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

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

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

Comparative political economists who use historical institutionalism have gotten very good at explaining much of why this happened. Although this analytic framework has yielded great insights into path-dependent structures and historical regularities, they have yet to fully explain, by focusing on who conveys ideas how and where through interactive processes of discourse situated in both the meaning-based frameworks of communication within which agents exchange ideas through discourse and the (historical institutional) structural frameworks of power and position in which agents act.

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

This paper seeks to demonstrate that discursive and historical institutionalism are for the most part complementary, albeit very different, analytic frameworks operating at different levels of abstraction, and that historical institutionalism can benefit as much if not more from interaction with discursive institutionalism than with rational choice institutionalism. Discursive institutionalism can lend a hand to historical institutionalism by helping to explain the dynamics of change in historical institutionalist structures through the analysis of the ideas and discourse behind action via a meaning-based logic of communication. By the same token, however, historical institutionalism can lend a hand to discursive institutionalism by helping to explain the historical institutional constraints on ideas and discourse, in particular where related to structures of power and position. But it is important to note that, however useful it may be to bring the two frameworks of analysis together, historical and discursive institutionalism are nevertheless two different analytic enterprises. It is therefore crucial to explore the boundaries between approaches, to see where they are most compatible and where they may contradict.

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

HISTORICAL INSTITUTIONALISM ON THE TIMING OF CHANGE

Historical institutionalism as originally defined focuses on institutions understood as sets of regularized practices with rule-like qualities which structure political economic action and outcomes according to a logic of historically-based path dependence (see Hall and Taylor 1996; Pierson 2000; Mahoney 2002). This approach has mainly been concerned with explaining continuity. Change, when considered at all, has been largely attributed to exogenous shocks that create ‘punctuated equilibria’ (Krasner 1988) or to come at ‘critical junctures’ (Collier and Collier 1991). History, as a result, has been given very limited play, since developments that begin with critical junctures “set into motion institu-
tional patterns or event chains (with) deterministic properties" (Mahoney 2000: 507), or ‘path dependence’ which, with its ‘self-reinforcing’ sequence of events, “lock-in effects” and “positive reinforce
ment” mechanisms, ensure increasing returns that, if lasting over a very long time, make for a ‘deep equi
librium’ which is highly resistant to change (Pierson 2000, 2004). The result is a view of change that can appear historically deterministic or even mechanis
tic, given the focus on continuities and the assump
tion that change comes only in bursts, exogenously, with stasis in between, and without reference to hu
man agency.

Where historical and rational choice institu
tionalism have been combined, the institutionalistic ‘stasis’ has often only increased. This has been the case of the Varieties of Capitalism approach (VOC) pioneered by Peter Hall and David Soskice (2001), which identifies two very different kinds of capitalist systems: liberal market economies of which Britain is the ideal-type and coordinated market economies of which Germany is the ideal-type. This approach is historical institutionalist in its definition of the macro-institutional rules and regularized practices of these two different kinds of market economies, ra
tional choice institutionalist in its focus on the differ
ing micro-foundational logic of coordination among firms and other relevant actors of each variety. This combination has the benefit of being able to theo
rize rationalist logics of coordination within different macro-institutional contexts. The drawback is that it makes it almost impossible to account for change in the varieties of capitalism over time. Not only does the historical institutionalism in the approach make for very little development because change comes either in a big bang or hardly at all through path dependence but the rational choice institution
alism further reinforces that stasis since in order to map coordination games this approach has to presup
pose fixed preferences and stable institutions, with change again coming only from ‘exogenous shocks’ (Levi 1997), while the origins of and changes in pref
erences remain outside its domain (see Green and Shapiro 1994; Hall and Taylor 1996). The result is a doubly equilibrium-focused approach to the variet
ies of capitalism in which coordination and comple
mentarity in capitalist systems admit of little change other than positive feedbacks effects while the sys
tem’s homeostatic equilibrium ensures that changing any one component leads to adjustments in the other components, but no real transformation of the sys
tem as a whole or even evolution except at moments of ‘punctuated equilibrium.’ The result is not only stasis but also an over-emphasis on path-dependence and functionalism (see Morgan et al. 2005; Crouch 2005; Schmidt 2002, Ch. 3). Some critics add that VOC likens ideal-types to reality (Becker 2009) or take for reality what is really ideology, for example, with regard to labeling the US a liberal market econ
omy, and thereby mistaking what business says about the US economy for what they do, which is instead a lot more coordinated (Block 2007, 2008).

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

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

A similar problem affects Steimmo’s (2010) alter
native evolutionary theory of change, which uses the mechanisms of evolutionary biology such as symbiosis, symbiogenesis, and allopatric as meta
phors for human institutional evolution in ‘evolu
tionary narratives’ of the trajectories of change in Sweden, Japan, and the United States. Here, in addi
tion to theorizing about the patterns of change over time, Steimmo takes note of how human agents who are creative, have ideas, and communicate to one an
other about what they are doing are also a key ele
ment in change, along with the unanticipated con
sequences of purposive behavior, and the fact that what they do occurs within an evolving institutional context. But the main thrust of the approach, and all the theorizing, is historical institutionalist in its description of the evolutionary trajectories of conti
nuity and change in institutions.

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

Discursive Institutionalism on the Timing of Change

What distinguishes discursive institutional
ism from historical institutionalism is not the ap
proach to change, since discursive institutionalists also divide between those who see change in terms of systemic revolution at critical junctures as opposed to those who see it more in terms of historical evo
lution through incremental change. It is the way in which discursive institutionalists deal with change. Rather than treating critical moments as unexplain
able times when structures shift, much like tetonic plates, followed by locked in path dependency, for discursive institutionalists these moments are the objects of explanation, with attention focused on the transformational ideas or ‘paradigm-shifts,’ that then become the basis for future ideational and discursive (re)constructions as imprints of the past or collec
tive memories. Similarly, moreover, rather than de
scribing incremental change in terms of incremental processes of displacement, layering, drift, and con
version from the outside, discursive institutionalists explain it from the inside, by focusing in on the dif
ferent types of ideas at different levels of generality that help explain why there was displacement, layering, drift and conversion to one set of policies rather than another. In so doing, they provide a closer look into the content of change over time, analyzing the
Discursive institutionalist approaches that focus on revolutionary change do a better job of explaining why it occurs than historical institutionalist approaches because they focus in on the ways in which new ‘programmatic ideas’ can prove transformative. Revolutionary programmatic ideational change may be understood in terms of moments of ‘great transformation,’ which are periods of uncertainty when agents’ old institutions have failed, and in which ideas may be used as ‘weapons’ to recast countries’ long-standing political economic policies, as Mark Blyth argues for the embedding of liberalism in the 1930s and its disembudding beginning in the 1970s in the US and Sweden (Blyth 2002). Or it may be portrayed in terms of paradigm-shifts, building on Thomas Kuhn’s (1970) seminal work in the philosophy of science (e.g., Jobert 1989; Hall 1993; Schmidt 2002, Ch. 5; Skogstad n/a). Interestingly enough, with paradigm theory, Peter Hall (1993), having contributed to the historical institutionalist manifesto (Steinmo et al. 1991) with a focus on the importance of ideas (Hall 1991), provides a partial answer to the problems of statics posed by his later work on VOC (Hall and Soskice 2001) by detailing the ideational founding moments of one of the two varieties of capitalism. This is when he uses paradigm theory to elucidate the case of Thatcher’s neo-liberal paradigm, was the shift concretized when she developed the monetarist ideas, when she was elected with a campaign focused on those ideas, when she switched to monetary policy, when the public came to accept and believe in the policy, or when the opposition, as ‘New Labor,’ embraced those ideas? This approach also tends to assume that there can only ever be a single overarching paradigm, and no rival minority (opposition) programs waiting in the wings (Schmidt 2002, pp. 220-5). But even in the heyday of neo-Keynesianism, there were theorists such as Friedrich Hayek and Milton Friedman who were biding their time, writing about the dangers of the predominant Keynesian paradigm, who found their window of opportunity in the mid-seventies, when the oil shocks hit (Blyth 2008). Moreover, depending upon the amount of time one accords to paradigm change, any major change, however incremental, could be called a paradigm shift if in the end we see a transformation from one cohesive set of ideas to another. And what if revolutionary change in ideas occurs not just without any abrupt conversion process but also without any clear idea, or paradigm, behind the change? As Bruno Palier (2005—in the Streeck and Thelen 2005 volume) shows in his critique of Hall’s paradigm theory, France has undergone a largely unnoticed ‘third-order revolutionary change’ in welfare state policy without any abrupt shift in policy or any convincing political discourse of legitimation. Instead, the reforms resulted from an incremental process of ‘layering’ new policies on top of the old, spurred by ambiguous agreements following the diagnosis of failure and the invention of new ‘recipes’ for social policy to mix with the old.

In the end, then, although the concept of paradigm-shift may still serve nicely as a metaphor for radical ideational change, it offers little guidance as to how, why, or even when the shift takes place, and it cannot account for incremental change. Instead, it seems to assume the kind of path dependency that historical institutionalists ascribe to ideas, in which ideational continuity appears as a defining characteristic of the trajectory of post-crisis institutions (e.g., Pierson 2004, p. 39). Our question would be how to account for continuity following critical junctures that take us beyond the historical institutionalist notion of ‘path-dependence.’ One way to do so would be to turn to François-Xavier Merrien’s (1997) concept of ‘imprints of the past’ (l’empreinte des origines), which helps explain the influence of the foundational principles of welfare states on their subsequent trajectories by leaving imprints that may frame future development while in no way determining the path of development, given that social institutions tend to be infused with new ideas as well as reformed via new policies over time. Alternatively, we could turn instead to Rothstein’s (2005, Ch. 8) use of ‘collective memories’ to explain the long-term survival of Sweden’s peaceful and collaborative industrial relations system. This was established at two ‘critical moments,’ the first in the early 1930s when in response to a violent strike in which five workers were killed the social partners engaged in greater cooperation while the Prime Minister even-handedly condemned the violence of the military as he chided the strikers, the second in the late 1930s at the time of agreements on collective bargaining institutions, when this event became the basis for a collective memory serving to remind all parties that cooperation was both possible and desirable, and continues to underpin ideas about the collective bargaining system today, despite major changes in the functioning of the system.

The thing to emphasize here, then, is that these ideational responses to critical junctures do not lead to the mechanic path dependencies of historical institutionalism but rather to strong ideas about what paths should be taken that then can be interpreted, contested, and reinterpreted in time as circumstances, needs, and politics change. But once we talk of interpretation and reinterpretation, we have already moved on into a more evolutionary approach to change.
the market did and should operate that it acted like a basic philosophy shared by the conservatives and social-democrats alike (Lehnbuch 2001). This ensured that left-right divides in policy programs and policy ideas were much less significant than in, say, France from the postwar period to the early 1980s, where left and right differed in normative public philosophies—Gaullist right vs. Marxian left—as much as in cognitive programs and policy ideas. This said, although French parties were divided on what to do, they shared a similar public philosophy about how to do it, encapsulated in the ‘public philosophy’ of di-rigisme—state interventionism—in terms of its cognitive usefulness and its normative appropriateness (see Schmidt 2002, Chs. 5 & 6).

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

But ‘cognitive’ policy programs may even be implemented despite countervailing ‘normative’ philosophical ideas, when the former are not articulated or acknowledged as in contradiction with the latter. Fred Block (2008) makes this case with regard to the technological policy arena in the US, arguing that the ‘developmental network state,’ which provided massive amounts of financing and coordination support to business technology initiatives from the 1980s forward, was ‘hidden in plain view’ because it contradicted the market fundamentalist political ideology that pervaded Republican partisan politics, which saw government as the problem, not the solution.

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

Discursive institutionalist accounts of historically evolving ideas, then, add a deeper level of analysis to historical institutionalist descriptions of evolving processes and of path-dependence punctuated by critical junctures. Because ideas and discourse are at the basis of institutional change, processes of change involve much more than mechanisms of replication since they promote innovation and creation, are at the origins of historical institutionalist structures, frame their development, and go on all the time, not just at critical moments of uncertainty and ambiguity. This said, the mechanisms identified in historical institutionalist accounts of incremental change in formal institutions could be useful in the further theorization of ideational change. Thus, for example, we could talk of processes of ‘layering’ when new ideas add new rules on top of the old, ‘drift’ when new ideas lead to the active rejection of old rules, or conversion when new ideas put old rules to new uses. We could also build on sociological institutional mechanisms such as ‘bricolage’ (Swidler 1986), framing, learning, diffusion, and standardization (Ancelovici and Jenson), storytelling, transmission, or mimesis to add greater detail to the processes of ideational change (see Campbell 2004). Bricolage, for example, in which different elements of ideas are pulled together to form new ideas, can prove very helpful in unpacking theories about ideational change, such as paradigm-shifts, to demonstrate the processes by which incremental changes in ideas can produce major change in programs or even philosophies (Carstenrson n/a). Much of the empirical work on ideational change demonstrates how such bricolage works through close textual analysis of the slow re-interpretations of ideas, although it mostly does not theorize about this aspect of ideational change (e.g., Berman 1999; McNamara 1998; Blyth 2002).

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

**HISTORICAL INSTITUTIONALISM ON THE AGENTS OF CHANGE**

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

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

The problem with turning to rational choice institutionalism is that although such an approach may add more of a micro-foundational logic, by lending insight into agents’ strategic preferences at a given time, it has difficulty accounting for the formation of such preferences, let alone of non-strategic preferences, changing preferences, and changing in-
stitutions, as noted above. Moreover, even though the recent addition of the rationalist political coalit-
ion literature is a step forward, by looking to politics
to explain change endogenously (e.g., Iversen and Sosske 2006), it still has difficulties explaining how new political coalitions are constructed and changed, let alone how the institutions in which they operate were created and reformed.

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

All of this goes a long way toward embed-
ding agency into historical institutionalism, and
thereby endogenizing change. But it still does not
explain the dynamics of change, that is, how and
why insurrectionaries succeed in overthrowing in-
stitutions, parasites in undermining them, subver-
sives in ‘layering’ on top of them, or opportunists
in converting them. Rather, we get categorizations
of the kinds of agents who have successfully over-
thrown, undermined, or converted institutions, with
the change-agents themselves defined in terms of the
institutional change roles they play and the paths they
follow. What they do to become change-agents, in-
cluding what ideas they use to mobilize others, why
these ideas resonate, or how they mobilize and per-
suade others to join them, say, as insurrectionaries,
subversives, or parasites, is not considered in theoret-
tical terms here. This is because historical institu-
tionalists are more interested in theorizing about changes in structures than about the dynamic interplay among
the agents who alter them. And yet, here too, the em-
pirical chapters in the edited volume (Mahoney and
Thelen 2009) provide all sorts of evidence for the im-
portance of ideas and discursive interactions that do
in fact point to the dynamics of change.

We see this, for example, in Tullia Falletti’s
(2009) case study of the development of universal
public health care in Brazil, in which ‘subversives,’
consisting of the sanitario social movement activists,
with over-arching ideas about the need for universal
health care delivered in a decentralized manner, man-
egaged to infiltrate the bureaucracy and to persuade even
authoritarian governments to layer on new rules. We
find it even more so in Adam Sheingate’s (2009) case
of the changes in procedural rules in the US House of
Representatives in the late nineteenth and early
twentieth century, in which two ‘political entrepre-
neurs’ with clever ideas about how to use the rules to
change the rules and with persuasive discourses—in
particular through their appeal to the Constitution—
were able to convince their fellow Representatives in
the House that their arguments were both legiti-
mate and double (i.e., Thomas Reed, as Rules Com-
mittee member, who acquired influence with the minority’s obstructionist power by getting rid of dilatory mo-
tions and, as Speaker, in getting rid of disappear-
quoms, while Edward Norris, as an insurgent Re-
publican, succeeded in reducing the Speaker’s pow-
er by getting him off the Rules Committee). In
the Streeck and Thelen (2005) volume as well, several
contributors emphasize the importance of ideas and
discursive interactions. These include not only Palier
(2005), as illustrated above with regard to paradigm
change, but also Deeg (2005b) and Jackson (2005),
who note the importance of ideas but do little beyond this,
and Quack and Djelic (2005), who illustrate their
historical institutional theory about ‘path gen-
eration,’ adaptation, and recombinaton of German
and European Union anti-trust institutions with an
account that is all about ideas and discursive interac-
tions. Their case begins with the opening of a ‘win-
dow of opportunity’ seized by American Occupation
authorities with American ideas about anti-trust pol-
icy who act as institutional entrepreneurs when they
put the marginal, pro-competition ‘ordo-liberals’ in
dominant positions that give them an advantage in
the subsequent battle for policy ideas. The resulting
institutionalized ideas then combine and recombine
in successive German policy initiatives as new ac-
tors with other ideas come in; these in turn get trans-
lated and embedded in the European Coal and Steel
Community and the Founding Treaties of the Euro-
pean Union, followed by the epistemic communities
of EU and member-state actors which subsequently
generate new Commission and Court interpretations
of policies, which in their turn have significant influ-
ence on German policy debates and, ultimately, on
German anti-trust policy.

In all of these empirical examples of incre-
mental institutional change that bring out the impor-
tance of ideas and discourse in the Streeck and Thel-
en volume (2005), we find little theorization about
what drives agents to change institutions. And when
Streeck and Thelen (2005, p.19) theorize about ‘why’
incremental change occurs, there is no theorization
about ideas and discourse. On the contrary, it is to
suggest that institutions are the object of ‘on-going skirmishing as actors try to achieve advantage by
interpreting or redirecting institutions in pursuit of
their goals, or by subverting or circumventing rules
that clash with their interests.’ We remain with ‘ra-
tional’ actors, then, who are clearly strategic, acting
in their own interests. But no explicit micro-log of
strategic action based on rational choice institution-
alism is elaborated here. And there can be none.
If institutions change all the time—as this incremental
approach argues—then it becomes difficult to theo-
rize how institutions structure individual actors’ in-
centives. Moreover, if some individual actors accept
the institutions while others are seeking to redirect or
reinterpret them, then actors’ preferences are differen-
tially affected by the institutions, and it is impos-
sible a priori to know which ones. Empirical investi-
gation of actors’ motivations, their interests, and their
ideas within macro-institutional context seems to be
the only answer here.

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

Finally, once preferences are seen as ‘subjective’ and agency consists of deliberation and reinterpretation, the way is open to taking seriously the role of ideas in altering agents’ perceptions of their preferences and of discourse in deliberating and reinterpreting agents’ institutions. In fact, Hall (2005, p. 151) himself, in a piece on preference formation in a collection that sought to bridge the rational choice-historical institutionalist gap (Katzenelson and Weingast 2005), seems to suggest just this when he concludes that we should look at how issues are framed and how “the actor tries to make sense of his actions in his eyes and those of others,” seeking to balance “multiple interests, often linked to multiple identities” referencing “a set of narratives that draw heavily on past experiences and the interpretations of them that have authority in their community.” Moreover, in his concluding comment in the Mahoney and Thelen (2009), the very structure of Hall’s (2009b) chapter suggests a tacit acknowledgement of the limits for historical institutionalism of rational choice institutionalist borrowings while providing yet another opening to ideas and discourse. His lengthy discussion is about what rationalist approaches can gain from historical institutionalism (as opposed to what historical institutionalists can gain from rational choice institutionalism). This includes a lot of the stuff of discursive institutionalism, as he emphasizes instrumental and normative beliefs, identity, framing effects, ‘debates’ that engage identities, and the ‘politics of ideas’ that is ‘intrinsically, rather than epiphenomenal, to the processes of coalition formation that underlie change’ (Hall 2005, p. 212). As for the explanation of change, he reserves this for his much shorter discussion of how historical institutionalism gains from ‘sociology’ (his term for all approaches that deal with ambiguity, reinterpretation, political entrepreneurs, and more). But such a delineation, which harkens back to his (Hall and Taylor 1996) distinction that suggests that historical institutionalists divide between those who look for agency to rational choice institutionalism vs. those who look to sociological institutionalism, fails to take account of the fact that scholars who take ideas and discourse seriously emerge from, engage with, and/or build upon elements from all three neo-institutionalist traditions, not just the sociological (see Schmidt 2008, 2010a).

For rational choice institutionalism, such scholars include Rothstein (2005) as well as contributors to the VOC volume (Hall and Soksic 2001) such as Pepper Culpepper (2005); for historical institutionalism, they encompass contributors to the original historical institutionalist manifesto (Steinmo et al. 1992), such as Margaret Weir (1992, 2006) and Desmond King (1999), as well as contributors to the Streeck and Thelen (2005) volume such as Palier (2005); and for sociological institutionalism, they include contributors to both collections, including Quayk and Djelic (2005) and Sheingate (2009). This is why I use the term discursive institutionalism to define a common space for all such approaches that take ideas and discourse seriously, whatever the institutionalism with which they engage (Schmidt 2008, 2010).

Discursive Institutionalism on the Agents of Change

The problem with historical institutionalist approaches to agency from a discursive institutionalist perspective is that they appear mechanistic, with no sense of the critical thinking of ‘sensitive agents’ (read real people) oriented by their ideas about values, with the past in place of path-dependency and other mechanisms of reproduction. Institutions, moreover, are not the neutral, formal structures external to actors that many historical institutionalists assume but are infused with cognitive and normative ideas, while interests are always understood as ideas about interests.

Agents’ Ideas about Interests and Institutions

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

In discursive institutionalism, by contrast, interests are subjective rather than objective because interests are ideas, and encompass a much wider range of motivations than narrow self-interest alone, including other kinds of interests as well as norms (Boudon 2003; Hay 2006; Schmidt 2008). Here, rather than talking about material interests, we do better to talk about material reality, and the ideas that agents form in response to that reality (Schmidt 2008, p. 318). Discursive institutionalists make this point in different ways. Some talk about ‘interests and ideas,’ to demonstrate to historical and rational choice institutionalists that a wide range of ideas are at least as important, if not more so, than narrowly instrumental, rationalist interests. Weir (2006; see also Lieberman 2008), for example, argues that we need to add relational and cognitive factors to explanations of interest calculations in order to explain organized labor’s efforts to redefine itself as a political actor in the US and to build new coalitions, by looking closely at how organizational leaders ‘puzzled’ and ‘powered’ over questions of identity (‘who are we?’), alliances (‘who are our allies?’) and values as well as interests (‘what policies do we care about and what policies are actively beneficial for us?’). Hansen and King (2001) go even further in their contrast of eugenics policies in Britain and the US to demonstrate that ideas have independent power when a coherent ideational framework comes together with ‘rational interests’ (read strategic ideas) at a given time and place (the case for US in particular). For discursive institutionalists with a more constructivist view of interests, however, talking about ‘interests and ideas’ is problematic because it obscures the fact that ‘interests are ideas.’ The first formulation therefore could be misconstrued to appear to buy into the rational choice institutionalist differentiation between (subjective, secondary) ideas and (objective, primary) interests (see Blyth 2002; Hay 2006; Gofas and Hay 2010), although this is not the intention of those making the distinction.

A similar divide affects discursive institutionalists’ view of institutions, and in particular whether ideas and institutions are analytically separable, with ideas internal and institutions external to agents, or are inseparable and internal to agents. The division comes down to ones between those discursive institutionalists who talk about ‘institutions as ideas’ and those who talk about ‘institutions and ideas.’ Robert Lieberman (2005, 2008) seems to play both roles, seeing ideas woven into the latter view when he argues that ideas (actors’ goals) may give us motive but not opportunity, which is established by the institutions (the rules that bind actors) that set the conditions under which ideas find expression, by organizing power and gate-keeping with regard to ideas, at the same time that ideas carried by policy coalitions serve to transform the rules, taking new paths and breaking out of settled habits.
This formulation raises the theoretical dilemma of how to explain how agents conditioned by the institutions that limit their ideas are able to transform those very same institutions, since they are seemingly caught within them. It is in response to this dilemma that constructivist discursive institutionalists have come to insist that institutions are ideas. Colin Hay (2006), for example, defines institutions as internalized practices that structure as well as constrain meaning, thereby constituting constraints to as well as opportunities for agents. But although this definition may enable us better to explain processes of institutional change, it leaves us unsure about how this fits with formal institutions, and how we get from internalized practices to the externalized actions that actually change formal institutions.

The problem with both formulations—of formal institutions as external while ideas are internal to agents or of both institutions and ideas as internal—is that we have no bridge between external (formal) institutions and internal ideas (as structures/construct). This is where discourse comes in. Between the formal institutions that are the product of agents’ collective actions and agents’ individual ideas about institutional action are discursive interactions in which agents articulate their ideas and deliberate about taking collective action with regard to their formal institutions. In epistemological terms, we could think about this in terms of sentient agents whose ‘background ideational abilities’ enable them to think beyond the (ideational and formal) structures that constrain them even as they act within them while their ‘foreground discursive abilities’ enable them to communicate and deliberate about taking action collectively to (re)construct their (formal) structures (which in turn changes their ideational ones) (see Schmidt 2008, pp. 314-16). Empirically, this dual view of institutions as both structure and construct poses relatively little problem, as Berman (1998, Ch. 2) suggests, when she explains that ideas ‘take on a life of their own’ when they are institutionalized and routinized by being embedded into formal structures and processes, such that the institutional practices involving what people do along with the ideas about what they ought to do act as constraints on the development of new practices and ideas. Such ideational institutional constraints are very different from the historical institutional constraints of path-dependent structures and replication processes, however, because these are ideational legacies that influence but do not stop ideational innovation and reinterpretation.

**Dynamics of Change through Agents’ Discursive Interactions**

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

Within the context of the coordinative discourse, discursive institutionalists divide between those who theorize in terms of revolutionary critical junctures and of evolutionary development. Culpepper (2005), one of the contributors to the Hall and Sokszice (2001) volume, offers an example of a critical junctures approach to ideational institutional change when he argues that change occurs in Vocs not as historical institutionalists might assume, when formal institutions are altered through laws, but rather when at a critical juncture a central actor ‘signals’ an idea that introduces a new cognitive model by a foreign company, because the outsider nature of the takeover had little effect on the CEOs’ belief system. Although this is essentially correct as a snapshot of the moment, it overstates the contrast while glossing over some important differences in ideas and discursive interactions. To begin with, the German beliefs in the system were much more deeply rooted in philosophical ideas originating in the post-war period about the normative appropriateness of the ‘social market economy’ by contrast with what were little more than French cognitive policy ideas about the benefits of a cross-shareholding system begun in the mid 1980s in the context of privatization, which lacked the deeply rooted normative legitimacy of the German system, and which had in any case lost its initial strategic benefit and purpose. Most importantly, even before the ‘first move’ by the credible actor, many French CEOs had been questioning the system. This was also true for German CEOs. But in Germany, formal institutional structures—a high capital gains tax—ensured against change in the corporate governance system until 2000—when the tax was eliminated by stealth, in a ‘non-discursive,’ last-minute addition to the budget bill by the finance minister (Schmidt 2002, Ch. 6). The cross-shareholding system then began quietly thinning out (see figures on change from 1996 to 2006 at http://www.mpifg.de/aktuelles/themen/d-ag.asp) subsequently, without much discourse, and arguably despite continuing belief in the over-arching philosophical ideas about the appropriateness of the social market economy. In short, what looks like a big bang for one country and no change in another may appear very different in a somewhat longer timeframe, with a closer look at the different types and levels of ideas involved.

In the case of corporate governance, it makes sense to focus only on the coordinative discourse of policy construction, since much of what goes on has little direct involvement of politicians or the general public. Most other political economic policy arenas, however, have much more spillover into the political sphere, and therefore tend also to bring in the communicative discourse with the public. And one without the other, a coordinative discourse without the communicative, can be problematic, as Fred Block (2008) shows in the case of the US’s industrial policy. Here, we find that while the coordinative discourse linking business, government, and universities in a hidden ‘developmental network state’ ensures the maintenance of cooperative interactive networks producing highly innovative technologies, the absence of any communicative discourse leads to a range of problems linked to the lack of democratic legitimation. The absence of public debate enables the policy to be skewed toward military-security uses, with an atrophied sense of the public interest that stymies more ambitious projects, and risks a public backlash against the ‘triple helix’ of government, business, and universities, whether from the fundamentalist Christian right or the environmental activist left. Moreover, the continued contradictory communicative discourse of market fundamentalism allows the corporations that profit from the hidden coordinative network to use that rhetoric to resist be-
The two spheres of discursive interaction need not be equally important for institutional change, however, since the agents of change may generate ideas in one sphere of discursive interaction rather than another at different times. In political economic policymaking, for example, Thibeirghen (2007) demonstrates that the postwar dirigiste or developmental states of France, Japan, and Korea have become ‘entrepreneurial states,’ as the political economic agents of change shifted from being bureaucratic policy entrepreneurs in the coordinative policy sphere to political entrepreneurs in the communicative political sphere, having harnessed the tools and the discourse of the previous system to create a new set of policies for innovation and modernization. In the case of France specifically, Thibeirghen (2007, Ch. 4) shows that starting in the mid 1980s major transformations of macroeconomic policy and industry were the top-down constructions of political leaders with new ideas about how to revitalize the economy, in particular the period from 1997 to 2002, when the Socialist Finance Minister Dominique Strauss-Kahn was the core political entrepreneur whose ideas about privatization and the role of the state in the economy were transformative.

We still have a problem, however, because this discussion remains focused primarily on the discourse of elites, whether in a top-to-top coordinative discourse or in a top-down communicative discourse. And yet, both top-to-top and top-down discourses often need to be understood within the context of a wider sharing of ideas coming from the bottom-up communications of the public. In the case of welfare reform in Sweden in the 1990s, for example, although the ideas emerged from a coordinative discourse that was highly restricted, consisting of an epistemic community of specialized politicians and policy experts alone because the famous concertation among business, labor, and government no longer worked for such macro-level reforms (Marier 2008), it was followed by a more open communicative discourse. This is when these ideas were subjected to a kind of decentralized deliberative process in which social-democratic politicians sought to build legitimacy for such reforms by holding meetings in local communities, listening to responses, and changing their proposals accordingly (Schmidt 2003, p. 141).

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

**BRIDGING THE DIVIDE BETWEEN HISTORICAL AND DISCursive INSTITUTIONALISM**

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

First off, it is important to underline the fact, as we have already seen, that historical institutionalists’ empirical narratives often include ideas and discourse as part of their evidence. Most just tend not to theorize about these even when the ideas and discourse are part of the building blocks of their account. Because they are most concerned with institutional development, where ideas and discourse are part of the narrative, the discussion tends to focus on how they contributed to that development as opposed to how they themselves were constructed. And most historical institutionalists therefore pay little attention to the ideational and discursive dynamics of change in order to focus instead on the emerging structures and practices. Thelen (2004), for example, in her blow-by-blow account of the development of vocational training systems in Germany, interweaves the ideas of and debates among union leaders, business heads, and political parties with the incremental changes in institutions in order to then theorize about the development of the institutional practices.

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

I begin with Cathie Jo Martin’s (2006; see also Martin and Swank 2008) account of why American business switched from support for coordination with labor to a neo-liberal, adversarial relationship at the turn of the twentieth century. Martin explains the change in historical institutional terms, as a result of structural factors—that NAM (National Association of Manufacturers) could not overcome the sectional North-South political division of the country resulting from the majoritarian politics of two-party competition, a problem replicated for the Chamber of Commerce. But while the theory is historical institutionalist, the historical narrative that provides the evidence for this offers a mix of political interest-based action, socially constructed ideas about interests and values, and institutional structures. The story is roughly as follows: NAM leaders are impressed by European examples in which labor is united and develop a discourse about the importance of business having a single association to speak for it, just like labor. The association starts as part of an electoral agenda, but it can’t get the anti-Republican South on board, and NAM therefore soon decides that it needs to be independent of political parties to grow. But then it languishes, with no effective discourse, losing members, until the critical juncture a decade later, after a number of failed legislative battles, when, upon the election of a new president of the association, it switches to an anti-labor position, and immediately...
might dismiss both Martin’s historical and our discursive institutionalist enhancement by insisting that this is not about party structures or ideas but rather about employers’ interests which were better served by a market liberal regime, as the preferences of a new political coalition, the question remains as to why employers constructed their preferences in one way earlier, and then reconstructed them so differently later (also Martin’s point—2008, p. 194), which takes us back to ideas and discourse.

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

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

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

There is nothing new about ‘business’ pursuing its interests, of politicians fashioning policies that aid and abet business, or of the priority of policy. What is new is ‘business’ ideas about what is in its interests and how to attain them as well as how successfully they’ve been at convincing others and themselves about its cognitive justifiability and normative legitimacy. Pro-market ideology matters, whether it is seen as a cynical tool in the hands of self-interested business pushing regressive tax policies or as an ideology that business and everyone else really believes about how to ensure prosperity for all that blinds all to the worsening rising inequalities. Equally important are the ways in which this kind of ideology has been constructed and nurtured by think-tanks, economists, bankers, government officials as well as business groups in the coordinative discourse and disseminated through the communicative discourse of politicians and the media, in the absence of opinion leaders and social movements with countervailing ideas able to be heard above the fray. It is important to
note that this is also about the ideational construc-
tion of what constitutes an exogenous shock and 
what does not. The dot-com crash of the early 2000s 
was not believed to be such a shock, and the calls 
for regulatory reform were unheeded since nobody 
wanted to kill the goose that laid the golden egg. It 
was only with the economic crisis beginning in late 
2007 and early 2008, when the egg was fully shat-
tered, that this became a critical moment, when the 
voices that had been questioning the ideology began 
to make a difference. It is also at this moment that 
even ‘true believers’ began to question their beliefs. 
Take the testimony to Congress of Alan Greenspan, 
former head of the Federal Reserve Bank, a follower 
of the radical individualist philosophy of Ayn Rand, 
and one of those chiefly responsible for the lax US 
financial regulatory regime that contributed to the 
financial market meltdown. When asked in Congres-
sional hearings if he saw a problem with his ideol-
ogy, he admitted that: “those of us who have looked 
to the self-interest of lending institutions to protect 
shareholders’ equity, myself included, are in a state 
of shocked disbelief”; and he conceded, in response 
to the question, “Do you feel that your ideology 
pushed you to make decisions that you wish you had not made?” that “Yes I’ve found a flaw. I don’t know 
how significant or permanent it is. But I’ve been very 
distressed by that fact” (New York Times, October 
24, 2008). It is interesting to note, however, that al-
though at the time he continued to resist new regula-
tion, not long thereafter, by March 2009, faced with 
the total collapse of the financial market system, he 
strongly supported the Obama administration’s pub-
ic rescue of the banks, and even nationalization. So 
is this ideational conversion? Or short-term pragma-
tism? 

The current economic crisis, with the seem-
ing return of Keynesian macroeconomic manage-
ment, greater state interventionism, and deregulation 
of the financial markets, raises the question as to 
whether the policies undertaken constitute a real par-
adigm shift or just a set of stop-gap policy ideas that 
suspend, but do not replace, the neo-liberal political 
philosophical paradigm in crisis, especially given re-
cent moves in Europe and the G20 back toward mon-
etarist budgetary austerity. And it leads us to ask 
whether this is another moment of ‘great transforma-
tion,’ one of layering, or of drift in the midst of crisis. 
Only in time, and with the benefit of hindsight, will 
we be able to say with any degree of assuredness that 
we have seen a massive ‘paradigm’ shift in ideas, in-
cremental evolution, or rapid policy changes with no 
lasting effects.

CONCLUSION

The goal of this essay has been to demon-
strate what and how historical institutionalism can 
gain from turning to discursive institutionalism for 
isights into the agent-based dynamics of change in 
institutions. It is important to note, however, that 
historical institutionalists’ choice between discursive 
institutionalism and rational choice institutionalism 
may depend upon their goal which, if universal pre-
cepts, is more likely to be rational choice institutional-
ism. This is because the kind of information and 
expression that emerges from discursive institutional-
ist investigation is necessarily what Rudolph (2005, 
p. 12) calls ‘situated knowledge,’ which produces the 
kind of interpretive explanation that “proceeds from 
specificities and works upwards to comparative gen-
eralizations, rather than downward from a prior as-
sumptions,” and in which theory construction “takes 
to account local knowledge and practice—how denizens perceive and interpret their world.” But 
since, as we have already noted, historical institution-
alists concerned with explaining incremental change cannot in any case aspire to rationalist uni-
versalism, given assumptions about subjective pref-
erences and changing structures, they would do well 
also to consider the benefits of discursive institutionalism. 

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

Discursive institutionalism endogenizes change, explaining much of how and why public 
actors bring about institutional change, thereby re-
injecting agency into historical institutionalism. 
Moreover, it helps to explain the actual preferences 
and strategies of actors as well as their changes in 
normative orientation. This said, historical institu-
tionalists regularly also frame the ideas and discourse, 
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Thanks to Jean-Claude Barbier for suggesting this alternative way of thinking about path dependence.


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