



Title	New Institutional School and a Deliberative Alternative : How Do Institutions Maintain and Break Structured Inequalities?
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Citation	国際公共政策研究. 2012, 17(1), p. 123-132
Version Type	VoR
URL	https://hdl.handle.net/11094/25991
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New Institutional School and a Deliberative Alternative : How Do Institutions Maintain and Break Structured Inequalities?

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Abstract

In the field of political science, new institutionalism has been widely recognized as a key theoretical insight for explaining preference formation, actors' strategic action, and political outcomes. The institutionalist approach has often been divided into sub-disciplines such as rational-choice institutionalism, historical institutionalism, and sociological institutionalism. This paper presents how these three approaches differ and what each school of thought implies for the maintenance or disruption of the social status quo, such as structured social disparities.

Keywords : rational choice theory, historical institutionalism, sociological institutionalism, deliberative perspective, structured inequality

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Introduction

What do rational-choice, historical-sociological, and deliberative institutionalist approaches imply for “structured inequality,” by which I mean the historically and socially constructed patterns of differences in life-chances? This paper contributes to the argument about social inequalities from the perspectives of new institutionalism and deliberation. The first and second sections describe rational-choice and historical-sociological institutionalisms and explore the implications of each institutionalist school in regards to their impact on social inequalities. The third section introduces a deliberative account of politics by providing an empirical example of the deliberative model for institutions (“the Deliberative Polling”). This paper argues, that although historical-sociological institutionalism, which does not assume that preferences are fixed or already given, has advantages over rational-choice institutionalism when it comes to the rectification of inequalities, historical-sociological models fail to provide political actors with opportunities to autonomously modify or change any existing unequal status quo, and the static and deterministic nature of former institutionalisms can be complemented by deliberative exchanges of preferences among agents.

1. Rational-Choice Institutionalism and Inequality

Broadly stated, new institutionalism is divided into two distinctive schools: rational-choice institutionalism and historical-sociological institutionalism. These two approaches basically agree that institutions are, in the broad sense, the rules of the game that structure human behavior and interaction (North 1990). However, they disagree on how institutions are (i) created, (ii) utilized, and (iii) ultimately restructured. In this section, I first provide a brief sketch of rational-choice institutionalist approach and then demonstrate how this school carries implications for inequalities.

1.1. Rational-choice perspective

Rational-choice institutionalism is the term for the belief that institutions are created by rational and self-interested individuals who behave instrumentally to maximize their political preferences that are assumed fixed and constrained by institutional structures (i.e., macro-structural variables). Institutional structures are set up or recreated in a way that individuals can pursue their personal preferences with a complete knowledge of the details of a given situation. Douglass North (1990) noted that transactions between individuals, including political and economic exchanges, are costly, and that such *transaction costs* arise from acquiring information (i.e., measuring the attributes of goods and services) and from enforcing exchanges and policing contracts. He argued that institutions are the constraints that structure human behavior, by which uncertainty is reduced and human interactions are facilitated. Accordingly, institutions are selected by *ex ante* bargaining and

negotiations under uncertainties and contingencies about the state of the world (e.g., preferences of others) and are maintained over a period of time by reaching a *structure-induced equilibrium*, at which no player wishes to change the institutional arrangement (Shepsle 1989).

Once institutions are in place, all political actors utilize the institutional framework to strategically pursue their idiosyncratic goals and values under certain rules or within a matrix of sanctions and incentives (Elster 1989). Politics is a “struggle for power,” and political outcomes are produced by a series of collective action dilemmas and strategic interactions (Hall and Taylor 1996). Rational-choice institutionalists posit that rational actors behave within particular institutional settings (i.e., the rules) and desire to attain their objectives according to their own political preferences. In this sense, they assume that preferences of political actors exist prior to institutions. Based on such deductive and universalistic assumptions, rational-choice institutionalism believes that we can understand and predict possible political outcomes by analyzing the “law of human action.” The main focus of rational-choice theories is always individual actors themselves, and institutions play only a complementary role in the process of utility maximization. In this respect, rational-choice approaches are highly functionalist and tend to explain an institution in terms of its effectiveness. This is why they argue that the absence of functional institutions leads to collective action problems such as the Prisoner’s Dilemma and the Tragedy of the Commons (Ostrom 1990, 1998).

For rational-choice institutionalists, institutional change occurs as a consequence of preference strategies that powerful actors employ to attain their goals in a more efficient and beneficial way. Institutions change when it is efficient for strategic actors to modify the rules and make new cost-benefit calculations. Since transaction costs (i.e., the costs of measuring the quality of goods and the costs of enforcing contracts through legal, judicial, and ethical means) make institutions less efficient and effective (North 1981), and, thus, less functional institutions are restructured to reduce transaction costs and uncertainty. This implies that, once stabilized, it is very difficult to change the institution because changing the rules produces unpredictable uncertainty about its outcome.

1.2. Implications for inequalities

Rational-choice approaches have notable advantages. Firstly, since the political process is entirely reduced to a strategic political competition between self-interested individuals who pursue utility maximization, in principle, political actors can easily make definite decisions easily by calculating what would maximize the total utility of all agents through a decision-making process, even if there is a reasonable disagreement among agents (Gutmann and Thompson 2004). Secondly, in rational-choice institutionalism that assumes that preferences are fixed and already determined, political actors can ensure that political decisions and outcomes *directly* reflect the sum of their personal preferences or the “the greatest happiness of the largest number,” without any procedural “interferences,” such as democratic deliberation and moral judgment (Gutmann and

Thompson 2004).

Nevertheless, the rational-choice model is seriously flawed when it comes to the adjustment of social inequalities. First, strategic power games among self-interested individuals may exclude all political actors except the powerful few, resulting in the reproduction of the existing power structures in the society. This is because political minorities cannot but obey the aggregation of fixed preferences of powerful players. Since political outcomes are produced from a mere calculation of individual desires or a simple aggregation of subjective wills, there is little room for marginalized groups to challenge or change the unequal status quo. For example, suppose there is a society in which there are 100 political actors, 80 of whom prefer “Utility A” to “Utility B” ($U_A > U_B$) and 20 prefer “Utility B” to “Utility A” ($U_B > U_A$) and that for 80 people (the majority), choosing U_B undermines their first preference, U_A . In this society, every individual pursues the maximization of his own personal interest and there is no opportunity or incentive for each to change his preference structure (i.e., preference order) or to behave altruistically or reciprocally. Since political outcomes of this society are determined by an aggregation of fixed 100 preferences, U_A , which is supported by the majority, is always regarded as “the will of the people,” and U_B is destined for perpetual marginalization.

Second, rational-choice institutionalists implicitly exclude the possibility that human beings cease to be egoists or utility maximizers. For example, Amartya Sen (1990) criticizes the behavioral basis of rational-choice theories, the zero-sum nature of games (i.e., a Pareto optimum), egoistic utilitarianism, and narrowly conceptualized personal preferences. Sen introduces two concepts: (1) *sympathy*—“the [egoistic] concern for others directly affects one’s own welfare” (Sen 1990: 31) and (2) *commitment*—the altruistic motivations for having others better off, even if it is a counter-preferential choice. He argued that, for the economic model that focuses on an individual’s rational behavior, *sympathy* could be considered a mere “externality.” However, *commitment* directly challenges the economic theory’s essential assumption that people always exert efforts to maximize their own interests. By the concept of *commitment*, he claimed that we can infuse moral and ethical aspirations into the traditional economic conception of rationality.

Considering these, the rational-choice model is highly static and deterministic in nature (Green and Shapiro 1996) and does not have an inherent mechanism to incentivize inequality reduction.

2. Historical-Sociological Institutionalism and Inequality

2.1. Historical-sociological perspective

Unlike rational-choice institutionalists, who argue that institutions are an intervening variable that affects the actions and choices of rational individuals, historical-sociological institutionalists perceive the relationship between institutions and human behavior more broadly and consider that contexts shape agent actions. Essentially, the rules and preference structures of political actors are influenced by historical and social

contexts within which institutions are structured and restructured. For historical institutionalists, institutions—formal rules, structures, codes, and organizational norms—shape the actions and choices of actors whose rationality is limited or “bounded” within a certain context. On the other hand, for sociological institutionalists, institutions and individuals are dependent variables defined by larger environmental factors, such as culture, moral templates, cognitive scripts, symbol systems, conventions, and customs (Hall and Taylor 1996; Koelble 1995).

These context-oriented schools consider that human behavior is situated in certain historical or social conjunctures. For instance, historical institutionalists argue that institutions are not the only factor that causes political outcomes, emphasizing contextual elements such as the asymmetrical distribution of power across social groups, historical trajectories along which historical development takes place and path-dependency and unpredictability of political outcomes (Hall and Taylor 1996; Koelble 1995; Steinmo et al. 1992). Sociological institutionalists, on the other hand, posit that social ties and networks construct political actions. Mark Granovetter (1985), for example, argues that human behavior is *embedded* in the structure and networks of interpersonal social relationships. Granovetter criticizes “undersocialized” economic theories that overemphasize the maximization of individuals’ self-interested preferences, pointing out that economic approaches are implicitly based upon the atomization of the individual and, thus, tend to ignore social relationships in which political actors decide their actions and attitudes. In sociological institutionalism, rationality and preferences are subject to the “logic of social appropriateness” that informs actors whether their actions and attitudes are socially acceptable, thereby determining the possible range of human behavior (Campbell 2004; March and Olsen 1989, 1998; Powell and DiMaggio 1991).

From historical-sociological perspectives, institutional change comes from exogenous factors rather than from an inherent function of individual preferences and strategies. Unlike rational-choice institutionalists who believe that an individual’s pursuit of personal preferences produces radical and incremental changes in institutions (Cammack 1992), historical institutionalists believe that institutional change stems from an agent’s logical and strategic choices in a path-dependent environment (Hay and Wincott 1998; Peters et al. 2005). In essence, they believe that, from a “critical juncture” or a “bifurcation point,” meaning a period of significant change that shifts the trajectories of policy development at any given point of time, produces pressure for policy changes (Collier and Collier 1991; Pierson 2000). Similarly, sociological institutionalists argue that institutions can persist over a period of time even if existing institutional arrangements are dysfunctional, inefficient, or hinder utilitarian reasoning (Cammack 1992). Sociological institutionalism argues that institutions develop or change according to what is socially legitimate or appropriate to the political actors within a certain socially constructed institutional setting (Hall and Taylor 1996; March and Olsen 1989, 1998; Powell and DiMaggio 1991). Thus, for sociological institutionalists, institutional shift comes from a change in informal rules, such as norms, ideas, roles, scripts, and culture, which are embedded

in a context of the long-standing social environment.

2.2. Implications for inequalities

Based on these points, the question arises on what are the implications of historical-sociological institutionalism on social inequalities. First, it must be noted that these approaches are substantially distinguished from rational-choice models in that historical-sociological institutionalists posit that political actors' interests, goals, and choices are not given *a priori*, but are rather historically contingent or socially constructed. The crucial difference lies in the understanding of political actors' preference formation. According to rational-choice institutionalists, preferences are fixed and exogenous to institutions, while historical-sociological institutionalists posit that preferences are structured *by* institutions. In historical-sociological institutionalism, institutions are not mere reflections of fixed preferences of powerful actors, but rather a set of structured rules, such as norms, conventions, routines, beliefs, and values. In this regard, historical-sociological institutionalism provides a wider and thicker definition of institutions and a more flexible and dynamic account of politics than rational-choice models. In this sense, the unequal status quo in a society can be modified by changes in the preference structures of political actors or external changes in rules and informal institutions. For example, we might be able to expect positive changes in external factors, such as increased awareness of social inequalities, attitudinal shifts about existing disadvantages in a society, prevalence of altruistic values and behaviors, or an experience of historical change transforming the state itself into a "welfare-state." The historical-sociological understanding of institutions makes it possible to incorporate contextual flexibility—historical developments or social structural changes—which can become the basis for restructuring the rationality and preferences of political agents and, in turn, break the status quo.

Yet, these context-oriented institutionalist approaches are still somewhat static in the sense that they posit that human behavior and political outcomes are, in principle, path-dependent or socially determined. These models have difficulty explaining what brings the turning point that initiates changes within historical and social contexts and to what extent historical trajectories and social norms are stationary and persistent over time. Historical-sociological institutionalists posit that changes are ultimately contextual and dependent upon external factors and trends; however, this macro-institutional framework cannot explain why and how these external changes occur.

More crucially, macro-historical processes and social structures or networks themselves can become primary sources of inequalities. For example, Charles Tilly (1998) argues that durable inequalities among people (e.g., black/white, male/female, and citizen/foreigner) are caused and maintained by two mechanisms: *exploitation* and *opportunity hoarding*. *Exploitation* occurs when powerful, connected people dominate resources to gain benefits and exclude others from using resources. *Opportunity hoarding* is a mechanism in which members of a categorically bounded network restrict others' access to resources valuable to their own group. The influence

of these two mechanisms is further strengthened by *emulation* (i.e., the copying of existing social relations from one setting to another) and *adaptation* (i.e., the formation of daily practices—such as mutual aid, political influences, and information gathering—that are based on social structures of categorical inequality). These processes, he concludes, lead to a hierarchical differentiation of peoples or, in his word, “social stratification.”

Considering these, despite the fact that historical-sociological institutionalism has certain advantages over rational-choice theories in terms of the correction of structured inequalities, it is still static and can become the source of an unequal status quo.

3. An Alternative Account of Institutions: Deliberation and Inequality

3.1. Deliberative perspective

As discussed previously, historical-sociological institutionalism has successfully modified the rational-choice institutionalism’s reductionist assumption about individual behavior (i.e., that political actors always desire to maximize self-interested preferences under transaction-cost-reducing rules), extending the definition of institutions to include historical and sociological factors. However, these models still lack an inherent mechanism by which political actors *autonomously* formulate their will and modify their preferences independently from historically and socially constructed structural frameworks. Historical-sociological institutionalism does not have a vehicle to *spontaneously* deconstruct existing institutional settings.

To overcome the context-dependent nature of historical-sociological institutionalism (and also the static and deterministic nature of rational-choice models), it seems crucial to add a deliberative element as an alternative perspective to the analysis of political action and institutional change and continuity. The deliberative account of institutions is better able to explain the dynamics of political action and institutional change (Schmidt 2008) that can, in turn, become a catalyst for the deconstruction of an unequal status quo. Public deliberation and unconstrained exchanges of political views and preferences in the public realm provides actors with opportunities to autonomously consider political agendas using the logic of reasoned communication. This offers agents an interactive and educational experience that allows them to learn about existing inequalities in society and foster the development of a public-minded consensus rather than self-interested consumerist behavior. In addition, institutions play a complementary role in facilitating and promoting deliberative consultations and well-considered decision-making by providing actors with more detailed information and non-cost-benefit-perspectives. Accordingly, political action is not understood as the result of actors’ rational calculation, path-dependent historical legacies, or norm-appropriate assessments (Schmidt 2008). Instead, it is the process in which political actors create and maintain institutions through critical and rational deliberation. In this sense, institutions exist prior to political agents’ actions, dialogues, and discourses and, thus, agents are independent and autonomous rather than subordinated to institutions (i.e., rules). This understanding allows

actors to spontaneously change the rules and preferences using the logic of social legitimacy and appropriateness rather than merely passively expecting “happy” changes in historical developments or social norms. Indeed, it is important to ensure that political outcomes accurately reflect the preferences of agents and assume “the greatest happiness of the greatest number.” However, what is more important is whether the actors’ preferences are thoroughly deliberated *before* the calculation of preferences. The deliberative account of institutionalism provides agents with opportunities to modify and change their preferences, or, at least, come into contact with differing views and ideas, and ultimately formulate an intersubjective understanding of society. This, in turn, can act as a catalyst to deconstruct the status quo formed by simple aggregations of preferences, historical legacies, or social norms.

3.2. Empirical evidence

As a result of the previous discussions, the next question that arises is how does deliberation work in actual practice? The most powerful example is Deliberative Polling (DP), a form of deliberative opinion poll inspired by theories of deliberative democracy, that has been experimented with by James Fishkin (2004). The DP process is as follows: first, representative deliberators are chosen randomly from the population. The number of chosen samples is usually around 130 to 450 (Fishkin and Farrar 2005). Sample representatives are polled on the targeted public issue, and participants’ current preferences are examined. After this base-line poll, participants convene in a single location and are divided into small groups. After distributing well-balanced briefing materials to participants, each small group conducts a discussion concerning the agenda with a trained moderator. The moderator’s role is to make the session interactive and facilitate participants voicing their views fairly and effectively. Representative deliberators also have opportunities to pose questions to politicians and experts participating in the deliberative forum. After deliberations, participants are polled again and their preferences are re-checked. The results of the polling are broadcast on television.

According to Fishkin (2004), there were significant changes in participants’ views before and after deliberations in each deliberative setting. For example, in the Australian Deliberative Polling held on February 16-18, 2001, in which “Aboriginal Reconciliation” was the targeted issue, the percentage of participants who considered reconciliation with indigenous Australians as an important issue increased dramatically from 31% before deliberations to 60% after deliberations. In addition, the percentage of those who acknowledged that disadvantages still remained for Aboriginal people rose from 52% to 80% after the democratic, public dialogues (Fishkin 2004). If rational-choice theories are applied to this case, the result *before* deliberations can be regarded as “the will of people” (or “the will of all”). However, as the outcomes of the DP demonstrate, political actors change their preferences or political views if they have an opportunity to inform themselves and discuss the issue in a deliberative setting. These results imply that deliberation can play an important role in increasing awareness about disadvantages and, in turn, deconstruct the unequal

status quo in a society.

Conclusion

Historical-sociological institutionalism has advantages over rational-choice models because the former incorporates the possibility of contextual changes having the potential to break the status quo. However, the historical-sociological understanding of institutions is still static in nature and lacks an inherent mechanism by which agents autonomously formulate their will, reconsider their preferences independently from existing historical or sociological frameworks, and rectify existing unequal social distributions. This paper argues that the context-dependent aspects of historical-sociological institutionalism and the static and deterministic nature of rational-choice models can be complemented by deliberative exchanges of preferences among agents. These exchanges can act as vehicles to deconstruct an existing unequal status quo. Such a deliberative account of institutionalism can be supported by empirical evidence derived from the Deliberative Polling project. This paper's analysis suggests that there are important implications for understanding structured social disparities and new institutionalist approaches.

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