INSTITUTION/INSTITUTIONALISM

Most fundamentally, the social sciences have defined “institutions” in opposition to “nature.” Creations of men and women, institutions order social, political, economic and even cultural intercourse. Indeed, institutions constitute the very basis for human interaction. Consequently, institutions bear within them equally the potential danger of the most deep-seated social control, as well as the promise of human liberation from both the social bond and the constraints of nature. Institutionalism is the study of the origins, effects and potential for reform of institutions.

H1. Definitions

The meaning of the term “institution” varies from more restricted to more elaborated meanings along several dimensions. One dimension is the degree of formalization of an institution. At the most informal pole, it is common to speak of “habits,” “customs,” or “conventions.” A “habit” is any repeated action whose repetitive nature comes to be recognized by a self-conscious actor, and thus, internally represented. A “custom” is a habit that is shared by members of a collectivity, and hence social. A “convention” is any agreed upon procedure. Language itself is a convention, as both the meanings of words and syntactical structures require social agreement for communication. The same is true for other social “codes” such as myths and rituals that both embody, and thus communicate, social ideas and ideals, but yet require some understanding of such “collective representations” for their decoding. To the extent that a convention is adopted by ever larger numbers of people, and comes to be collectively binding, it is eventually thought of as an “institution.” This movement from informal to formal is termed “institutionalization.” As it entails a shift from
individual to social and from freedom to constraint, it can be viewed as a transition from
“nature” to “culture.”

The degree to which institutions are collectively binding, however, constitutes a
second dimension of variation. A “tradition” or “folkway” has been followed over time and
by a group of some type, such that an individual’s cultural identity may incline her to adhere
to a given custom. The French term “moeurs” or the English “mores,” which correspond to
the German “Sitte,” connote slightly more social obligation. A “norm,” which may be defined
as an internalized belief, is more strongly binding, because its transgression is liable to moral
or social sanction. The Hegelian distinction between Sittlichkeit and Moralität depends upon
the alienation of the moral rule from the original moral community (Gemeinschaft) and its
transfer to the society (Gesellschaft) and, ultimately, a synthesis through the state (Staat). A
“law” is a collectively-binding decision whose interpretation is subject to adjudication only in
specialized juridical bodies and whose breaking is subject to punishment, again by public
institutions with a monopoly on the exertion of legitimate force, as pointed out by Max
Weber. Consequently, the workings of some institutions may depend on other institutions, or
on institutionalized settings. As discussed in classical political theory, the establishment of
the state or Leviathan is the decisive shift accomplished by the move from the “state of
nature” to “civil society.”

In a similar vein, institutions vary with regard to whether they are “self-reinforcing” or
require intervention by some sort of “meta-institutions.” If a particular rule will be adhered to
by all relevant actors because it is in their self-interest to conform, the rule is termed to be
“self-enforcing.” However, some perspectives on institutions claim that rules need
elaboration in order for actors to be able to understand how to follow them — or indeed in
order to calculate their self-interest — such that cultural and social guidelines as to what is
“appropriate” behaviour must flesh out the skeletal “rules of the game.” Further, some sets of
preferences and rules (such as “majority rule”) will not necessary produce stable outcomes.
Instead, more elaborated procedures set limits to choice possibilities, such that one may speak of institutional or “structure-induced equilibrium,” as opposed to a natural or preference-induced equilibrium. This is the subject both of “public choice” or “rational choice” theory and of “institutional economics.” Here we see that the study of institutions may extend from a narrowly-defined set of rules to, first, a more elaborated context necessary for understanding the workings of these institutions, and, second, as T. R. Voss emphasizes, to an analysis of the “equilibrium outcomes” produced by these institutions and institutional contexts.

The term “institution” refers to the action of introducing an institution, to the identity of the actor (Instituteur) that introduced the institution, and to the thing which has been introduced. Institutions can be introduced by religious and secular authorities, as well as groups and communities, as in canonical institutions, institutions of inheritance, and social institutions. All institutions are introduced by divine or mortal beings, and hence, set apart from nature. The things introduced may range from a moral person, a group or a regime. Even the Baron of Montesquieu defined laws very broadly to include both the institutions of the legislature, and the mores and manners of the nation in general. Thus, institutions include the totality of social forms and social structures and may be established by law or custom. Consequently, three types of institutions are especially important: social institutions, such as kinship, marriage, family and inheritance; constitutions, which are the written or unwritten law governing the exercise of public power and the procedures for making laws themselves, and regimes, which refers to the process of giving something the character of an institution. Social institutions govern relationships amongst individuals within societies and hence establish a social order. Constitutions regulate the relationships amongst citizens, political representatives and the state and hence create a political order. Regimes are often found in the international arena, where, being beyond the reach of the sovereignty of nation states, international agreements are used to create international regimes or international orders, and
international organizations with the legitimacy and normative weight of an ‘institution’ are active in the implementation of the agreed upon normative order or international norms.

To “institutionalize” something or the “institutionalization” of something may refer to the frequency, permanence or widespread nature of a habit, virtue or even a vice; the granting of an official status as “institution” to a custom or procedure. “Institution” also refers to the inculcation, indoctrination or introduction of norms, habits and knowledge in various forms of instruction, education or upbringing. By extension, “institution” or “institute” may refer to the corporate body or building charged with such instruction, as in a private institution or institute of scientific study. Institutions of instruction or induction (military, clerical institutions) form and regulate individuals, and hence should (in theory) be trustworthy. Closed or total institutions are charged with psychic and physical healing, such as hospitals or psychiatric institutions. Financial institutions and institutional investors hold money in trust for large numbers of individuals and should (again, in theory) be held accountable to their investors. Individuals that have internalized such instruction in a reliable way and staff such institutions are known as “professionals.” In each of these trust relationships, there is a potential for betrayal of trust, which has been the focus of much social scientific analysis of institutions and professions.

Financial institutions, institutional investors and the governmental framework for monetary transactions form markets. Political institutions and constitutions form politics and public policies. Social institutions socialize individuals; psychological stages, pedagogy and social relations form the psyche. The study of these institutional effects is known as “institutionalism.” As institutions are viewed as arbitrary, institutionalism is by nature a relativistic approach: institutions that may have been introduced as arbitrary results of contingent events may have unintended consequences for human nature, societies, politics and markets. Consequently, “institutionalists” view developments in these spheres as artefacts of institutions and, hence, neither natural nor necessarily desirable.
H1. Institutions and Institutionalism Spanning the Social Sciences

Concern with institutions and institutional effects spans the social sciences. In the areas of philosophy of knowledge, philosophy of right and political philosophy, institutions have been viewed both as mental representations and concrete political structures. As cognitive representations, institutions structure thought, thus constituting perceptual lenses or schema. The origins and legitimacy of social and political institutions has been a perennial problem, with a basic divide between ‘historical’ or ‘empirical’ versus ‘rational’ views. The historical view shared by classical authors such as Georg Friedrich Hegel, sees traditions, customs, norms, laws and institutions as inheritances that have achieved legitimacy (if they have indeed achieved it) by standing the test of time. Moreover, their functioning rests on this historical context. The rational view, by contrast, aims to distil the essence of an institution via logical analysis, often through recourse to a hypothetical account of institutional origins or the use of a particular procedure, as in the contract theory of Thomas Hobbes or John Locke. The work of Jean-Jacques Rousseau bridges these extremes by taking an historical, anthropological view of the development of social institutions, but a contract view of institutional legitimacy; freedom is defined as living under a rule one makes oneself. Such procedural legitimacy is further developed by Immanuel Kant, John Rawls and Jürgen Habermas, but has been called into question in the so-called “communitarianism” debate.

One strand of the sociological and anthropological tradition views institutions as cultural products that substitute for instinct and thus confer an evolutionary advantage onto human societies with particular institutions. More generally, institutions create social order both by specific sets of positive and negative sanctions invoked to prevent social deviance, and by giving symbolic expression to the social order, for example through myths and rituals. Indeed, the very categories of thought, such as notions of time and space, are socially-contingent and linked to social organization. Thus, the sociological meaning of the term
institution ranges from concrete social practices or structures to ideas, representations, and even socially-contingent interpretations of ideas and categories, as we observe in the social thought of Emile Durkheim.

A central divide concerns whether institutions are functional, and hence have evolved from universal human needs even if the exact institutional configurations vary from society to society; or whether institutions are more aptly viewed as historical residues and products of social interpretation. A second problematic concerns the issue of free will versus determinism (also referred to as ‘agency’ versus ‘structure’): do institutions determine behaviour or simply make some courses of action more likely because they appear to be ‘normal’ or ‘appropriate,’ and may be sanctioned by punishment or social disapproval. Talcott Parsons’ theory of action proposed that previous patterns of behaviour serve as points of orientation for actors, for example, in establishing a repertoire of social roles; but that individuals are free to conform or deviate from these expected patterns.

The line between sociological, social-psychological and psychological views on “institutions” is blurred, as all share a focus on mental representations, of which language and cognitive operations are central. Here the idea that the meaning of sounds is arbitrary and meaning arises from the juxtaposition of phonetic oppositions, as well as the focus on classificatory systems, binary codes and cognitive routines from the fields of computer science and artificial intelligence have been quite influential. These representations or routines mediate between the individual subject and the external world, but are also formed or canalized through these interactions, as in Jean Piaget’s theories of developmental stages or Sigmund Freud’s focus on early childhood traumas. Given the potentially-arbitrary nature of these historic residues, an emancipatory program in social psychology is possible—although its adherents, such as Eric Fromm or Herbert Marcuse, vary in the extent to which they stress social and economic versus purely psychological causes for personality (and societal) deformation.
The institutional tradition in economics stresses the “embeddedness” of economic transactions in social structures and culture. In contrast to Adam Smith’s claim that ‘man’ has a ‘natural’ tendency to “truck, barter and exchange,” economic institutionalists emphasize the cultural, social and even normative basis for exchange, as well as the ways in which social and cultural motivations and practices—such as the striving for social honour—shape and even distort economic behaviour. Some examples include Torsten Veblen’s “conspicuous consumption” of the leisure class, or John R. Commons’ analysis of the impact of historical experience and government policies on the organization of industrial relations, as well as of course Max Weber’s the classic analysis of the Protestant Ethic and the Spirit of Capitalism. Even Joseph Schumpeter, who coined the phrase “methodological individualism” and drafted the “economic model of democracy,” still stressed the ways in which historic residues pre-dating the capitalist era buttressed capitalist economic arrangements, and argued that as these pre-capitalist foundations are swept away, capitalism itself will become unstable. Similarly, the work of Karl Polanyi analyses the economic and political instability resulting from capitalism’s historically-unique effort to disembend the market from social arrangements and institutions.

In law and political science, political institutions were long understood in terms of the norms embodied in constitutions. Nevertheless, both the social context for political institutions and the rise of the modern state, as well as the impact of institutional arrangements on the behaviour of politicians and votes were indeed considered by classic political institutionalists, such as Alexis de Tocqueville and Max Weber.

**H1. Behavioralism versus Institutionalism**

In the aftermath of the Second World War, however, a behaviouralist revolution swept through the social sciences, pushing institutions and institutionalist analysis into the background. Though stronger in the United States than in Europe and other parts of the
world, behavioralism focused on assumed universal regularities of behaviour: in psychology, B. F. Skinner studied scientific stimulus and response; in sociology, Talcott Parsons proposed structural functionalist requirements and a universal movement from traditional to modern society; in economics, the neo-classical model with its universal uniformities of market behaviour rose to undisputed dominance; in political science, pluralists including Robert Dahl, David Truman, and others, focused on the observable behaviour of voters and interest groups. By the end of the 1960s, however, limitations of these behavioralist models led to a rediscovery of institutions, which James March and Johan Olsen labelled the “New Institutionalism.”

H2. Rational Choice and the New Institutional Economics

Rational choice theorists and new institutionalist economists understand institutions as a response to dilemmas of collective choice and collective action. Assuming human actors to be rational, self-interested, utility maximizers, these scholars investigate the irrational or suboptimal consequences of such rational action when outcomes depend upon the decisions of more than one actor; that is, they study strategic action.

“Rational choice” studies of legislative decision-making build upon the Condorcet Paradox or ‘Arrow impossibility theorem,’ which demonstrates that even when individuals possess transitive preference orderings (they prefer restaurant A to restaurant B to restaurant C, for example), group decision-making may not result in a stable choice. As a result, majority rule is inherently unstable, and these institutionalists study both the conditions for democratic stability, and the ways in which institutional rules, such as the agenda-setting privilege of the political executive or the veto powers of parliamentary chambers or committees, allow stable political choices to be made. Spatial models of preferences serve as an important tool for this type of analysis. “Game theory” is simply a method of economic analysis based on the payoff functions of the actors (or players) and the rules for their choices.
(or moves). Such games often result in suboptimal outcomes, as in the famous prisoners’ dilemma, in which both prisoners confess to a crime out of fear that their co-conspirator will betray them. Institutional rules or particular strategies may be of help in improving these outcomes, such as by turning a non-cooperative game such as the “Tragedy of the Commons” into a cooperative one.

The new institutionalist economics is concerned with explaining the origins of economic institutions and their effects, especially the legal framework for the market, which directly affects the distribution of property rights and the calculation of transaction costs. Some influential models for understanding the development of institutions are: transaction cost economics, which postulates that institutions develop to minimize all costs related to economic transactions, including information costs and the dangers of mutual dependence; principal-agent theory, which understands contracts and organizational structures as responses to the need of ‘principals’ to control their ‘agents,’ such as owners-managers, governments-bureaucracies, voters-politicians; path dependency, which uses the concepts of sunk costs and increasing returns to explain why initial contingent events make lead to inefficient but stable paths of economic or political development. Central issues concern whether or not socialized or ‘disembedded’ individuals can be taken as the point of departure for this models, and whether institutional arrangements can be modelled as if emerging from a ‘state of nature’ or whether historically-given institutional starting points are necessary.

H2. Sociological Institutionalism and Economic Sociology

As sociology concerns itself with social order, the entire field can be said to be ‘institutional.’ Nevertheless, a distinct group of sociologists have built upon the behavioural psychology and organization theory to elaborate a view of individual cognition and collective decision-making within organizations that they have termed “sociological institutionalism.” Here, cognitive limits on human capacities for gathering and processing information (bounded rationality)
result in various coping mechanisms, such as accepting the first more-or-less-acceptable alternative (satisficing) in place of maximizing utility or reliance on standard operating procedures that reduce choice and thereby structure and coordinate action. “Routines” and “scripts” may produce patterns of organizational behaviour that can be termed quasi-chaotic, as in the “garbage can model,” which posits that choices within organized anarchies are largely random. Newer applications of this perspective have focused on the reliance of myth and ceremony in even modern business organizations, the socialization in time of various managerial cohorts, and the role of organizational isomorphism between political systems and organizations of immigrants to produce particular cultural patterns of post-modern citizenship. “Social constructivist” approaches have stressed especially the socially-contingent development of norms, ideas and institutions, even in the international arena. Economic sociology also focuses on the social and cultural bases of economic institutions and concepts, such as inheritance or the household, thus adhering to the institutionalist tradition in economics more faithfully than the “new institutional economics” or “new economics of organization.”

H2. Historical Institutionalism

The concerns of economic sociology also found in the “corporatism” and “varieties of capitalism” literature, which focus on the historical, social and organizational conditions for alternate modes of capitalist economic formation. Historical institutionalism, more generally, follows the research program of Max Weber in understanding economy, politics and society in terms of historically-contingent, particular developmental paths, whose meanings depend upon the subjective interpretations of human actors. Some historical institutionalists emphasize path dependency, sequences and temporal orderings. Others argue that the historical approach may give us leverage precisely on questions of human agency and configurational causality. A central problem for this approach concerns the causes of
institutional stability and change. It’s main methods are process-tracing and thick description, as well as in some cases analytic narratives.

H1. Current Debates

Institution is a concept so fundamental to the social sciences that it is not surprising that the definition of and research on institutions spans an enormously broad range of concepts, methods and topics. Nevertheless, the study of institutions is concerned with formation and impact of stable social arrangements, even if these may range from ideas and normative concepts to actual local, national and international organizations, associations and states. The central cleavages within institutionalist analysis concern whether a state of nature can be posited or whether particular culturally- and historically-grounded starting points must be addressed; whether institutions evolve or are products of conscious human design; whether institutionalist outcomes are functional or historically-contingent; and if so, what normative consequence should be taken regarding the artifactuality of institutions and their impact on social life.

See also:
Behavioralism; Change, Institutional; Constructivism; Discursive Institutionalism;
Institutional Theory; Institutionalization; Logic of Appropriateness; Path Dependence;
Process Tracing; Rational Choice; Rousseau, Jean Jacques; Schema; Script; Veto Player;
Weber, Max

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FURTHER READINGS


Oxford: Oxford University Press.