared moral purpose and a common identity has been the aspiration of tyrants, and the use of government to manage desires, beliefs, and identities can make governmental responsiveness to those elements a democratic fraud (Perry, 1988; Sunstein, 1990).

Nevertheless, virtually all institutional theories of politics give importance to the idea of community. Humans (or their institutions) are seen as able to share a common life and identity and to have concern for others. Either what is good for one individual is the same as what is good for other members of the community, or actions are supposed to be governed by consideration of the community as a whole. Although the idea of a common good is plagued by the difficulty of defining what is meant by the term and by the opportunities for exploitation of individual gullibility that lie in an uncritical embrace of hopes for community values, many institutional theorists

criticize presumptions of autonomous, individual, self-interested behavior that are standard in the rational tradition (Mansbridge, 1990; Mulhall and Swift, 1992; Chapman and Galston, 1992).

Good government is seen as impossible if citizens and officials are concerned only with their self-interest and ignore the common good. Governance relying only on self-interest, incentives, and a balance of power among interests is too contingent and may collapse under the pressure of changing circumstances or shifts in the balance of power (Rawls, 1987). Proper citizens are assumed to act in ways consistent with common purposes that are not reducible to the aggregation of their separate self-interests (Spragens, 1990). Good citizens are pictured as willing to reason together. They deliberate on the basis of a sense of community that is itself reinforced by the processes of deliberation. From this perspective, the real danger to a polity comes when no controlling standard of obligation is recognized and politics becomes the unchecked pursuit of interests (Wolfin, 1960). As a result, the processes by which identities, roles, and interests are created, nurtured, transformed, and implemented are a critical concern of governance, and the civic basis of identities is intrinsic to the concept of a person, citizen, or public official. Giving priority to private interests and preferences is seen not merely as a corruption of the political process but also as a corruption of the soul and a fall from grace. Social identities are among the building blocks of the self. Anyone incapable of achieving an identity based on constitutive attachments—if such a person could be imagined—should be described not as a free and rational agent but as a being without character or moral depth, a nonperson (Sandel, 1982, 1984).

In large parts of this tradition, citizenship or membership in the polis is the most important and inclusive identity. It is the highest form of association, responsible for the common good of society. Being a citizen and holding public office are constitutive belongings integrating and shaping other allegiances and particular identities derived from social affiliations like the family, voluntary associations, class, or one's market position. Citizens and officeholders are presumed to act according to norms associated with their roles rather than in pursuit of personal advantage and interests. They are presumed to respond to the dictates of their identities (Walzer,

1983; Barber, 1984; Mouffe, 1992). Realizing that such education and indoctrination may not be completely effective, that individuals may not always fulfill their citizenship identities, democracies also seek to provide concrete incentives that make being a good citizen attractive to a self-interested individual. The hope of governance is to encourage ordinary people, with their usual mix of identities and interests, to attend to the obligations of citizenship.

The folding of communitarian values into institutional theories of politics is almost universal in modern discussions of political democracy, and it leads to a tendency to confuse two related but distinct notions. The first notion is the idea that political democracy requires a sense of *community*. Exactly what constitutes a sense of community varies from one communitarian author to another, but a common element is the idea that individuals might (and should) have empathic sympathy for the feelings and desires of others and in some circumstances might (and should) subordinate their own individual or group interests to the collective good of the community (Sabine, 1952; Olsen, 1990). The second notion is the idea that democracy is built upon visions of *civic identity* and a framework of rule-based action—what we have called a logic of appropriateness. Embedded in this notion are ideas about the duties and obligations of citizenship and office, the commitment to fulfill an identity without regard to its consequences for personal or group preferences or interests. The self becomes central to personhood, and civic identity becomes central to the self (Turner, 1990).

The two notions share some common presumptions, but they have quite different perspectives about the fundamental basis for democratic action. The communitarian ideal of shared preferences, including a preference for the common good, presumes that individual action is based on individual values and preferences. The model is a model of individual, consequential, preference-based action. Strategies for achieving democracy emphasize constructing acceptable preferences. The civic identity ideal presumes, on the other hand, that action is rule-based, that it involves matching the obligations of an identity to a situation. Pursuit of the common good is not so much a personal value as a constitutive part of democratic political identities and the construction of a meaningful person. The community is created by its rules, not by its intentions. Strategies for achieving democracy em-

phasize molding rules and identities and socializing individuals into them (Elster and Slagstad, 1988; Elster, 1989a). In this sense, the argument over individual interests and the collective good with which we began this section is often framed incorrectly. In a rule-based polity, the potential conflict is not between the individual pursuit of preferences based on conceptions of private gain and the individual pursuit of preferences based on conceptions of collective good. The conflict is, in the first instance, between a preference-based consequential logic and an identity-based logic of appropriateness; and, in the second instance, between the claims of particularistic identities and the claims of citizenship and officialdom.

The distinctions are worth maintaining. When they are confounded, there is a tendency to see the problems of modern politics as lying primarily in the value premises of individual preference-based action rather than in a structure of political rules, institutions, accounts, and identities. In fact, many of the greatest dangers to the democratic polity come not from individual self-seeking but from deep, group-based identities that are inconsistent with democracy; for example, strong feelings of ethnic, national, religious, and class identities. Efforts to build a personal set of communitarian values enhancing concern for the common good will be of little use—even if successful—if antidemocratic action stems primarily not from preferences and their associated values but from commitments to identities that are inconsistent with democratic institutions.

Institutional Conceptions of Political Change

Although their many different manifestations allow numerous variations on theories of history, institutional and exchange conceptions of politics tend to mirror a grand debate in historical interpretation. On one side in that debate is the idea that politics follows a course dictated uniquely by exogenous factors. From such a perspective, history is efficient in the sense that it matches political institutions and outcomes to environments uniquely and relatively quickly. This side of the debate is typical of exchange theories, theories of rational choice, and many versions of comparative statics drawn from them. Exchange theories of political change are largely theories of the adjustment of political bargains to exogenous changes in interests,

rights, and resources. When values change, political coalitions change. For example, when attitudes with respect to the role of women in society shifted, so also did political parties. When resources are redistributed, political coalitions change. For example, when the age composition of society shifted in the direction of older citizens, so also did political programs. The presumption is that political bargains adjust quickly and in a necessary way to exogenous changes.

On the other side of the debate is the idea that history follows a slower, less determinate, and more endogenous course. From such a perspective, history is a path-dependent meander. This side of the debate is typical of institutional theories. Students of political institutions are generally less confident of the efficiency of historical processes in matching political outcomes to exogenous pressures. They see the match between an environment of interests and resources on the one hand and political institutions on the other as less automatic, less continuous, and less precise. They see a world of historical possibilities that includes multiple stable equilibria. They see the pressures of survival as sporadic rather than constant, crude rather than precise. They see institutions and identities as having lives and deaths of their own, sometimes enduring in the face of apparent inconsistency with their environments, sometimes collapsing without obvious external cause (Krasner, 1988; March and Olsen, 1989).

HISTORY AS EFFICIENT

Seeing political institutions as instruments for political action and assumptions about efficient institutional histories are appealing to democratic theorists. Competitive selection is seen as a mechanism securing historical efficiency. If institutions do not adapt, they are expected to deteriorate and wither away as people stop observing, and as governments stop enforcing, the rules. Although the precise way in which this selection takes place and institutions came to match their environments is often left obscure, some version of a matching theory is an important part of traditional comparative statistics as applied to political institutions. Why do political institutions differ from one country to another? Because the social and economic

environments of the countries differ. How are differences in specific institutions to be explained? By pointing to specific differences in their environments.

As long as history is efficient in this way, variations in institutional structures can be predicted without identifying the underlying processes of change (Furubotn and Richter, 1984). It is not necessary to decide whether the primary mechanism is rational choice, adaptation of individual institutions, or variation and selection among unchanging institutions. There is no need to understand either the actions of reformers trying consciously to adapt an institution to its environment or the institutional processes by which changes are effected. The specific ways in which institutions orchestrate their transformation may be of interest to a student of political interpretation and dramaturgy, but the outcome itself is dictated by environmental conditions. Such confidence in efficient histories is one of the reasons that students of populations of institutions are often relatively unconcerned about establishing that any particular story of adaptation is uniquely capable of explaining their observations.

In modern theories of efficient histories, the pressures of the environment are most commonly related to technical capabilities, the effectiveness of an institution in using operational and organizational technologies to meet physical, political, and economic demands. Some versions of transaction cost economics, for example, seek to predict organizational form from the costs to organizers of alternative forms, assuming that the processes of history will eliminate more costly forms. The most common modern story involves the shaping of political and economic institutions to match global variations and changes in the scale of organization and technologies of communication and coordination.

Institutional survival is also often related to the ability to match "institutionalized environments," norms and beliefs about how an institution should be organized and run. Those norms are particularly compelling in highly developed social systems where an institution depends on a network of relations with other institutions that simultaneously depend on it. Forms and practices sustain themselves through epidemics of legitimacy. Professional associations and associations of similar institutions create and approve standard practices and thereby make them necessary. An institution survives because its

structures, processes, and ideologies match what society finds appropriate, natural, rational, democratic, or modern (Meyer and Rowan, 1977; Meyer and Scott, 1983; Thomas *et al.*, 1987; Scott and Meyer, 1994).

In these conceptions of history, politics is an instrument for matching the institutions of a society to an exogenous social, economic, technical, and normative environment. Changes in the environment produce dislocations in the political system, which are translated into new political interests and resource distributions, which, in turn, are translated into new political coalitions, institutions, and policies. For example, as normative fashions in procedures for dealing with criminals change in a population of political systems, each individual system experiences a transformation of political institutions and policies that brings judicial and penal institutions into step with social norms.

HISTORY AS INEFFICIENT

The conditions under which political development is driven quickly to a unique outcome in which the match between a political system and the political environment has some properties of unique survival advantage seem relatively restricted (Kitcher, 1985; Baum and Singh, 1994). There is no guarantee that the development of identities and institutions will instantaneously or uniquely reflect functional imperatives, normative concerns, or demands for change (Carroll and Harison, 1994). Political institutions and identities develop in a world of multiple possibilities. Moreover, the path they follow seems determined in part by internal dynamics only loosely connected to changes in their environments (Amenta and Carruthers, 1988; Wood, 1992).

Even in an exogenous environment, there are lags in matching an environment, multiple equilibria, path dependencies, and interconnected networks of diffusion. Besides, environments are rarely exogenous. Environments adapt to institutions at the same time as institutions adapt to environments. Institutions and their linkages coevolve. They are intertwined in ecologies of competition, cooperation, and other forms of interaction. And institutions are nested, so that some adapting institutions (e.g., bureaus) are integral parts of other adapting institutions (e.g., ministries).

The complications tend to convert history into a meander (March, 1994a). The path of development is produced by a comprehensible process, but because of its indeterminate meander the realized course of institutional development is difficult to predict very far in advance. There are irreversible branches, involving things like experimentation, political alliances, communication contacts, and fortuitous opportunities. Wars, conquests, and occupation are significant in changing political directions and organization (Tilly, 1975, 1993; Giddens, 1985). The direction taken at any particular branch sometimes seems almost chance-like, however decisive it may be in its effect on subsequent history (Brady, 1988; Lipset, 1990).

In general, neither competitive pressures nor current conditions uniquely determine institutional options or outcomes (Herzog, 1986; North, 1990). Institutional forms also depend on the historical path of their development (Berman, 1983). The proposition is a general one in evolutionary theory. In discussing optimization ideas in evolutionary theory, Oster and Wilson (1984, p. 284) conclude: "As systems become more complex, the historical accidents play a more and more central role in determining the evolutionary path they will follow." Political technologies and practices are stabilized by positive local feedback leading to the endurance of institutions, competency traps, and misplaced specialization (Levitt and March, 1988). The adaptation of identities and institutions to an external environment is shaped and constrained by internal dynamics, by which identities and institutions modify themselves endogenously.

Inefficient histories have implications for theories of political development. Much of the style of political science is basically comparative statics, the exploration of the ways in which individual behavior, institutional practices, and cultural norms match the demands of the environments in which they are found. The basic strategy is to predict features of the units of adaptation (individuals, institutions, cultures) from attributes of their environments. The "invisible hand" of efficient historical development is imagined to provide the link. Meandering, locally adaptive histories are inconsistent with that strong "functionalist" tone of many modern interpretations of comparative institutions and institutional change. Such ideas attribute differences among institutions not only to differences among their contemporary environments but also to differences

among their histories of interaction with changing path-dependent environments.

The course of a meandering history is created by the sequence of particular historical branches that are realized along the way. Since small, precise changes can be imagined to produce large, permanent effects, "timely interventions" at historical junctures may make a difference. The possibilities have attracted people from cattle breeders to philosophers of science, from environmental and political activists to consultants in strategic management. If small, well-timed interventions can be multiplied by spontaneous historical forces, the possibilities for governance may be substantial; but control of political history is limited by the kinds of branches that arise fortuitously. The ability to create change, therefore, does not guarantee that any arbitrary change can be made at any time or that changes will ultimately turn out to have consequences consistent with prior intentions (March, 1981a). There is no assurance that occasions will arise to achieve any particular desired outcome through opportunistic exploitation of moments in history, and institutions that have been established to serve specific interests have sometimes meandered in ways that serve them poorly in the long run (Rothstein, 1992).

Institutional Conceptions of Governance

From an institutional perspective, democratic governance is more than the management of efficient political coalition-building and change within prior constraints. It also involves influencing the process by which the constraints are established (Wendt, 1994). It involves molding social and political life—shaping history, an understanding of it, and an ability to learn from it. To speak of governance as affecting history is to assume that history is neither completely determined nor entirely random, that human control is imaginable. To speak of governance as affecting an understanding of history is to assume that interpretations of history are not inherent in the events of history, that neither civic contentments nor civic discontents are completely determined by objective conditions. To speak of governance as sustaining an ability to learn from history is to assume that history can be made to serve the society.

The constraints of identities, capabilities, and accounts are subject to change in two principal senses. First, the constraints are often defined in terms of necessary change. The transformation of a human into a fish or a democratic government into a totalitarian one is excluded by the conception of what it is to be a human or a democracy. But the transformation of a human from a child to an adult is part of the "constraint" of being human, and the transformation of a democratic government from the control of one party to another is part of the "constraint" of being democratic. As a result, governance that seeks to shape children into adults or social democratic regimes into conservative regimes faces a remarkably easier task than would be involved in trying to convert humans into fishes or democracies into totalitarian regimes. Changes that are defined as natural, normal, or legitimate are easier to accomplish than those that are not.

Second, the constraints are themselves transformed at varying rates. What it means to be human or democratic changes. The meanings of political and social identities—democrat, citizen, English, liberal, bureaucrat—are contested. There are debates over what an identity is or can be, what accounts are appropriate and valid, what capabilities matter and how they should be distributed. The constraints of identities, accounts, and capabilities change slowly within institutional contexts (families, churches, educational systems, armies, political movements, mass media) that are themselves changing. Some parts of those constraints change more rapidly than others. Those parts of the constraints that are slowest to change can be described as "core" elements of meaning, as long as it is recognized that their "coreness" is observable primarily through their slow rate of change.

From an institutional perspective, therefore, the craft of governance is organized around four tasks:

1. Governance involves *developing identities* of citizens and groups in the political environment. Preferences, expectations, beliefs, identities, and interests are not exogenous to political history. They are created and changed within that history. Political actors act on the basis of identities that are themselves shaped by political institutions and processes. It is the responsibility of democratic government to create and support civic institutions and processes that

facilitate the construction, maintenance, and development of democratic identities, and to detect and counteract institutions and processes that produce identities grossly inconsistent with democracy and therefore intolerable from a democratic point of view.

2. Governance involves *developing capabilities* for appropriate political action among citizens, groups, and institutions. Democracy requires that political actors act in ways that are consistent with and sustain the democratic system, fulfilling the expectations of the relevant rules, norms, and duties, and adapting them to changing experience. Acting appropriately and learning from experience, however, require not only a will to do so but also an ability. Capabilities define potentials to affect politics, to exercise rights, and to influence the course of history. Democratic governance must accept responsibility not only for responding to the distribution of capabilities in the polity but also for modifying that distribution to make it more consistent with the requirements of democratic identities.

3. Governance involves *developing accounts* of political events. Accounts define the meaning of history, the options available, and the possibilities for action. Accounts are used both to control events and to provide reassurance that events are controllable. Meanings and histories are socially constructed. Political myths are developed and transmitted. Accounts of what has happened, why it happened, and how events should be evaluated provide a key link between citizens and government. They underlie democratic efforts to secure control and accountability. Democratic governance involves contributing to the development of accounts and procedures for interpretation that improve the transmission, retention, and retrieval of the lessons of history and the use of such accounts to improve democracy.

4. Governance involves *developing an adaptive political system*, one that copes with changing demands and changing environments. It involves creating accounts of history that make learning possible and providing resources and capabilities adequate for executing, interpreting, and learning from experiments. Manipulating the level of risk taking, or the salience of diversity relative to unity, or the amount of institutional slack are conspicuous examples of ways by which history can be affected by changing the level of variation or the effectiveness by which lessons and opportunities of the environment are exploited.

The remainder of this book outlines some ideas about how such an institutional perspective on governance is implemented within a democratic context. We ask whether it is imaginable that citizens can realize political institutions that not only work but justify their commitment to them. What sort of citizens and institutions does it take to constitute a democratic society? How can such institutions and citizens be fostered?