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ANALYZING IDEAS AND TRACING DISCURSIVE INTERACTIONS IN INSTITUTIONAL CHANGE:
FROM HISTORICAL INSTITUTIONALISM TO DISCURSIVE INSTITUTIONALISM

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ABSTRACT

Comparative political economists who use historical institutionalism have made great contributions in describing what happened in cases of political economic change in advanced industrialized democracies, but they have great difficulty explaining much of why this happened. This paper argues that a discursive institutionalist analytic framework helps to explain why, and it will show how by offering methodological guidelines for the analysis of ideas and discourse in action. It will focus on such issues as the timing and content of change, both revolutionary and evolutionary; the agents and context of change through their articulation of ideas in discursive interactions in both the meaning-based frameworks of communication and the structural frameworks elucidated by historical institutionalists. The paper illustrates throughout with examples from the historical and discursive institutionalist literatures on national capitalisms and welfare states.

ANALYZING IDEAS AND TRACING DISCURSIVE INTERACTIONS IN INSTITUTIONAL CHANGE: FROM HISTORICAL INSTITUTIONALISM TO DISCURSIVE INSTITUTIONALISM

How do we explain the dramatic collapse of financial markets and economies in advanced industrializing economies? And then the sudden shift in state action from hands-off neo-liberalism to proactive interventionism? Alternatively, how do we explain the massive changes in postwar varieties of capitalism as a result of liberalization, privatization, and deregulation, or those in welfare states, given rationalization and retrenchment? Not by looking at path-dependent structures and historical regularities struck by ‘exogenous shocks’ or even at incrementally changing rules, as might comparative political economists who employ a historical institutionalist framework for analysis. Rather, it is by considering the ideas and discursive interactions of political actors engaged in structuring and reconstructing markets and welfare states, as do comparative political economists working within a discursive institutionalist framework.

Comparative political economists who use historical institutionalism have gotten very good at describing what happened in these cases of political economic change, but they have great difficulty explaining much of why this happened. Although this analytic framework has yielded great insights into historical regularities and path dependencies, it has done much better at explaining institutional continuity than institutional change. We may learn a lot about the complementarities in the institutional components of different varieties of capitalism (e.g., Hall and Soskice 2001; Becker 2009; Fioretos n/a) but we have difficulty explaining changes that depart from the ideal-typical patterns. We may discover how union-management interactions shift or even why social policies drift (Thelen 2004; Streeck and Thelen 2005), but we can’t explain why certain rules were

layered on top of the old or others reinterpreted. We may find out how macroeconomic policies were devised, regulatory systems reformed and welfare state boundaries breached, but we again can’t explain why they were devised, reformed or breached in the ways in which they were. And we may even be told of corporate actors’ strategic interest-based calculations, derived from the outside by rationalist theorizing. But we learn nothing of the wider set of motivations discovered from the inside, that is, from actors’ own accounts of their actions or from the historical/cultural context within which those actions gain meaning. And yet often such information is actually contained in historical institutionalists’ own empirical case studies, just left under-theorized.

Historical institutionalists have themselves been struggling of late with two interrelated problems in the explanation of political economic change: their analytic framework’s institutional ‘stickiness’ and its lack of agents. For the first problem, they have increasingly sought to ‘unstick’ institutions by moving from theories based on ‘revolutionary’ change in which exogenous shocks are followed by path-dependencies to more ‘evolutionary’ change characterized by endogenous incremental processes. For the second, they have sought to introduce agency by turning to softer forms of rational choice institutionalism. Although both moves have produced significant progress, they have yet to fully explain, as opposed to describe, change.

Missing from mainstream comparative political economy, then, is a framework for analysis capable of endogenizing agency in such a way as to explain the dynamics of institutional change (and continuity), able to show how, why, and when political economic actors may (re)shape their macro-historical institutions and (re)conceptualize their strategic interests, and more. That missing framework is discursive institutionalism (see Schmidt 2002, 2006, 2008, 2010). This is because it looks more closely into the timing of change, whether for policy, programmatic, or philosophical ideas at critical junctures or incrementally; and into the agents of change,

by focusing on who conveys ideas how and where through interactive processes of discourse situated in both the meaning-based frameworks of communication within which agents exchange ideas through discourse and the (historical institutional) structural frameworks of power and position in which agents act.

In comparative political economy, discursive institutionalism encompasses not only the approaches of scholars who focus primarily on ideas—whether named ‘the ideational turn’ (Blyth 1997, 2002), also discursive institutionalism (Campbell and Pedersen 2001), or constructivist institutionalism (Hay 2001, 2006)—who analyze sentient agents’ cognitive and normative ideas about what they do and why at different levels of generality, whether policy, program, or philosophy. It also encompasses the work of scholars more concerned with discursive interactions regarding who spoke to whom where, when, and why in the process of generating those ideas—whether they focus on the epistemic communities, advocacy coalitions, and policy entrepreneurs in the ‘coordinative discourse’ of policy construction (e.g., Haas 1992; Sabatier 1993; Fligstein and Mara-Drita 1996) or on the elites, mass publics, social movements, or everyday practices in the ‘communicative discourse’ of political deliberation, contestation, and legitimation (e.g., Mutz et al. 1996; Della Porta 2009; Seabrooke 2006).

This paper seeks to demonstrate that discursive and historical institutionalism are for the most part complementary, albeit very different, analytic frameworks operating at different levels of abstraction, and that historical institutionalism can benefit as much if not more from interaction with discursive institutionalism than with rational choice institutionalism. Discursive institutionalism can lend a hand to historical institutionalism by helping to explain the dynamics of change in historical institutionalist structures through the analysis of the ideas and discourse behind action via a meaning-based logic of communication. By the same token, however, historical institutionalism can lend a hand to discursive

institutionalism by helping to explain the historical institutional constraints on ideas and discourse, in particular where related to structures of power and position. But it is important to note that, however useful it may be to bring the two frameworks of analysis together, historical and discursive institutionalism are nevertheless two different analytic enterprises. It is therefore crucial to explore the boundaries between approaches, to see where they are most compatible and where they may contradict.

The paper illustrates throughout with extended examples from the literature on national capitalisms and welfare states, using in particular the work of scholars included in the seminal volumes of historical institutionalism (e.g., Steinmo et al. 1992; Hall and Soskice 2001; Streeck and Thelen 2005; Mahoney and Thelen 2009) to demonstrate that even here ideas and discourse have been brought in, although with certain notable exceptions they haven’t been theorized. The paper begins with the timing of change, first for historical institutionalist and next for discursive institutionalist, and then considers the agents of change for each of the approaches. It ends with a discussion of how to bridge the divide between the two frameworks.

HISTORICAL INSTITUTIONALISM ON THE TIMING OF CHANGE

Historical institutionalism as originally defined focuses on institutions understood as sets of regularized practices with rule-like qualities which structure political economic action and outcomes according to a logic of historically-based path dependence (see Hall and Taylor 1996; Pierson 2000; Mahoney 2002). This approach has mainly been concerned with explaining continuity. Change, when considered at all, has been largely attributed to exogenous shocks that create ‘punctuated equilibria’ (Krasner 1988) or to come at ‘critical junctures’ (Collier and Collier 1991). History, as a result, has been given very limited play, since developments that begin with critical junctures “set into motion institu-

tional patterns or event chains (with) deterministic properties” (Mahoney 2000: 507), or ‘path dependence’ which, with its ‘self-reinforcing’ sequence of events, “lock-in effects” and “positive reinforcement” mechanisms, ensure increasing returns that, if lasting over a very long time, make for a ‘deep equilibrium’ which is highly resistant to change (Pierson 2000, 2004). The result is a view of change that can appear historically deterministic or even mechanistic, given the focus on continuities and the assumption that change comes only in bursts, exogenously, with stasis in between, and without reference to human agency.

Where historical and rational choice institutionalism have been combined, the institutional ‘statics’ has often only increased. This has been the case of the Varieties of Capitalism approach (VOC) pioneered by Peter Hall and David Soskice (2001), which identifies two very different kinds of capitalist systems: liberal market economies of which Britain is the ideal-type and coordinated market economies of which Germany is the ideal-type. This approach is historical institutionalist in its definition of the macro-institutional rules and regularized practices of these two different varieties of market economies, rational choice institutionalist in its focus on the differing micro-foundational logic of coordination among firms and other relevant actors of each variety. This combination has the benefit of being able to theorize rationalist logics of coordination within different macro-institutional contexts. The drawback is that it makes it almost impossible to account for change in the varieties of capitalism over time. Not only does the historical institutionalism in the approach make for very little development because change comes either in a big bang or hardly at all through path dependence but the rational choice institutionalism further reinforces that stasis since in order to map coordination games this approach has to presuppose fixed preferences and stable institutions, with change again coming only from ‘exogenous shocks’ (Levi 1997), while the origins of and changes in preferences remain outside its domain (see Green and Shapiro 1994; Hall and Taylor 1996). The result is

a doubly equilibrium-focused approach to the varieties of capitalism in which coordination and complementarity in capitalist systems admit of little change other than positive feedback effects while the system’s homeostatic equilibrium ensures that changing any one component leads to adjustments in the other components, but no real transformation of the system as a whole or even evolution except at moments of ‘punctuated equilibrium.’ The result is not only stasis but also an over-emphasis on path-dependence and functionalism (see Morgan et al. 2005; Crouch 2005; Schmidt 2002, Ch. 3). Some critics add that VOC likens ideal-types to reality (Becker 2009) or take for reality what is really ideology, for example, with regard to labeling the US a liberal market economy, and thereby mistaking what business says about the US economy for what they do, which is instead a lot more coordinated (Block 2007, 2008).

In order to get beyond such statics and closer to reality, historical institutionalists have begun to theorize more evolutionary forms of change, whether in terms of open systems or incremental change. In the open systems approach, scholars sometimes point to multilayered reference frames and relatively autonomous components (Becker 2007); different patterns of interdependence in different subsystems (Deeg 2005a); or differing systemic patterns of consolidation or specialization (Fioretos 2011). But this approach leads to the question: how much change among subsystems in any given national variety does it take before it no longer fits under the ideal-type and has become a hybrid model, is disaggregating, or even converging with another VOC? These questions have led other scholars to abandon systems altogether for more incremental processes in which loosely connected, historically evolving components change at different rates in different ways through different processes, toward hybrids, convergence, as well as decline (Streeck and Hassel 2003); and to replace linear path dependency with historical institutional paths that may be ‘crooked’ (Djelic and Quack 2005), with exogenous and endogenous factors that take countries ‘off-path’ (Crouch and Farrell 2002; Deeg 2005a; Djelic and Quack 2005), including

ideas and discourse.

Kathleen Thelen and Wolfgang Streeck (Thelen 2004; Streeck and Thelen 2005) offer one of the most elaborate such theories of incremental change. They have done much to put the *history* back into historical institutionalism by focusing on the (many) evolutionary changes that may be as if not more transformative than the (rarer) revolutionary moments. They substitute incremental change for punctuated equilibrium and replace path dependence with various mechanisms of change. These include ‘displacement’ when actors ‘defect’ from one set of institutions to another; ‘layering’ of new elements onto otherwise stable institutional frameworks, in which institutions are amended or added to by reformers; ‘drift’ when institutions increasingly fail to do what had been intended as a result of deliberate neglect; and ‘conversion’ when institutions are reinterpreted or redirected by the adoption of new goals, functions, purposes or the incorporation of new groups (Streeck and Thelen 2005; Thelen 2004, 2002; Hacker 2005). But although this goes a long way toward *describing* what changes occur, it does little to *explain* why changes occur in the way they do.

A similar problem affects Steinmo’s (2010) alternative evolutionary theory of change, which uses the mechanisms of evolutionary biology such as symbiosis, symbiogenesis, and allopatric as metaphors for human institutional evolution in ‘evolutionary narratives’ of the trajectories of change in Sweden, Japan, and the United States. Here, in addition to theorizing about the patterns of change over time, Steinmo takes note of how human agents who are creative, have ideas, and communicate to one another about what they are doing are also a key element in change, along with the unanticipated consequences of purposive behavior, and the fact that what they do occurs within an evolving institutional context. But the main thrust of the approach, and all the theorizing, is historical institutionalist in its description of the evolutionary trajectories of continuity and change in institutions.

Although all of these more evolutionary approaches have gone a long way toward endogenizing institutional change, and some even allow ideas and discourse in, problems remain. Not only do they do more to describe than to explain change but they also remain at a macro level of abstraction in which change can only be explained mechanistically, although now they see such change as coming not through structural shifts during a maxi-crisis but rather through structural processes at mini-incremental moments. Discursive institutionalism can help here, by offering a more fine-tuned view of how institutional change occurs.

DISCURSIVE INSTITUTIONALISM ON THE TIMING OF CHANGE

What distinguishes discursive institutionalism from historical institutionalism is not the approach to change, since discursive institutionalists also divide between those who see change in terms of systemic revolution at critical junctures as opposed to those who see it more in terms of historical evolution through incremental change. It is the way in which discursive institutionalists deal with change. Rather than treating critical moments as unexplainable times when structures shift, much like tectonic plates, followed by locked in path dependency, for discursive institutionalists these moments are the objects of explanation, with attention focused on the transformational ideas or ‘paradigm-shifts,’ that then become the basis for future ideational and discursive (re)constructions as imprints of the past or collective memories. Similarly, moreover, rather than describing incremental change in terms of incremental processes of displacement, layering, drift, and conversion from the outside, discursive institutionalists explain it from the inside, by focusing in on the different types of ideas at different levels of generality that help explain why there was displacement, layering, drift and conversion to one set of policies rather than another. In so doing, they provide a closer look into the content of change over time, analyzing the

ideas infusing institutions as cognitive or normative, as well as their timing, from policy ideas that change very rapidly to programmatic ideas that change more slowly to philosophical ideas that are the slowest to change.

Revolutionary Change in Ideas

Discursive institutionalist approaches that focus on revolutionary change do a better job of explaining why it occurs than historical institutionalist approaches because they focus in on the ways in which new ‘programmatic ideas’ can prove transformative. Revolutionary programmatic ideational change may be understood in terms of moments of ‘great transformation,’ which are periods of uncertainty when agents’ old institutions have failed, and in which ideas may be used as ‘weapons’ to recast countries’ long-standing political economic policies, as Mark Blyth argues for the embedding of liberalism in the 1930s and its disembedding beginning in the 1970s in the US and Sweden (Blyth 2002). Or it may be portrayed in terms of ‘paradigm-shifts,’ building on Thomas Kuhn’s (1970) seminal work in the philosophy of science (e.g., Jobert 1989; Hall 1993; Schmidt 2002, Ch. 5; Skogstad n/a). Interestingly enough, with paradigm theory, Peter Hall (1993), having contributed to the historical institutionalist manifesto (Steinmo et al. 1991) with a focus on the importance of ideas (Hall 1991), provides a partial answer to the problems of statics posed by his later work on VOC (Hall and Soskice 2001) by detailing the ideational founding moments of one of the two varieties of capitalism. This is when he uses paradigm theory to elucidate the case of Thatcher’s shift to monetarism in Britain, which he defines as a revolutionary ‘third-order’ paradigm change that radically altered the monetary policy paradigm’s goals, instruments and core ideas in response to anomalies produced by events that didn’t mesh with the previous Keynesian paradigm’s explanations.

But the paradigm approach in discursive institutionalism, much like critical junctures in histori-

cal institutionalism, also has some serious problems (see Schmidt n/a; Skogstad n/a). For one, the concept of paradigm-shift actually tells us little about what constitutes the defining moment(s) of transformation in paradigm change. With regard to Prime Minister Thatcher’s neo-liberal paradigm, was the shift consecrated when she developed the monetarist ideas, when she was elected with a campaign focused on those ideas, when she switched to monetary policy, when the public came to accept and believe in the policy, or when the opposition, as ‘New Labor,’ embraced those ideas? This approach also tends to assume that there can only ever be a single overarching paradigm, and no rival minority (opposition) programs waiting in the wings (Schmidt 2002, pp. 220-5). But even in the heyday of neo-Keynesianism, there were theorists such as Friedrich Hayek and Milton Friedman who were biding their time, writing about the dangers of the predominant Keynesian paradigm, who found their window of opportunity in the mid-seventies, when the oil shocks hit (Blyth 2008). Moreover, depending upon the amount of time one accords to paradigm change, any major change, however incremental, could be called a paradigm shift if in the end we see a transformation from one cohesive set of ideas to another. And what if revolutionary change in ideas occurs not just without any abrupt conversion process but also without any clear idea, or paradigm, behind the change? As Bruno Palier (2005—in the Streeck and Thelen 2005 volume) shows in his critique of Hall’s paradigm theory, France has undergone a largely unnoticed ‘third-order revolutionary change’ in welfare state policy without any abrupt shift in policy or any convincing political discourse of legitimization. Instead, the reforms resulted from an incremental process of ‘layering’ new policies on top of the old, spurred by ambiguous agreements following the diagnosis of failure and the invention of new ‘recipes’ for social policy to mix with the old.

In the end, then, although the concept of paradigm-shift may still serve nicely as a metaphor for radical ideational change, it offers little guidance as to how, why, or even when the shift takes place, and it cannot account for incremental change. Instead, it

seems to assume the kind of path dependency that historical institutionalists ascribe to ideas, in which ideational continuity appears as a defining characteristic of the trajectory of post-crisis institutions (e.g., Pierson 2004, p. 39). Our question would be how to account for continuity following critical junctures that takes us beyond the historical institutionalist notion of ‘path-dependence.’ One way to do so would be to turn to François-Xavier Merrien’s (1997) concept of ‘imprints of the past’ (*l’empreinte des origines*),¹ which helps explain the influence of the foundational principles of welfare states on their subsequent trajectories by leaving imprints that may frame future development while in no way determining the path of development, given that social institutions tend to be infused with new ideas as well as reformed via new practices over time. Alternatively, we could turn instead to Rothstein’s (2005, Ch. 8) use of ‘collective memories’ to explain the long-term survival of Sweden’s peaceful and collaborative industrial relations system. This was established at two ‘critical moments,’ the first in the early 1930s when in response to a violent strike in which five people were killed the social partners engaged in greater cooperation while the Prime Minister even-handedly condemned the violence of the military as he chided the strikers, the second in the late 1930s at the time of agreements on collective bargaining institutions, when this event became the basis for a collective memory serving to remind all parties that cooperation was both possible and desirable, and continues to underpin ideas about the collective bargaining system today, despite major changes in the functioning of the system.

The thing to emphasize here, then, is that these ideational responses to critical junctures do not lead to the mechanistic path dependencies of historical institutionalism but rather to strong ideas about what paths should be taken that then can be interpreted, contested, and reinterpreted in time as circumstances, needs, and politics change. But once we talk of interpretation and reinterpretation, we have already moved on into a more evolutionary approach to change.

Evolutionary Change in Ideas

Discursive institutionalist approaches that concentrate on evolutionary change switch the focus from historical institutionalists’ incremental institutional processes to the incremental ideational processes that give them meaning. Here, moreover, discursive institutionalists identify ideas at three levels of generality, rather than solely at a programmatic level. The three levels of ideas encompass the policy ideas that change most rapidly, as ‘windows of opportunity’ open up for new agendas (Kingdon 1984); the programmatic ideas that underpin policy ideas and change more slowly and incrementally (Berman 2006); and the deeper and even longer lasting philosophical ideas that underlie the programmatic ideas, whether cast as ‘public philosophies’ (Campbell 2004), ‘worldviews,’ *Weltanschauung*, or what Paul Sabatier (Sabatier and Jenkins-Smith 1993) calls the ‘deep core’ of beliefs. Generally speaking, moreover, whereas policy and programmatic ideas tend to be justified using cognitive arguments that make the case for their interest-based logics, necessity, and problem-solving capability (Jobert 1989; Hall 1993; Schmidt 2002, Ch. 5), the philosophical ideas which most often underlie them tend to be legitimated in terms of normative arguments that appeal to values and appropriateness (March and Olsen 1989; Schmidt 2000).

These two types of ideas—cognitive and normative—at three levels—policy, program, and philosophy—are not always so readily separable when considering change. For one, a programmatic idea can be so widely accepted by the society at large and so long lasting that it comes to resemble an uncontested public philosophy. By the same token, however, a society may have no generally accepted public philosophy, such that core principles are as contested as programmatic ideas. In Germany from the post-war period forward, for example, the ‘paradigm’ of the ‘social market economy’ was so much a part of the fabric of everyone’s cognitive ideas about how

the market did and should operate that it acted like a basic philosophy shared by the conservatives and social-democrats alike (Lehmbruch 2001). This ensured that left-right divides in policy programs and policy ideas were much less significant than in, say, France from the postwar period to the early 1980s, where left and right differed in normative public philosophies—Gaullist right vs. Marxian left—as much as in cognitive programs and policy ideas. This said, although French parties were divided on what to do, they shared a similar public philosophy about how to do it, encapsulated in the ‘public philosophy’ of *dirigisme*—state interventionism—in terms of its cognitive usefulness and its normative appropriateness (see Schmidt 2002, Chs. 5 & 6).

The different rates of change in the different levels of ideas may also have an effect on institutional change, in particular since the slower moving underlying philosophical ideas may very well hold back the application of more programmatic ideas. Jane Jensen’s (2008) discussion of health policy in nineteenth century Britain nicely illustrates this. She demonstrates that the paradigm-shift to a ‘Sanitarian’ health policy program did not lead to effective policy implementation in large part because of contradictions with the underlying norms contained in the philosophical ‘citizenship regime,’ based on a shared political narrative about collective solidarity, appropriate forms of governance, citizen rights and identity. The liberal philosophical commitment to limited government and the superiority of private solutions to public problems stymied effective Sanitarian health policy implementation until a recasting of the political philosophical narratives on citizenship in the last quarter of the nineteenth century.

But ‘cognitive’ policy programs may even be implemented despite countervailing ‘normative’ philosophical ideas, when the former are not articulated or acknowledged as in contradiction with the latter. Fred Block (2008) makes this case with regard to the technological policy arena in the US, arguing that the ‘developmental network state,’ which provided massive amounts of financing and coordina-

tion support to business technology initiatives from the 1980s forward, was ‘hidden in plain view’ because it contradicted the market fundamentalist political ideology that pervaded Republican partisan politics, which saw government as the problem, not the solution.

The difficulty in separating the three levels of ideas also stems from the fact that the same concept may be used to convey different things at different levels. For example, Keynesianism and monetarism may be approached primarily as policy ideas, when Keynesian economic ideas are shown to apply in different countries to differing effects (Hall 1989); as programmatic ideas, when monetarism is shown to constitute a paradigm which brought with it a set of problem definitions and solutions, policy instruments and objectives (Hall 1993); or as philosophical ideas, when Keynesianism represents a progressive philosophy that helps establish ‘embedded liberalism’ whereas monetarism represents a more radically conservative philosophy that serves to ‘disembed’ liberalism (Blyth 2002, 2008).

Discursive institutionalist accounts of historically evolving ideas, then, add a deeper level of analysis to historical institutionalist descriptions of evolving processes and of path-dependence punctuated by critical junctures. Because ideas and discourse are at the basis of institutional change, processes of change involve much more than mechanisms of replication since they promote innovation and creation, are at the origins of historical institutionalist structures, frame their development, and go on all the time, not just at critical moments of uncertainty and ambiguity. This said, the mechanisms identified in historical institutionalist accounts of incremental change in formal institutions could be useful in the further theorization of ideational change. Thus, for example, we could talk of processes of ‘layering’ when new ideas add new rules on top of the old, ‘drift’ when new ideas lead to the active rejection of old rules, or conversion when new ideas put old rules to new uses. We could also build on sociological institutional mechanisms such as ‘bricolage’ (Swidler 1986), framing,

learning, diffusion, and standardization (Ancelovici and Jenson), storytelling, transmission, or mimesis to add greater detail to the processes of ideational change (see Campbell 2004). Bricolage, for example, in which different elements of ideas are pulled together to form new ideas, can prove very helpful in unpacking theories about ideational change, such as paradigm-shifts, to demonstrate the processes by which incremental changes in ideas can produce major change in programs or even philosophies (Carstensen n/a). Much of the empirical work on ideational change demonstrates how such bricolage works through close textual analysis of the slow re-interpretations of ideas, although it mostly does not theorize about this aspect of ideational change (e.g., Berman 1999; McNamara 1998; Blyth 2002).

But none of this fully explains change, which requires answers to further questions about agency involving who are the producers of historical institutional structures and processes or the discursive ‘carriers’ of ideas; and how does this lead to change-making collective action, whether at critical junctures or more incrementally over time.

HISTORICAL INSTITUTIONALISM ON THE AGENTS OF CHANGE

Agency is the historical institutionalists’ Achilles heel. This is because the historical institutional framework is all focused on structures and processes, mostly with agent-less institutions following path-dependent logics if not incrementally changing ones. Agents, where they are invoked, tend to be treated as kinds of ‘corporate’ structures and processes, as corporate actors defined by their roles in the structures. When historical institutionalists have sought to insert agency, they have therefore looked to the other neo-institutionalisms, and in particular to rational choice institutionalism, which enables them to explain agency in terms of ‘rational’ historical actors engaged in strategic interest-based calculations within historical institutional structures.

Historical institutionalism on its own has little room for agency. The grand macro-historical approaches of the 1960s and 1970s out of which it emerged did not have much more such room, tending to see agency as possible only during the critical junctures that punctuated the long periods of structurally deterministic dynamics. As Katznelson (2003, p. 283) has argued, these moments are the only times that macrohistorical scholars saw as opening up a space to historical agents to change the trajectory of development because “constraints on agency are broken or relaxed” (Katznelson 2003, p. 283). But as Katznelson himself makes clear (2003, p. 290-93; see also Haydu 1998, p. 353), when historical institutionalists emphasize radical contingency at the moment of institutional genesis while disaggregating the macro systemic patterns, whether of state purposes, class-based conflicts, or other ‘periodizations,’ they narrow the scope for agency much more. Now, not even the preferences of institution-building agents at critical junctures have any impact on the subsequent path-dependent historical institutional structures. One could add that historical institutionalists also disregard the fundamentally value-laden nature of the macrostructures they disaggregated, as well as the fact that how agents may interpret the rules remains open to question since ‘structures do not come with an instruction sheet’ (Blyth 2002, pp. 7, 19). In remedy, Katznelson (2003, pp. 295-7) suggests that historical institutionalists look to some form of ‘restricted agency,’ as delineated in the work of anthropologists who seek to show how certain kinds of ideational institutions may delimit the scope or horizons of agents’ thoughts, identities, and roles. But rather than looking to ideas-based institutions couched in more sociological institutionalist approaches, historical institutionalists generally turn to rationalist ones.

The problem with turning to rational choice institutionalism is that although such an approach may add more of a micro-foundational logic, by lending insight into agents’ strategic preferences at a given time, it has difficulty accounting for the formation of such preferences, let alone of non-strategic preferences, changing preferences, and changing in-

stitutions, as noted above. Moreover, even though the recent addition of the rationalist political coalition literature is a step forward, by looking to politics to explain change endogenously (e.g., Iversen and Soskice 2006), it still has difficulties explaining how new political coalitions are constructed and changed, let alone how the institutions in which they operate were created and reformed.

Some historical institutionalists have responded to these problems by trying to redefine actors more ‘actively’ and to open up space for their creativity. Thelen and Mahoney (2009), for example, manage to bring more agency into the very definition of actors when, instead of defining them in terms of their static role in formal positions, they define them in their active roles in political economic transformation, linking this to the incremental forms of change discussed above (in Streeck and Thelen 2005). Thus, they describe ‘insurrectionaries’ as those who seek to overthrow and thereby ‘displace’ institutions; ‘symbionts’ as those who are either parasites who create ‘drift’ by undermining institutions as they exploit them for private gain or mutualists who maintain institutions as they use them in novel ways; ‘subversives’ as those who seek to displace institutions without breaking the rules, and thereby engage in ‘layering’; and ‘opportunists’ as those who exploit the situation, whether for change leading to ‘conversion’ or for continuity. For Thelen and Mahoney, because institutions’ ‘guiding expectations’ are often ambiguous, this leaves space for agents’ creativity between the rule and its interpretation or enforcement, which can lead to change in the rules at any time over time, and certainly not just at critical moments of exogenous shock.

All of this goes a long way toward embedding agency into historical institutionalism, and thereby endogenizing change. But it still does not explain the dynamics of change, that is, how and why insurrectionaries succeed in overthrowing institutions, parasites in undermining them, subversives in ‘layering’ on top of them, or opportunists in converting them. Rather, we get categorizations

of the kinds of agents who have successfully overthrown, undermined, or converted institutions, with the change-agents themselves defined in terms of the institutional change roles they play and the paths they follow. What they do to become change-agents, including what ideas they use to mobilize others, why these ideas resonate, or how they mobilize and persuade others to join them, say, as insurrectionaries, subversives, or parasites, is not considered in theoretical terms here. This is because historical institutionalists are more interested in theorizing about changes in structures than about the dynamic interplay among the agents who alter them. And yet, here too, the empirical chapters in the edited volume (Mahoney and Thelen 2009) provide all sorts of evidence for the importance of ideas and discursive interactions that do in fact point to the dynamics of change.

We see this, for example, in Tullia Falletti’s (2009) case study of the development of universal public health care in Brazil, in which ‘subversives,’ consisting of the *sanitario* social movement activists, with over-arching ideas about the need for universal health care delivered in a decentralized manner, managed to infiltrate the bureaucracy and to persuade even authoritarian governments to layer on new rules. We find it even more so in Adam Sheingate’s (2009) case of the changes in procedural rules in the US House of Representatives in the late nineteenth and early twentieth century, in which two ‘political entrepreneurs’ with clever ideas about how to use the rules to change the rules and with persuasive discourses—in particular through their appeal to the Constitution—were able to convince their fellow Representatives in the House that their arguments were both legitimate and doable (i.e., Thomas Reed, as Rules Committee member, succeeded in reducing the minority’s obstructionist power by getting rid of dilatory motions and, as Speaker, in getting rid of disappearing quorums, while Edward Norris, as an insurgent Republican, succeeded in reducing the Speaker’s power by getting him off the Rules Committee). In the Streeck and Thelen (2005) volume as well, several contributors emphasize the importance of ideas and discursive interactions. These include not only Palier

(2005), as illustrated above with regard to paradigm change, but also Deeg (2005b) and Jackson (2005), who note the importance of ideas but do little beyond this, and Quack and Djelic (2005), who illustrate their historical institutional theory about ‘path generation,’ adaptation, and recombination of German and European Union anti-trust institutions with an account that is all about ideas and discursive interactions. Their case begins with the opening of a ‘window of opportunity’ seized by American Occupation authorities with American ideas about anti-trust policy who act as institutional entrepreneurs when they put the marginal, pro-competition ‘ordo-liberals’ in dominant positions that give them an advantage in the subsequent battle for policy ideas. The resulting institutionalized ideas then combine and recombine in successive German policy initiatives as new actors with other ideas come in; these in turn get translated and embedded in the European Coal and Steel Community and the Founding Treaties of the European Union, followed by the epistemic communities of EU and member-state actors which subsequently generate new Commission and Court interpretations of policies, which in their turn have significant influence on German policy debates and, ultimately, on German anti-trust policy.

In all of these empirical examples of incremental institutional change that bring out the importance of ideas and discourse in the Streeck and Thelen volume (2005), we find little theorization about what drives agents to change institutions. And when Streeck and Thelen (2005, p.19) theorize about ‘why’ incremental change occurs, there is no theorization about ideas and discourse. On the contrary, it is to suggest that institutions are the object of “on-going skirmishing as actors try to achieve advantage by interpreting or redirecting institutions in pursuit of their goals, or by subverting or circumventing rules that clash with their interests.” We remain with ‘rational’ actors, then, who are clearly strategic, acting in their own interests. But no explicit micro-logic of strategic action based on rational choice institutionalism is elaborated here. And there can be none. If institutions change all the time—as this incremental

approach argues—then it becomes difficult to theorize how institutions structure individual actors’ incentives. Moreover, if some individual actors accept the institutions while others are seeking to redirect or reinterpret them, then actors’ preferences are differentially affected by the institutions, and it is impossible *a priori* to know which ones. Empirical investigation of actors’ motivations, their interests, and their ideas within macro-institutional context seems to be the only answer here.

Recently, Hall and Thelen (2009) have offered a clearer theoretical picture of how rationalist and historical institutionalist approaches might fit together in such a way as to explain agency. Here, institutions are still conceived of as sets of regularized practices with rule-like qualities, but now they serve not as ‘equilibria’ but as resources. Change is difficult and institutions are stable not only for historical institutionalist reasons of path-dependency but because of rationalist uncertainties about whether new institutions would serve interests better, about complexities of institutional interactions that might require new strategies, and institutionalized power relations. Change nonetheless occurs because such institutions are the target of rationalist strategic action by economic actors who use them as resources to achieve their goals and are always testing the limits of their power, probing the intentions of others, basing their decisions on perceived interests rather than objective ones. And these rationalist ‘routes’ to institutional change, unlike those of Streeck and Thelen (2005), are all about agency, as change now depends on deliberative interaction, including deliberation among relevant actors and government policy; defection, when action occurs without deliberation with other actors; and reinterpretation, when practices gradually change while the institution formally stays the same. But if actors are engaged in constant deliberation and reinterpretation of their perceived—read subjective—interests, then here too, the use of rational choice institutionalism cannot go very far in theoretical terms because preferences are not fixed, are ‘subjective’ rather than ‘objective,’ and institutions are not stable enough to theorize as incentives. This,

then, is a very soft rationalist version of the micro-foundations, which makes rational choice institutional theorizing and prediction nigh-unto-impossible.

Finally, once preferences are seen as ‘subjective’ and agency consists of deliberation and reinterpretation, the way is open to taking seriously the role of ideas in altering agents’ perceptions of their preferences and of discourse in deliberating and reinterpreting agents’ institutions. In fact, Hall (2005, p. 151) himself, in a piece on preference formation in a collection that sought to bridge the rational choice-historical institutionalist gap (Katznelson and Weingast 2005), seems to suggest just this when he concludes that we should look at how issues are framed and how “the actor tries to make sense of his actions in his eyes and those of others,” seeking to balance “multiple interests, often linked to multiple identities” referencing “a set of narratives that draw heavily on past experiences and the interpretations of them that have authority in their community.” Moreover, in his concluding comment in the Mahoney and Thelen (2009), the very structure of Hall’s (2009b) chapter suggests a tacit acknowledgement of the limits for historical institutionalism of rational choice institutionalist borrowings while providing yet another opening to ideas and discourse. His lengthy discussion is about what rationalist approaches can gain from historical institutionalism (as opposed to what historical institutionalists can gain from rational choice institutionalism). This includes a lot of the stuff of discursive institutionalism, as he emphasizes instrumental and normative beliefs, identity, framing effects, ‘debates’ that engage identities, and the ‘politics of ideas’ that is ‘intrinsic, rather than epiphenomenal, to the processes of coalition formation that underpin change’ (Hall 2005, p. 212). As for the explanation of change, he reserves this for his much shorter discussion of what historical institutionalism gains from ‘sociology’ (his term for all approaches that deal with ambiguity, reinterpretation, political entrepreneurs, and more). But such a delineation, which harkens back to his (Hall and Taylor 1996) distinction that suggests that historical institutionalists divide between those who look for agency to

rational choice institutionalism vs. those who look to sociological institutionalism, fails to take account of the fact that scholars who take ideas and discourse seriously emerge from, engage with, and/or build upon elements from all three neo-institutionalist traditions, not just the sociological (see Schmidt 2008, 2010a). For rational choice institutionalism, such scholars include Rothstein (2005) as well as contributors to the VOC volume (Hall and Soskice 2001) such as Pepper Culpepper (2005); for historical institutionalism, they encompass contributors to the original historical institutionalist manifesto (Steinmo et al. 1992), such as Margaret Weir (1992, 2006) and Desmond King (1999), as well as contributors to the Streeck and Thelen (2005) volume such as Palier (2005); and for sociological institutionalism, they include contributors to both collections, including Quark and Djelic (2005) and Sheingate (2009). This is why I use the term discursive institutionalism to define a common space for all such approaches that take ideas and discourse seriously, whatever the institutionalism with which they engage (Schmidt 2008, 2010).

DISCURSIVE INSTITUTIONALISM ON THE AGENTS OF CHANGE

The problem with historical institutionalist approaches to agency from a discursive institutionalist perspective is that they appear mechanistic, with no sense of the critical thinking of ‘sentient agents’ (read real people) oriented by their ideas about values as much as interests consciously seeking to change (or maintain) their institutions—for better or for worse—through deliberation, contestation, as well as consensus-building around ideas. Change in discursive institutionalism is more open and agent-driven, then, as a result of agents’ constructive engagement with the past in place of path-dependency and other mechanisms of reproduction. Institutions, moreover, are not the neutral, formal structures external to actors that many historical institutionalists assume but are infused with cognitive and normative ideas, while interests are always understood as ideas about inter-

ests.

Agents’ Ideas about Interests and Institutions

Conceiving of the agents of change as ‘sentient’ because they generate and deliberate about ideas through discursive interactions that lead to collective action is at the very foundations of discursive institutionalist theorizing about the dynamics of institutional change. This said, sometimes agents act without thinking about what they are doing, or act by saying one thing but thinking another—as clear from their actions. This helps explain why rational choice institutionalist scholars often prefer to look at what agents do and deduce what they are thinking from that, dismissing all ‘saying’ as cheap talk in favor of more ‘parsimonious’ explanation about actors’ ‘objective’ interests, since instrumental actions ‘speak more loudly than words.’ But in so doing, rational choice institutionalists risk attributing to actors the instrumental reasons for action that they might themselves have, and they thereby miss out on the complexities of human action and the context that gives clearer meaning to their actions. Although historical institutionalists are less prone to attribute interests without consideration of the deep historical context, they nevertheless risk treating interests as unproblematic because readable off the events, positions, and presumed self-interests of the actors themselves.

In discursive institutionalism, by contrast, interests are subjective rather than objective because interests *are* ideas, and encompass a much wider range of motivations than narrow self-interest alone, including other kinds of interests as well as norms (Boudon 2003; Hay 2006; Schmidt 2008). Here, rather than talking about material interests, we do better to talk about material reality, and the ideas that agents form in response to that reality (Schmidt 2008, p. 318). Discursive institutionalists make this point in different ways. Some talk about ‘interests *and* ideas,’ to demonstrate to historical and rational choice institutionalists that a wide range of ideas are at least as important, if not more so, than narrowly

instrumental, rationalist interests. Weir (2006; see also Lieberman 2008), for example, argues that we need to add relational and cognitive factors to explanations of interest calculations in order to explain organized labor’s efforts to redefine itself as a political actor in the US and to build new coalitions, by looking closely at how organizational leaders ‘puzzled’ and ‘powered’ over questions of identity (‘who are we?’), alliances (‘who are our allies?’) and values as well as interests (‘what policies do we care about and what policies are actively beneficial for us?’). Hansen and King (2001) go even further in their contrast of eugenics policies in Britain and the US to demonstrate that ideas have independent power when a coherent ideational framework comes together with ‘rational interests’ (read strategic ideas) at a given time, as was the case for the US in particular. For discursive institutionalists with a more constructivist view of interests, however, talking about ‘interests *and* ideas’ is problematic because it may obscure the fact that ‘interests *are* ideas.’ The first formulation therefore could be misconstrued to appear to buy into the rational choice institutionalist differentiation between (subjective, secondary) ideas and (objective, primary) interests (see Blyth 2002; Hay 2006; Gofas and Hay 2010), although this is not the intention of those making the distinction.

A similar divide affects discursive institutionalists’ view of institutions, and in particular whether ideas and institutions are analytically separable, with ideas internal and institutions external to agents, or are inseparable and internal to agents. The division come down to ones between those discursive institutionalists who talk about ‘institutions as ideas’ and those who talk about ‘institutions and ideas.’ Robert Lieberman (2005, 2008), for example, seems to buy into the latter view when he argues that ideas (actors’ goals) may give us motive but not opportunity, which is established by the institutions (the rules that bind actors) that set the conditions under which ideas find expression, by organizing power and gate-keeping with regard to ideas, at the same time that ideas carried by policy coalitions serve to transform the rules, taking new paths and breaking out of settled habits.

This formulation raises the theoretical dilemma of how to explain how agents conditioned by the institutions that limit their ideas are able to transform those very same institutions, since they are seemingly caught within them. It is in response to this dilemma that constructivist discursive institutionalists have come to insist that institutions are ideas. Colin Hay (2006), for example, defines institutions as internalized practices that structure as well as construct meaning, thereby constituting constraints to as well as opportunities for agents. But although this definition may enable us better to explain processes of institutional change, it leaves us unsure about how this fits with formal institutions, and how we get from internalized practices to the externalized actions that actually change formal institutions.

The problem with both formulations—of formal institutions as external while ideas are internal to agents or of both institutions and ideas as internal—is that we have no bridge between external (formal) institutions and internal ideas (as structures/construct). This is where discourse comes in. Between the formal institutions that are the product of agents' collective actions and agents' individual ideas about institutional action are discursive interactions in which agents articulate their ideas and deliberate about taking collective action with regard to their formal institutions. In epistemological terms, we could think about this in terms of sentient agents whose 'background ideational abilities' enable them to think beyond the (ideational and formal) structures that constrain them even as they act within them while their 'foreground discursive abilities' enable them to communicate and deliberate about taking action collectively to (re) construct their (formal) structures (which in turn changes their ideational ones) (see Schmidt 2008, pp. 314-16). Empirically, this dual view of institutions as both structure and construct poses relatively little problem, as Berman (1998, Ch. 2) suggests, when she explains that ideas 'take on a life of their own' when they are institutionalized and routinized by being embedded into formal structures and processes, such that the institutional practices involving what people do along with the

ideas about what they ought to do act as constraints on the development of new practices and ideas. Such ideational institutional constraints are very different from the historical institutional constraints of path-dependent structures and replication processes, however, because these are ideational legacies that influence but do not stop ideational innovation and reinterpretation.

Dynamics of Change through Agents' Discursive Interactions

But how, then, do sentient agents promote change in discursive institutional context? For this, it is useful to consider the different agents of change—whether ideational leaders, policy or political entrepreneurs, epistemic communities or advocacy coalitions, the media, or even ordinary people in everyday practices—engaged in discursive interaction in given institutional settings, which generally divide between the coordinative discourse of policy construction among policy actors and the communicative discourse of policy deliberation, contestation, and legitimation between political actors and the public (see Schmidt 2002, 2006).'

Within the context of the coordinative discourse, discursive institutionalists divide between those who theorize in terms of revolutionary critical junctures and of evolutionary development. Culpepper (2005), one of the contributors to the Hall and Soskice (2001) volume, offers an example of a critical junctures approach to ideational institutional change when he argues that change occurs in VOCs not as historical institutionalists might assume, when formal institutions are altered through laws, but rather when at a critical juncture a central actor 'signals' an idea that introduces a new cognitive model which leads other central actors who are part of the same belief system to deliberate about changing their own beliefs and, if in agreement, to shift their belief system such that they "coordinate their future expectations around the new rules of the game, that is, around new institutions" (Culpepper 2005, p. 176).

This account has the benefit (for rational choice institutionalists and VOC) of maintaining the equilibrium required for game-theoretic analysis before and after the period of ideational change. The drawback is that it limits the importance of ideas and discourse to the period of uncertainty between the end of the old institutional 'game' and the beginning of the newly agreed institutional 'game,' with changing ideas at a critical moment preceded and followed by crystallized (rationalist) preferences and frozen (historical) institutions (see Schmidt 2010a). A discussion of the empirical case will demonstrate the problems with this, and the more incremental nature of development when taking into account different levels and types of ideas.

The empirical case Culpepper uses in illustration of the theory contrasts the corporate governance systems of France and Germany (as well as Italy) in the 1990s. He argues that France underwent a joint belief shift at a critical juncture, when a central figure in the system of cross-shareholding decided to sell off the cross-shareholdings and other CEOs followed suit, whereas Germany did not at its own critical juncture, when a major firm was taken over by a foreign company, because the outsider nature of the takeover had little effect on the CEOs' belief system. Although this is essentially correct as a snapshot of the moment, it overstates the contrast while glossing over some important differences in ideas and discursive interactions. To begin with, the German beliefs in the system were much more deeply rooted in philosophical ideas originating in the post-war period about the normative appropriateness of the 'social market economy' by contrast with what were little more than French cognitive policy ideas about the benefits of a cross-shareholding system begun in the mid 1980s in the context of privatization, which lacked the deeply rooted normative legitimacy of the German system, and which had in any case lost its initial strategic benefit and purpose. Most importantly, even before the 'first move' by the credible actor, many French CEOs had been questioning the system. This was also true for German CEOs. But in Germany, formal institutional structures—a high

capital gains tax—ensured against change in the corporate governance system until 2000—when the tax was eliminated by stealth, in a 'non-discursive,' last-minute addition to the budget bill by the finance minister (Schmidt 2002, Ch. 6). The cross-shareholding system then began quietly thinning out (see figures on change from 1996 to 2006 at <http://www.mpifg.de/aktuelles/themen/d-ag.asp>) subsequently, without much discourse, and arguably despite continuing belief in the over-arching philosophical ideas about the appropriateness of the social market economy. In short, what looks like a big bang for one country and no change in another may appear very different in a somewhat longer timeframe, with a closer look at the different types and levels of ideas involved.

In the case of corporate governance, it makes sense to focus only on the coordinative discourse of policy construction, since much of what goes on has little direct involvement of politicians or the general public. Most other political economic policy arenas, however, have much more spillover into the political sphere, and therefore tend also to bring in the communicative discourse with the public. And one without the other, a coordinative discourse without the communicative, can be problematic, as Fred Block (2008) shows in the case of the US's industrial policy. Here, we find that while the coordinative discourse linking business, government, and universities in a hidden 'developmental network state' ensures the maintenance of cooperative interactive networks producing highly innovative technologies, the absence of any communicative discourse leads to a range of problems linked to the lack of democratic legitimization. The absence of public debate enables the policy to be skewed toward military-security uses, with an atrophied sense of the public interest that stymies more ambitious projects, and risks a public backlash against the 'triple helix' of government, business, and universities, whether from the fundamentalist Christian right or the environmental activist left. Moreover, the continued contradictory communicative discourse of market fundamentalism allows the corporations that profit from the hidden coordinative network to use that rhetoric to resist be-

ing taxed on their profits while it promotes the view that knowledge is a commodity, to be owned, bought and sold rather than shared to the benefit of the entire research community.

The two spheres of discursive interaction need not be equally important for institutional change, however, since the agents of change may generate ideas in one sphere of discursive interaction rather than another at different times. In political economic policymaking, for example, Thibergien (2007) demonstrates that the postwar *dirigiste* or developmental states of France, Japan, and Korea have become ‘entrepreneurial states,’ as the political economic agents of change shifted from being bureaucratic policy entrepreneurs in the coordinative policy sphere to political entrepreneurs in the communicative political sphere, having harnessed the tools and the discourse of the previous system to create a new set of policies for innovation and modernization. In the case of France specifically, Thibergien (2007, Ch. 4) shows that starting in the mid 1980s major transformations of macroeconomic policy and industry were the top-down constructions of political leaders with new ideas about how to revitalize the economy, in particular the period from 1997 to 2002, when the Socialist Finance Minister Dominique Strauss-Kahn was the core political entrepreneur whose ideas about privatization and the role of the state in the economy were transformative.

We still have a problem, however, because this discussion remains focused primarily on the discourse of elites, whether in a top-to-top coordinative discourse or in a top-down communicative discourse. And yet, both top-to-top and top-down discourses often need to be understood within the context of a wider sharing of ideas coming from the bottom-up communications of the public. In the case of welfare reform in Sweden in the 1990s, for example, although the ideas emerged from a coordinative discourse that was highly restricted, consisting of an epistemic community of specialized politicians and policy experts alone because the famous concertation among business, labor, and government no longer

worked for such macro-level reforms (Marier 2008), it was followed by a more open communicative discourse. This is when these ideas were subjected to a kind of decentralized deliberative process in which social-democratic politicians sought to build legitimacy for such reforms by holding meetings in local communities, listening to responses, and changing their proposals accordingly (Schmidt 2003, p. 141).

The ‘everyday practices’ of ordinary people are also significant in the dynamics of discursive interaction, even in cases where ideas are unarticulated, and change is individual, subtle and slow, coming from the everyday actions of the general public rather than from elite ideas and discourse. This is where rational choice institutionalists claim greatest explanatory capacity. Levi (1988), for example, has explained the case of people simply quitting to pay their taxes in Australia in the rational choice institutionalist terms of people acting individually and strategically (thinking: I won’t get caught) without collective action or deliberation. For historical institutionalists, this is institutional ‘drift’ or ‘exhaustion,’ and most would stop here with the rationalist explanation. But this underplays the complexity of the ideational process. As Seabrooke (2006) demonstrates, leaders need legitimacy from the general public, which can make its views felt not only at the ballot box or in the street but, as in the case of Australian taxpayers, through the ‘everyday practices’ of ordinary people who through their actions, in a kind of unspoken discourse that convey ideas which are then picked up by the media and reformist political leaders, which in the end can lead to significant reform. In a study of the changes in macroeconomic policy in Britain in the interwar years culminating in the ‘Great Revelation’ of Keynesian economic policy, Seabrooke (2007) shows that the drivers of domestic institutional change in the face of international economic crisis were not government elites but the mass public whose everyday discourses delegitimizing government policy served as the impulse for those elites to close the ‘legitimacy gap’ by experimenting with and then instituting more acceptable policies. The importance of taking account of the everyday

actions of ordinary people in its turn brings us back to the need to explain the ‘governors’ responses to the governed.’ This is when policymakers seek to institute reforms to remedy the ‘drift’ described by historical institutionalists, by conveying ideas about how they will solve the problem and engaging in discourse that not only serves to legitimate their proposed solution but also helps to persuade others to join their political coalition for reform.

BRIDGING THE DIVIDE BETWEEN HISTORICAL AND DISCURSIVE INSTITUTIONALISM

A final question intrudes itself: how do we bridge the divide between historical and discursive institutionalism, or create a *rapprochement* between the two approaches? We have already seen how turning to discursive institutionalist analysis enables historical institutionalists better to explain the dynamics of institutional change, by investigating the ideas that lead to ‘bricolage’ or the ‘layering’ of one institution over another, the discourse surrounding the ‘reinterpretation’ of an institution, and the deliberations that precede the ‘conversion’ of agents to another institution. We have also noted how a number of so-called historical institutionalists can just as easily be labeled discursive institutionalists. But how do we go beyond this, by showing how to put the two approaches together, or how purely historical institutionalist accounts can benefit from discursive institutionalism?

First off, it is important to underline the fact, as we have already seen, that historical institutionalists’ empirical narratives often include ideas and discourse as part of their evidence. Most just tend not to theorize about these even when the ideas and discourse are part of the building blocks of their account. Because they are most concerned with institutional development, where ideas and discourse are part of the narrative, the discussion tends to focus on how they contributed to that development as opposed to how they themselves were constructed. And most historical institutionalists therefore pay little attention to the ideational and discursive *dynamics*

of change in order to focus instead on the emerging structures and practices. Thelen (2004), for example, in her blow-by-blow account of the development of vocational training systems in Germany, interweaves the ideas of and debates among union leaders, business heads, and political parties with the incremental changes in institutions in order to then theorize about the development of the institutional practices.

So how would one make such historical institutionalists’ accounts also discursive institutionalist? In what follows, I offer two illustrations, both using examples of work on the US related to the role of business in the political economy, one at the turn of the twentieth century, the other today.

I begin with Cathie Jo Martin’s (2006; see also Martin and Swank 2008) account of why American business switched from support for coordination with labor to a neo-liberal, adversarial relationship at the turn of the twentieth century. Martin explains the change in historical institutional terms, as a result of structural factors—that NAM (National Association of Manufacturers) could not overcome the sectional North-South political division of the country resulting from the majoritarian politics of two-party competition, a problem replicated for the Chamber of Commerce. But while the theory is historical institutionalist, the historical narrative that provides the evidence for this offers a mix of political interest-based action, socially constructed ideas about interests and values, and institutional structures. The story is roughly as follows: NAM leaders are impressed by European examples in which labor is united and develop a discourse about the importance of business having a single association to speak for it, just like labor. The association starts as part of an electoral agenda, but it can’t get the anti-Republican South on board, and NAM therefore soon decides that it needs to be independent of political parties to grow. But then it languishes, with no effective discourse, losing members, until the critical juncture a decade later, after a number of failed legislative battles, when, upon the election of a new president of the association, it switches to an anti-labor position, and immediately

starts growing by leaps and bounds.

Martin's historical institutionalist explanation, that the constraints on political ideas and action result from political institutional structures, is right on target. But she ends the story just as it gets interesting, at the moment NAM switched to an adversarial view of labor, leaving unexplained why NAM switched to this particular view, but with the implication that this was inevitable given the institutional structures. Adding a discursive institutionalist explanation would make the outcome more open, and more fully understandable at the same time that it would bring in more agency. Using discursive institutionalism, we could, for example, explain NAM's switch in policy with a top-down account of the new president of NAM as an ideational 'leader' or policy entrepreneur with new ideas and a communicative discourse able to resonate with the anti-labor sentiments of many business people whose views had not yet been given voice. Alternatively, a more bottom-up account of ideational 'learning' and leadership 'listening' could be used to show how business people were increasingly frustrated by their own attempts to bargain cooperatively, especially in the face of the increasingly violent and anti-business ideas of labor, as shown in its everyday practices, and therefore changed their ideas and discourse about the usefulness or even the appropriateness of coordination. Yet another explanation could be found in the rise of deeper anti-labor philosophical ideas and discourse, such as Social Darwinism or anti-immigrant sentiment (with the concomitant association of labor militancy with immigrants—see King 1999) and the rise in anti-business sentiment of labor—as evidenced in the increasing radicalization of the labor movement and the rise of anarcho-syndicalist unions like the IWW (International Workers of the World). In short, a whole new set of considerations focused around the critical juncture, asking about why these ideas and discourse resonated at this time, could provide additional insights beyond those provided by historical institutional analysis.

Although a rational choice institutionalist

might dismiss both Martin's historical and our discursive institutionalist enhancement by insisting that this is not about party structures or ideas but rather about employers' interests which were better served by a market liberal regime, as the preferences of a new political coalition, the question remains as to why employers constructed their preferences in one way earlier, and then reconstructed them so differently later (also Martin's point—2008, p. 194), which takes us back to ideas and discourse.

Another illustration of what discursive institutionalism can bring to rationalist historical institutionalist analysis is the symposium in a recent issue of *Politics and Society* on the masterful article by Jacob Hacker and Paul Pierson on the causes of inequality in the US (2010). Their rationalist historical institutionalist argument, very briefly put, is that the unprecedented rise in inequality in the US since the 1980s, concentrated at the very top end of the scale, has been caused by one primary factor: the organizational power of business, no longer reined in by organized labor, which has lost power, or by voters, no longer organized in ways that address their economic concerns. This, they argue, is manifested through the activities of the interest-motivated, business interest groups which have not only promoted the enactment of inequality enhancing policies—aided by government officials and members of Congress—but has also engineered institutional 'drift' through resistance to the updating of policy—also helped by US federal structures. Although Hacker and Pierson do say that ideas represent an independent factor, they make it clear that they see the pro-market ideology that came to the fore beginning in the 1980s as secondary to the already extant interest-based demands of business for lower taxation. The article, in short, posits business as the main agent of change, with narrow instrumental economic self-interest as the driving force, and major inequality in income as the outcome of a process of incremental policy change resulting from policy drift as well as policy enactment.

The critiques from contributors to the symposium range widely, but all bring in ideas and dis-

course in one way or another. Lawrence Jacobs (2010), for example, argues that in considering the matrix of power in the US, one cannot talk of 'business' as such because competing 'belief systems' splinter the business community; that one also needs to consider the central tension between the conflicting philosophical principles of democracy and capitalism; and that one needs to also consider 'activated citizens' whose ideas in opposition to business have made a significant difference over a longer time period, in the 1920s as well as the 1960s. Andrea Brandolini (2010, pp. 220-1) adds that social norms such as those about differential pay scales are also important, and that the spread of pro-market ideas may have played a truly independent role. Lane Kenworthy (2010) finds that perceptions of US economic performance in light of the 1970s stagflation may better help explain why policymakers were willing to entertain the pleas of business interests, whereas electoral success resulting from tax-cutting discourse better accounts for why it was enshrined in Republican policy ideas. Andrea Campbell (2010) argues that organized interests may have prevailed mainly because ordinary people haven't been paying attention, and that they lack firm preferences about redistribution—which we could add is due to underlying philosophical ideas that contrast markedly, say, with Nordic and even Continental Europe, in which ordinary citizens have much stronger redistributive ideas. Finally, Neil Fligstein (2010) argues that one needs to 'fill in the holes' by taking note of how the economic crisis of the 1980s engendered a new normative pro-market, anti-regulatory consensus about how the market should work, followed by deregulatory policies that produced the de-industrializing, pro-financialization dynamics of the economy that drove rises in income inequality, in particular for those at the lowest end of the scale. As for income inequalities at the highest end, he suggests that this results from top managers' persuasive discourse beginning in the late 1980s tied to agency theory, that managers had to become shareholders (read get large bonuses) in order to align their interests with those of shareholders.

All of these critiques point to the many different ways in which (discursive institutionalist) approaches that take into account sentient agents' ideas and discourse from the top and the bottom of politics and society within given meanings-based contexts are a necessary complement to (historical institutionalist) approaches that focus on rational agents' interests within given historical institutional structures. Although Hacker and Pierson make an indisputable case for the rise of inequality and a highly convincing argument about the role of business in pushing a particular inequality enhancing agenda, their desire for parsimony, the search for uni-causality, and the emphasis on rational actors consciously engaging in narrowly, economically self-interested behavior could lead one to caricature the argument as good old-fashioned Marxian conspiracy theory dressed up in recent historical institutionalist language—although this would be unfair. The piece does, however, give critics Fred Block and Frances Fox Piven (2010) a sense of déjà vu, given the vast amount of sociological and Marxian writings on the topic over the past century, none cited by the authors.

There is nothing new about 'business' pursuing its interests, of politicians fashioning policies that aid and abet business, or of the priority of policy. What is new are business' ideas about what is in its interests and how to attain them as well as how successful they've been at convincing others and themselves about its cognitive justifiability and normative legitimacy. Pro-market ideology matters, whether it is seen as a cynical tool in the hands of self-interested business pushing regressive tax policies or as an ideology that business and everyone else really believes about how to ensure prosperity for all that blinds all to the resulting rising inequalities. Equally important are the ways in which this kind of ideology has been constructed and nurtured by think-tanks, economists, bankers, government officials as well as business groups in the coordinative discourse and disseminated through the communicative discourse of politicians and the media, in the absence of opinion leaders and social movements with countervailing ideas able to be heard above the fray. It is important to

note that this is also about the ideational construction of what constitutes an exogenous shock and what does not. The dot-com crash of the early 2000s was not believed to be such a shock, and the calls for regulatory reform were unheeded since nobody wanted to kill the goose that laid the golden egg. It was only with the economic crisis beginning in late 2007 and early 2008, when the egg was fully shattered, that this became a critical moment, when the voices that had been questioning the ideology began to make a difference. It is also at this moment that even ‘true believers’ began to question their beliefs. Take the testimony to Congress of Alan Greenspan, former head of the Federal Reserve Bank, a follower of the radical individualist philosophy of Ayn Rand, and one of those chiefly responsible for the lax US financial regulatory regime that contributed to the financial market meltdown. When asked in Congressional hearings if he saw a problem with his ideology, he admitted that: “those of us who have looked to the self-interest of lending institutions to protect shareholders’ equity, myself included, are in a state of shocked disbelief;” and he conceded, in response to the question, “Do you feel that your ideology pushed you to make decisions that you wish you had not made?” that “Yes I’ve found a flaw. I don’t know how significant or permanent it is. But I’ve been very distressed by that fact” (New York Times, October 24, 2008). It is interesting to note, however, that although at the time he continued to resist new regulation, not long thereafter, by March 2009, faced with the total collapse of the financial market system, he strongly supported the Obama administration’s public rescue of the banks, and even nationalization. So is this ideational conversion? Or short-term pragmatism?

The current economic crisis, with the seeming return of Keynesian macroeconomic management, greater state interventionism, and reregulation of the financial markets, raises the question as to whether the policies undertaken constitute a real paradigm shift or just a set of stop-gap policy ideas that suspend, but do not replace, the neo-liberal political philosophical paradigm in crisis, especially given re-

cent moves in Europe and the G20 back toward monetarist budgetary austerity. And it leads us to ask whether this is another moment of ‘great transformation,’ one of layering, or of drift in the midst of crisis. Only in time, and with the benefit of hindsight, will we be able to say with any degree of assuredness that we have seen a massive ‘paradigm’ shift in ideas, incremental evolution, or rapid policy changes with no lasting effects.

CONCLUSION

The goal of this essay has been to demonstrate what and how historical institutionalism can gain from turning to discursive institutionalism for insights into the agent-based dynamics of change in institutions. It is important to note, however, that historical institutionalists’ choice between discursive institutionalism and rational choice institutionalism may depend upon their goal which, if universal precepts, is more likely to be rational choice institutionalism. This is because the kind of information and explanation that emerges from discursive institutionalist investigation is necessarily what Rudolph (2005, p. 12) calls ‘situated knowledge,’ which produces the kind of interpretive explanation that “proceeds from specificities and works upwards to comparative generalizations, rather than downward from a prior assumptions,” and in which theory construction “takes into account local knowledge and practice—how denizens perceive and interpret their world.” But since, as we have already noted, historical institutionalists concerned with explaining incremental change cannot in any case aspire to rationalist universalism, given assumptions about subjective preferences and changing structures, they would do well to consider the benefits of discursive institutionalism. Paying greater attention to actors’ own concepts and meanings also helps ensure against the ‘imperialism of categories’ (Rudolph 2005, p. 6) through which social scientist impose their own concepts on those of the actors, in particular those about what constitutes interests.

So what is the value-added of approaches that take ideas and discourse seriously? They show that institutional change is not automatic or *mechanistic*, as if economic forces or institutional logics *cause* the change in a given direction. It is *dynamic*. Whatever the material realities creating political economic pressures or the institutional arrangements structuring how they may be dealt with, what makes for institutional change are the ideas generated by policy elites and conveyed by political elites to the public for deliberation, contestation, and bottom-up reconsideration through discourse and deliberation that have served to spur and legitimate radical changes to postwar national capitalisms and welfare states.

Discursive institutionalism endogenizes change, explaining much of how and why public actors bring about institutional change, thereby re-injecting agency into historical institutionalism. Moreover, it helps to explain the actual preferences and strategies of actors as well as their changes in normative orientation. This said, historical institutional regularities also frame the ideas and discourse, helping us to take note of routinized ways of conceptualizing political economic action and repetitive patterns of political economic interaction. In short, we need not give up historical institutionalism if we take ideas and discourse seriously, just as we need not give up discursive institutionalism if we take historical rules and regularities seriously. What we do need to do is to get the best of both, being careful of where the two analytic frameworks complement one another, and where they clash.

ENDNOTES

- 1 Thanks to Jean-Claude Barbier for suggesting this alternative way of thinking about path dependence.

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