The New Institutionalism and Irish Social Policy

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Introduction

Debate about policy making in Ireland has taken a distinctly institutional turn in recent years. Arguments about this particular change or that specific development have given way to broader questions about how policy actually gets made, and by whom. This change can be traced to the emergence of a distinctive 'social partnership' approach in the late 1980s. The extended debate over what that term should mean has put the relationships, rules and assumptions of the policy making process under close scrutiny (see, for example, NESF 1998).

This chapter reviews and discusses contemporary work in political sociology that bears directly on this issue. Known broadly as the 'new institutionalism,' it focuses on the role of state and societal institutions in the creation and implementation of policy. The argument has two strands. First, research into policy conflicts shows that the strategies, bargaining power and participation of interest groups are strongly affected by the institutional context, often regardless of the power that particular groups may have. Call this the *regulatory view* of institutions. Research in this vein speaks against the claim that success in political struggles is a simple function of a group's power, strength or support. Second, it is also possible to show that preferences and goals are strongly shaped by institutions. Call this the *constitutive view.* Research here examines the role institutions play in limiting the range of policies we consider and legitimating the set of policies we implement. It speaks against the claim that policy making is a rational, even–handed process.

Both strands describe potentially invidious tendencies within the policy making process, and alert policy makers to easily missed or taken-for-granted aspects of that process which deserve to be explicitly analysed. There are many links and overlaps between regulatory and cultural approaches, and I separate them here simply for ease of presentation. In the following sections, I examine the different aspects of each one in more detail, drawing on the available literature. Where appropriate, I point to examples and applications of these ideas in the Irish case.

Interest Groups and Institutions

Interest Group Explanations

How should policy–making be understood? For a long time, explanations of both the process and outcomes of policy making focused on classes or interest groups, playing down the role of the state and its institutions. Despite its size and importance, sociologists and political scientists tended to see the state as a place where conflict took place rather than as a potentially independent player in that conflict. There are optimistic and pessimistic versions of this view. Optimistically, government policy and state action are the outcome of persistent 'contestation' between a diverse body of political parties and interest groups who participate in politics (Dahl 1977, Lipset 1959). Although not everyone is equally represented, and not all interest groups are equally powerful, politics is nevertheless a healthy competition between elites who are responsive to the needs of their supporters, within the framework of party democracy. Taken further, politics may be seen as functionally integrated with society, acting as a 'system. . . for the authoritative allocation of values' (Easton 1965: 56). Pessimistically, the government and the state bureaucracy are either the instrument of the capitalist class (Miliband 1969) or a structure functioning to reproduce capitalism more or less automatically (Poulantzas 1973). But both these pluralist and Marxist accounts see the state as subordinate to other groups within society. The state provides an *arena* for policy conflict and a set of *mechanisms* for policy implementation.

A more sophisticated version of this view can be found in rational choice theory. This view recognises the need to explain the shape these mechanisms — these institutions — take. It does so by arguing that, in pursuit of policy goals, actors make a rational choice to enter into binding agreements that will serve their interests. Rational choice theorists argue that institutions are best understood as solutions to problems of collective action where people would be worse off in the absence of some agreement or sanction. By providing effective sanctions against unwanted behaviour and good information about the likely behaviour of others, institutions allow policial actors to solve problems efficiently.

Rational choice theory attends closely to the individual origins of collective problems and solutions, and describes ways that strategic actors can get from the former to the latter. It thereby captures an important aspect of the business of politics. However, it does so with the help of assumptions about individual choice and calculation which are unsatisfactory on both theoretical and empirical grounds (Mansbridge 1990, Cook and Levi 1990, Kahneman 1990). Although rational choice explanations are not incapable of explaining the emergence and persistence of inefficient institutions (see, for example, North 1982, 1990), the literature in this area tends to see institutions as relatively malleable objects which benefit all those who subscribe to them. In fact, 'institution' is almost too strong a word: 'convention' is more accurate.[1] This view has little to say about how some conventions are chosen over others. Chance may explain the side of the road we drive on, but 'contemplating plausible examples... one is more inclined to point to the distribution of power' (Hollis 1994: 137).

The Institutionalist view

Recently, a body of theoretical and empirical work has appeared that rejects these views as incomplete. This 'new institutionalism,' as it has come to be called, offers a substantially different understanding of the role of the state in social policy making. Instead of being a place where other people's problems are thrashed out, the state is seen as a potentially autonomous *actor* in these conflicts. Instead of a mechanism which simply puts policy into practice, the state bureaucracy is seen as a complex group of *institutions* with the potential to 'affect individual action and collective outcomes by conditioning both the distribution of power and the definition of interests' within society (Hall and Taylor 1994: 3). Instead of being rational solutions to common

[1] An analysis of convention (a particularly clear account is Lewis [1969]) shows how conventions will arise when all parties have a common interest in there being a rule to insure co–ordination, none has a conflicting interest, and none will deviate. Examples include the convention of driving on the left. Everyone has an interest in driving on one side of the road or the other. Which side is chosen does not matter, so long as everybody chooses the same side.

problems, policy–making institutions are seen as recalcitrant objects that benefit some players more than others. 'In this perspective,' says Theda Skocpol,

> 'states matter not simply because of the goal–oriented activities of state officials. They matter because their organizational configurations, along with their overall patterns of activity, encourage some kinds of group formation and collective political actions (but not others), and make possible the raising of certain political issues (but not others).' (Skocpol 1985: 21)

Although writers in this tradition share a commitment to understanding policy conflicts and their outcomes with reference to the active role of the state, their approach to institutions varies. I make a broad distinction between those who see institutions primarily as rules or constraints on the one hand, and those who see them as cultural products or cognitive structures on the other. The former argue that the rules of politics are themselves highly political. Rather than simply facilitating interest group or party competition, the rules of parliamentary procedure, departmental organisation or collective bargaining affect the strategies adopted by different parties, enhance or diminish their bargaining power and shape patterns of participation and exclusion. Comparative studies from this literature show how an institutional analysis can explain the differing strategies and success rates of otherwise similar interest groups. Persistent policy continuities within countries (and differences between them) also become understandable from this perspective.

Cultural approaches take a slightly different tack, probing more deeply into the long–term impact of institutions and policy making on individual and group behaviour. The day–to–day reality of abstract rules is to be found in the taken–for–granted routines and understandings of those who work within them. Institutions therefore have an important *cognitive* component. Institutions tend to live longer than the people who make them up, which means they provide a ready–made environment within which discussion over policy takes place. As such, they tend to create cognitive commitments in the minds of policy makers (Starr 1987). Institutions carry the criteria which people use to assess a policy's success, or the procedures for assessing alternatives to it, or the methods for implementing decisions that flow from it. Any of these may become so taken–for–granted that they appear to be the only rational way of doing things. This in turn affects the range of alternatives that may be presented as 'realistic' possibilities. Institutions provide an array of practices, categories, models and scripts which tend to be accepted as logically necessary, rational and natural, rather than historically contingent, symbolically legitimated and socially constructed (Meyer and Rowan 1977).

Institutions as Rules and Constraints

Let us first examine the regulatory view. In recent years, a series of political scandals and legislative episodes have made 'levelling the playing field' a rather hackneyed expression in Irish political life. The cliché contains a (proverbial) grain of truth, however. Ideally, in any competition both the arena and the rules should be neutral with respect to the outcome of the game. If we take this competitive metaphor seriously, then our institutions should serve to facilitate policy making without doing anything to influence its outcome.

Political institutions do not generally attain this sort of neutrality, and it is not hard to see why. Peter Hall defines institutions as 'the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various parts of the polity and economy... they have a more formal status than cultural norms but one that does not necessarily derive from legal, as opposed to conventional standing' (Hall 1986: 19). On this definition, the institutional context includes 'the rules of electoral competition, the structure of party systems, the relations amongst the various branches of government, and the structure and organization of economic actors like trade unions' (Thelen and Steinmo 1992: 2). There are then three broad ways in which institutions tend to influence political outcomes: they affect the *strategies* adopted by players, they distribute *bargaining power* in unequal ways and they rule in advance on the criteria for *participation* in the policy–making process.

Strategies

We can assume for the moment that actors — political parties, interest groups, and so on — know what their goals are. (I return to this assumption below.) Trade unions seek wage increases for their members; employer associations want strike–free workplaces; political parties want special treatment for their supporters, and so on. The way these groups go about securing these goals will be affected by the institutional structure that they operate within.

In the simplest cases, differences in institutional design will merely shift the location of conflicts that would have happened anyway, without altering their substance or outcome. However, more interesting are those cases where the character, outcome and long–term influence of particular conflicts will vary along with their institutional expressions. For example, Linz (1994) offers a subtle analysis of the comparative strengths and weaknesses of presidential and parliamentary systems. He argues that the different systems strongly influence the character of many aspects of political life, including the tendency to political polarisation (higher in presidential systems) and the stability of cabinets (higher in parliamentary systems). Similarly, Hattam (1993) has shown how the constitutionally guaranteed power of the Supreme Court in the United States forced the American labour movement to move away from attempts to pass general labour laws and towards a more sectional strategy built around pressuring specific firms or industries. Realising the institutional problem, one union leader declared in 1894:

> 'You cannot pass a general eight hour day without changing the constitution of the United States and the constitution of every state in the Union... I am opposed to wasting our time declaring for legislation being enacted for a time, possibly, after we are dead' (Adolph Strasser, quoted in Mann 1993: 656)

In this case, the general conflict between capital and labour was significantly deflected by the power of the Supreme Court to overturn Congressional legislation. In the long run, the institutional push toward sectionalism provided by the courts impaired the ability of unions to organise collectively, form peak associations or negotiate with governments, as they more commonly do in Europe.

Bargaining power

The strategy adopted by an organisation is tightly bound up with its relative bargaining power. This power is partly a function of the organisation's size and resources. However, similarly well–organised and resourceful pressure groups often have widely varying impacts on policy. Straightforward interest group theories are unable to explain why this happens. Immergut (1992a, 1992b) examines the efforts of doctors to influence legislation on health insurance in Sweden, France and Switzerland. She shows how the substance of the deals made by various groups in the different countries depended on the existence of 'veto points' in the policy process. At different points within the executive, legislative and electoral arenas, physicians were able to intervene to affect the course of legislation. Immergut argues that '[v]etoes can be predicted from the partisan composition of these different arenas and from the rules transferring decision–making from one arena to the next' (Immergut 1992b: 67). In Sweden, for example, 'the political executive could count on decisions being routinely confirmed by the parliament' (*ibid*). In this context, doctors found themselves at a disadvantage to employers and trade unions. In Switzerland, by contrast, the possibility existed of calling a referendum on controversial legislation. This gave interest groups room to move in the electoral arena, and doctors 'found that they could use the referendum threat to gain concessions from policy makers' (*ibid*: 68).

If the institutional landscape offers different leverage points where interest groups can act upon the state, the reverse is also true. Equivalent to an interest group's bargaining power is the state's *capacity* to intervene in different economic and social relations. Weir and Skocpol (1985) analyse the responses of Sweden, Britain and the United States to the Great

Depression. They show how broadly similar groups — for example, left–wing governments in Sweden and Britain — developed different strategies because of the different state organisations they inherited. In Britain, the institutionalised power of the Treasury consistently foiled the Labour Government's attempts to institute new policy.

Hall (1986) shows this for more recent policy episodes. His argument is that different relationships between state, capital and labour influence policy choices in different countries, and account for the state's ability to implement some strategies rather than others. In Germany, the constitutionally–guaranteed power of the Bundesbank to control monetary policy makes it a powerful force in the German (and latterly the European) economy. Periodic bursts of annoyance in Ireland and elsewhere at the behaviour of Bundesbank officials, 'mere civil servants' in the eyes of many observers, therefore have an institutional origin. German banks also have the right to hold equity in other firms, vote shares deposited with them and lend voting rights to other banks, powers which give them a direct and significant say in industrial policy (Hall 1986: 234–242).

Hall and others have generalised this argument about central bank independence. Central banks are generally highly inflation–averse. If they happen to be institutionally autonomous as well they can implement their views by keeping the money supply tight (Cuikerman 1992, Franzese 1994). This has the effect of transferring control of an important part of economic policy out of the hands of elected representatives. Thus the range and capacity of the state is variable. An independent central bank may effectively work against the institution of which it is technically a part. Just as interest groups may be unable to intervene at the right points, states may find themselves unable to implement new policies for want of the proper institutional machinery, be it legal or administrative (Skocpol and Finegold 1982).

Participation and exclusion

'Were it necessary to draft a health insurance bill today, I would never come up with the insane idea of proposing our current system' says a Swiss politician in Immergut's (1992a) study. This sort of frustration is very common: much the same comment might be made about the Irish tax or social welfare systems. The name for this phenomenon is *path dependence*. Later events in the sequence of institutional development depend on earlier ones. Stephen Krasner puts the point nicely:

> 'once an historical choice is made it both precludes and facilitates alternative future choices. Political change follows a branching model. Once a particular fork is chosen, it is very difficult to get back on a rejected path... Thus, even if there is widespread societal dissatisfaction with a particular set of institutions... the variable costs of maintaining the existing institutions may be less than the total costs of creating and maintaining new ones.' (Krasner 1984: 225; 235)

Institutions escape the intentions of their designers, persist over time and are used and adapted in *ad hoc* ways that may work against any tendency towards efficiency in the long run. It is usually impossible to rework arrangements from the ground up. Groups locked out of a process early on will probably find it very difficult to get involved later. Instead, actors are forced to use whatever is available in circumstances that might be very unsatisfactory.

The path–dependent nature of institutions means that they can decisively shape the conditions for political conflict and negotiation. A group's strategic options can be narrowed to nothing, or its bargaining power reduced to zero. Thelen and Steinmo (1992: 9) note that 'reconfiguring institutions can save political actors the trouble of fighting the same battle again and again.' Political actors are generally well–aware of this: it is the reason why gerrymandering is so attractive and conflicts over constituency boundaries so hard–fought. But more is involved here than just the power to disenfranchise voters, or the outright denial of representation at a negotiating table. Manipulating the electoral system is a particularly obvious way to secure control over government, but the administrative apparatus of the state allows other institutional victories to be won in less obvious (though no less important) areas.

Policy making institutions necessarily incorporate assumptions about who properly represents whom, who deserves to be represented and on what terms. Although these institutions come about in haphazard or even accidental ways, once in place they tend to assume a solidity and inevitability of their own. Morrissey's (1986) account of the emergence of a tripartite system of wage bargaining in Ireland during the 1960s shows that a number of alternatives were possible, given the attitudes and organisation of the State, the ICTU and the FUE. These actors were often unsure of what the right framework would look like, or even whether collective bargaining was a good idea at all. But despite this initial uncertainty, once in place these institutions affected both the motivation and the ability of policy makers to question whether the needs of different groups — women, the poor or the unemployed, for example — were being adequately dealt with.

Institutions as Culture and Cognition

Most writers in the regulatory tradition treat interest groups as stable entities with well–defined (though often frustrated) goals. Faced with an institutional obstacle course, they do the best they can to implement their goals and pursue their interests. However, the fact that practices and assumptions become entrenched over time means that the relationship between individuals and institutions must be more complicated than this. The relatively permanent, naturalised setting provided by institutions affects how individuals think and make decisions (Douglas 1986). Just as we to not choose our native language, we take the institutional environment as we find it, an apparently natural medium for policy making and interest representation. This has implications for our understanding of interest groups and their preferences and goals:

> 'Once one opens the door. . . to historicity, power, and cross–cultural variation in the interpretation of information, it is a fairly small step from the regulatory view of institutions. . . to

the constitutive one' (DiMaggio 1994: 38).

Our own institutions of government and administration present themselves to us as rational entities, designed by individuals for the satisfaction of collective goals. Getting past this self–image can be difficult. The symbolic and ritual aspects of other societies are often obvious, but we are unaccustomed to thinking of ourselves in these terms.[2] DiMaggio (1994: 33) notes that 'the more that Westerners view a country's citizens are "different" from themselves, the more likely they are to deploy "culture" to explain their behavior'. In the following sections, I discuss three aspects of cultural approaches to policy making: the study of *cognitive commitments*, the *construction of preferences*, and the role of ritual and symbols in *the legitimation of practices and decisions.*

Cognitive commitments

Recent work in the sociology of culture has concentrated on the cognitive processes and practical actions of individuals and groups.[3] This is in contrast to the tendency to see culture as a set of norms or values, passively acquired through socialisation, which constrain actors in various ways. Rather than constraining otherwise rational actors, aspects of culture form the basis for judgement and analysis. This throws the nature and influence of institutions into a new light. We have already seen how institutions are resistant to change. This persistence may be explained by reference to the physical sunk costs of investment, administration or technology. However,

> 'these are not the only, or the most important, factors. Institutionalized arrangements are reproduced because individuals

[2]This is particularly true for those institutions that explicitly deny that they have any cultural aspects: formal organisations, legal institutions, science and so on. This division into instrumental and non–instrumental action and institutions has long been replicated in sociological research. For a critique see Dobbin (1994).

[3]'Although *cognition* sometimes refers to the full range of mental activity, we follow current usage in distinguishing between cognition, on the one hand, and affective or evaluative processes on the other. By *cognition* we refer to both reasoning and the pre–conscious grounds of reasoning: classifications, representation, scripts, schemas, production systems, and the like.' (DiMaggio and Powell 1991: 35. Emphasis in original.)

> often cannot even conceive of appropriate alternatives (or because the regard as unrealistic the alternatives they can imagine). Institutions do not just constrain options: they establish the very criteria by which people discover their preferences. In other words, some of the most important sunk costs are cognitive.' (DiMaggio and Powell 1991: 11)

Empirical work in this tradition helps bring down to earth what might otherwise sound like rather abstract claims about the effect of institutions and systems of categorisation. For example, the essays collected in Alonso and Starr (1987) examine the development of the authoritative economic categories created by American statisticians. Perlman (1987) discusses the construction of national accounting systems in the post–war United States. He argues that the dominance of Keynesian ideas significantly influenced the way the system was put together. In particular, all government expenditure was treated as consumption and none as investment. Although the accounts were presented as an objective picture of the economy, classificatory decisions depended on *a priori* economic theory more than anything else. For this reason Simon Kuznets (one of the originators of national accounting methods) argued that instead of reporting one figure for gross national product the U.S. government should report a group of measures based on varying definitions. Kuznets emphasised that raw economic data required 'considerable adjustment and purification' before it could be made relevant to economic concepts and therefore meaningful (quoted in Starr 1987: 43). But this process inevitably involved philosophical and theoretical choices which were themselves not dictated by the data. Thus, he complained,

> '[The 1947 estimate of U.S. national income] recognizes families living in their houses as transactor groups, although it excludes illegal firms which are more obviously a group of transactors; it classifies retention of product by farmers as a transaction, but does not classify tax collection by government as a transaction representing charges for services rendered. One may agree with these decisions or not; there is no sign that the system of accounts

affected them in any way.' (Quoted in Perlman 1987: 148)

The point here, as Starr argues (1987: 53ff), is that the arbitrariness of these decisions is quickly forgotten. They become the natural and legitimate categories for the analysis and evaluation of policy, creating cognitive commitments in the minds of individuals who use them. Commenting on a similar set of accounting decisions over the measurement of unemployment, Starr says 'We have, in effect, bound ourselves collectively to think of the social phenomenon of unemployment — its magnitude, trends, distribution — in the way that statistical agencies and commissions have settled upon.'

Once institutionalised, systems of classification can feed back into the policy process in subtle ways. Drawing on the work of Gordon (1981), Starr describes how the automatic use of cost of living adjustments (COLAs) based on the consumer price index (CPI) began to be used in labour contracts in the 1950s and 1960s and then later in the calculation of social security payments. Over time, this practice of index–linking incomes to the CPI became automatic. It made wage negotiation easier. However, by the 1970s the CPI was significantly overstating inflation because it inadequately measured housing costs. Thus, the real value of any benefits arising from COLAs jumped substantially. The result was that people whose incomes were in some way linked to the CPI did much better than those who were not, thanks to the automatic process of adjustment built into the system. Starr estimates that the incomes of about half the population of the United States are directly affected by the CPI. During the late 1970s, the incomes of that half grew at the expense of the unprotected half.

Clearly, classification systems matter. It is a mistake to imagine either that they are by nature objective or that they merely describe the way the world is. Once established, classification schemes highlight some things and ignore or miss others. When put into practice, these schemes can independently affect the reality they describe. 'In this case, comments Starr, 'even though it was widely known that the CPI misrepresented the inflation rate, real political consequences were felt because of the index's behavior. Not only did it redistribute income; it helped to raise inflation and panic the

Carter administration into its ill–fated credit controls' (Starr 1987: 56).

Preferences and goals

We are now in a position to examine the origin of preferences and goals, or at least one important aspect of it. It should be clear by now that interest groups are not simply 'out there' waiting to be recognised or discovered. Classification by the state or other organisations can certainly hide or eliminate groups in society, but it may also create entirely new ones. Racial classifications provide a good example. Starr (1992) describes the disappearance of mulattoes as a social category in the United States. Recognised legally and socially as a distinctive group in the early part of the 19th century, they became more subject to political attacks with the approach of the Civil War. By the end of the nineteenth century, dominant whites had ceased to make a distinction between lighter and darker skinned black people. So had the individuals themselves, as they came to see themselves as black. Although nothing about the pigmentation of particular indiviudals changed, the reordering of their classification was tied up with a reorganisation of their social and political interests. The process worked in both directions: Ignatiev (1995) describes 'how the Irish became white' in the U.S. at around the same time as mulattoes were becoming black.

Examples such as this make it clear that socially contructed categories may have enormous impacts on the outlook, interests and life–chances of particular individuals. It is not difficult to think of other institutional classifications that have exercised a similar force. The condition of illegitimacy, for instance, is no longer recognised in Irish law. At its height, however, people falling into this category found that their social and economic opportunities and interests were significantly influenced by it. Prior to the divorce referendum, the same was true for those classed as legally separated. None of these categories are in any way natural, and none of them arise from pre–constituted interest groups. Rather, the reverse is true: institutions create categories of people who then go about defining their interests (such as demanding the right to divorce).

As mentioned already, these phenomena are easier to grasp when we look at others or at our past selves. There is a strong temptation to believe that *now* we have happened upon the ideal, rational scheme. But the evidence does not bear this out. All sorts of institutional categories have come and gone, despite their apparently enduring — even sacred — quality at any given moment. Historians often catch the strangeness of dead categories, though they tend not to push their the implications of this through to the present. For example, Lee (1989: 341–365; 540–643) gives a perceptive account of policy making in Ireland since the foundation of the state. He is sensitive to the hold that particular measures of progress had over the minds of civil servants. He sardonically dissects the policy contributions of those civil servants in the grip of 'the Finance view' of the world. The catalogue of abuse he presents from one such Department of Finance report makes sorry reading, especially given that the authors assumed they were engaged in 'judicial and scientific' analysis (*ibid*: 564–5).[4] Lee argues that the *Programme for Economic Expansion* was the first policy document to break out of the 'strait jacket of the balance of payments,' which had hitherto acted as a yardstick for the health of the Irish economy (*ibid*: 346). Framing his discussion in terms of 'the quality of the official mind' Lee very accurately describes the depth of cognitive and emotional commitment to particular policy formulae found within the Department of Finance in the 1940s:

> 'it would be quite unhistorical to call Finance officials, with James Dillon in 1950, "the 'con men' par excellence of recent times". Precisely because Finance was a seething cauldron of emotion, Finance men were *not* conscious fakirs. They passionately believed in their mission to save Ireland from profligacy. . . The Finance mind was a repository of revealed truth. One is constantly struck by the failure of Finance memoranda to appeal to either systematic historical or systematic comparative reasoning. . . Here were no "scientific" physicians and surgeons.

[4]The report Lee cites criticises its opponents for 'irrational instability of judgement', 'Windy polemics', 'A compact of fallacies' and 'The public overthrow of the seventh commandment.'

> Here were crusaders for truth, valiantly defending the ramparts of rectitude against the assaults of the unholy and the unclean.' (Lee 1989: 572)

Lee's analysis of Irish institutions jibes nicely with the Durkheimian sociological tradition (Durkheim 1995; Douglas 1986), although of course he does not draw on it explicitly. He recognises the sacred quality that particular ideas and institutions may have, and grasps the violence with which they are often defended. However, Lee places this discussion of the 'official mind' under the general heading of 'Intelligence'. This is a little unfair. There is no reason to believe that the civil servants of two generations ago were any less intelligent than the ones we have today. Their writings may seem misguided and their vocabulary outdated, but this has less to do with their native intelligence than with the categories they were thinking through. We no longer find those categories convincing, or even worthy of serious consideration. But it would be complacent to assume that whereas *they* were simply misguided, *we* face reality head on. In the next section, I discuss a branch of neo–institutionalist research that takes the scepticism we feel towards foreign or outdated institutions and applies it to our own worldview.

Ritual, legitimation and myth

When describing national plans and programmes, historians and political scientists will often say something like the following:

> 'The modifications [to the *Programme for Economic Development*] presumably partly reflect its own psychological impact, which succeeded in substituting hope for despair, at least among the policy–makers themselves' (Lee 1989: 346)
> 'As an economic plan, the First Programme was fairly skeletal, its importance being primarily psychological, as "the absence of such a programme tends to deepen the all too prevalent mood of despondency about the country's future"' (Morrissey 1986: 82; quotation from *Economic Development*)

A cultural approach suggests that this 'psychological' impact is in fact an aspect of the institutional production of legitimacy. Policy documents are simultaneously instrumental and symbolic. Regardless of its content, simply *having* a plan goes a long way toward securing elusive but vital 'confidence' or 'good faith'. Legitimacy emerges from the myths and rituals that the state builds around its activities. Calling these activities 'cultural' does not imply that they are without substance or carry no real effects. This charge is itself a product of the false distinction between the strictly cultural and the strictly instrumental. Planning documents and policy instruments distribute resources and so obvously have real effects on people. However, they also serve to symbolically mark the legitimacy of the state's behaviour.

The relevance of the constitutive approach to institutions is that is gives us the tools we need to analyse our present–day policymaking institutions as though they were foreign to us. The modern foundation of this approach is found in the work of Berger and Luckmann (1966) and has been systematically worked out by John Meyer and his associates. On this view, what needs to be investigated is the 'process by which a given set of units and a pattern of activities come to be normatively and cognitively held in place, and practically taken for granted as lawful' (Meyer et al. 1987: 13).

Again, this very general formulation can be grasped through a number of empirical studies. Evidence can be found in cross–national and over–time analyses of policy adoption. By examining the industrial policy–making histories of France, Britain and the United States, Dobbin (1993, 1994) shows that variation in national conceptions of economic rationality led to different constructions of economic problems and different solutions. Each country had a particular view of industrial policy which was falsified by the great depression of the 1930s. In response, countries simply reversed their policies in an attempt to reverse the downturn. In each country, groups from across the political spectrum accepted the traditional 'policy paradigm' (Hall 1992) before the depression and then came to support a new (and opposite) policy during it. In the end, traditional industrial policy was exonerated from any blame for the depression, but

> ‘the fact that each nation came to believe in the virtue of whatever policy happened to be in effect when recovery began supports [the] argument that haphazard economic vacillations play an important role in determining which policy strategies become constructed as economically efficacious. This also tends to undermine the realist/utilitarian view, which suggests that policy improves over time as rational policymakers learn more about universal economic laws from experience, because wildly inconsistent policies won favor in different contexts.’ (Dobbin 1993: 47)

It is important to note the difference between Dobbin’s argument and those such as Weir and Skocpol’s (1985) cited above. The latter see institutional obstacles frustrating the efforts of policy makers. Dobbin makes the deeper claim that different countries had different causal models about what policies were effective. Thus, ‘shared cultural meaning, as it is institutionalised in public policies and state structures, influences the pragmatic solutions groups envision to such instrumental problems as economic growth’ (Dobbin 1993: 49). Policy–makers interpreted economic events in terms of these models.

DiMaggio and Powell (1983) argue that individual organisations will grab culturally validated practices from their environment in order to enhance their legitimacy in the eyes of their peers, competitors or the state. They call this process ‘institutional isomorphism’. Organisations either voluntarily adopt these practices or jump on bandwagons, copying apparently successful practices in order to be seen as successful themselves. The state may also impose on organisations: those who fail to adopt the innovation risk losing their legitimacy. For example, the state might decide that it will only entertain policy proposals if they are submitted in a particular format.[5] This forces interest groups to outline their arguments under headings preferred by the state. Policy gets discussed in these terms, with everyone being forced to accept the preferred terms as a condition of continued

[5] This happened with submissions to the *Partnership 2000* negotiations.

participation.

This institutional copycat effect has been well documented. Tolbert and Zucker (1983) studied the spread of municipal civil–service reforms carried out in the United States between 1880 and 1935. These reforms were designed to rationalise government employment. The authors found that local authorities which had functional needs for improved authority were the first to adopt the reforms. However, once these reforms were generally believed to be modern and rational all kinds of municipalities adopted the reforms, even though they had no real need for them. By adopting the package, a municipality signalled to the wider world that it deserved to be taken seriously as a modern, well–administered organisation.

A similar branch of research in this area traces the diffusion of affirmative action policies and grievance procedures across U.S. companies since the 1960s (Edelman 1990, Sutton *et al* 1994). These studies have found that such policies became socially constructed as being necessary to firms, to the point where it was unacceptable for a large, modern company not to have one.

The production of consensus happens between states as well as within them. Political economists recognise the existence of a 'Washington consensus' on policy reform for developing countries. This is a list of fiscal and monetary policies that, essentially, amounts to a recipie that states are required to follow before they are taken seriously by the United States, the World Bank or the IMF (Williamson 1994). One of its proponents regards it 'as embodying the common core of wisdom embraced by all serious economists' (*ibid*: 18). Commenting on this, Toye (1994: 39ff) argues that the consensus functions as an 'Empowering Myth', and notes that 'there seems to be some conflation here of what economists believe with what is economic truth.'

Conclusion

Concluding his analysis of the energetic state–building efforts of Irish politicians between 1919 and 1923, Tom Garvin comments that political systems are

> ‘devices, or constitutional machines, designed by human beings for human beings to live in; they are also normally designed to suit some human beings more than others... They are artificial, not natural, entities and are well or badly designed.’ (Garvin 1995: 196)

Garvin is right to stress that political and legal institutions are made and not born, and that they can be made to serve some interests rather than others. In this chapter I reviewed two strands of sociological literature that pursue this insight. The regulatory approach discussed in the first part of the chapter describes the ways in which institutions influence the outcomes of policy conflicts. Both the internal organisation of the state and the structure of its relationship to other parts of society can be shown to decisively influence the strategies and bargaining power of policy makers, and the capacity of the state to intervene in conflicts. It follows that in any policy debate, special attention should be paid to the institutional arena which it is being fought within. This involves asking questions like: What special advantages does this arena confer on the different players? Who does it rule out from participation? To what degree are the strategies of any of the players related to the institution in question? What are the historical origins of present–day frameworks?

The cultural approach described in the second half of the chapter is more thoroughgoing in its commitment to the idea that institutions are ‘artificial, not natural, entities’. Writers in this field reject the claim ‘that modern institutions are transparently purposive and that we are in the midst of an evolutionary progression toward more efficient forms’ (Dobbin 1994: 138). Rather than taking the claims of modern institutions at face value, empirical applications of the new institutionalism have emphasised their socially constructed and historically contingent qualities. This leads us to ask deeper questions about the direction of policy and the assumptions which guide it. The history of policy making often reveals that conflicts which seemed important at the time in fact took place within a framework of shared assumptions about the state, economy and society. When these assumptions are no longer plausible, the details of the disagreement become irrelevant to us. We see both sides relying on now defunct concepts. If we see it in the past, we should also be look for it in the present: What does everyone agree on, despite their political differences, and why do they agree on it? What are the social origins of agreement on apparently universal, rational and objective criteria for 'high and sustainable economic and employment growth' or 'the constraints of international competitiveness' (*Partnership* document: 5)? Why have our yardsticks for progress,development and policy success turned out the way they have?

Forty years ago, the *Programme for Economic Expansion* made a broad distinction between 'social' and 'productive' expenditure and argued that the state should concentrate on the latter. I doubt if any such distinction would be viable today as a basis for policy–making. The body of theoretical and empirical work discussed in this chapter can help explain why that is so. While not answering all our questions about the policy process, it does raise a number of penetrating, easily missed issues that challenge makers and analysts of policy to systematically question the self–presentation of modern institutions as neutral, functional, rational and progressively evolving.

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