CHAPTER 4

INSTITUTIONAL REPRODUCTION AND CHANGE

JOHN L. CAMPBELL[1]

Introduction

How and why do political-economic institutions change or remain the same? This chapter explores a variety of theories and empirical studies that seek to answer this question. It concentrates primarily on political-economic institutions in advanced capitalist democracies. And it focuses on literatures in comparative political economy and organizational analysis rather than, for instance, social movements theory, which is also interested in institutional stability and change but not necessarily with respect to the sorts of political-economic institutions that are of primary concern in this volume[2].

The scholarship in question here is largely a product of the last thirty years or so. Interest in institutional change began to grow significantly in the 1970s. Stagflation emerged as a worldwide problem and both governments and firms began to alter their institutional arrangements in order to cope with it. Moreover, transnational investment, trade, and other forms of economic activity (i.e. globalization) began to develop around the same time and accelerated after the mid-1980s. National forms of

[1] Glenn Morgan and Ove Pedersen provided helpful comments on an earlier draft.

[2] That said, there are important parallels between the social movements literature and the literature on institutional analysis and change such that a dialogue between them may be fruitful for better understanding the processes of institutional stability and change (e.g. Campbell 2005).

capitalism began to change in response. As scholars saw what was happening around them they became interested in researching and theorizing the conditions under which institutions changed or not.

To put things into perspective however, first, I begin by reviewing some historical antecedents of this scholarship. Second, I examine theories of institutional reproduction and stability, which focus predominantly on the concept of path dependence. Third, I discuss theories of institutional change and do so at greater length because this is where comparative institutional analysis has had the most to offer. There are several of these theories and I present them more or less in chronological order so that readers can appreciate the debates that have evolved within this literature. Fourth, I address briefly the ontology of institutional change, that is, what we mean by institutions and how we know if they have changed or not. Finally, I conclude with a few remarks about where the study of institutional reproduction and change seems to be headed. Among other things, we are now beginning to realize that the processes of institutional reproduction and change are mutually constitutive in the sense that many of the forces that change institutions also stabilize them. This is why I address both theories of institutional reproduction and change in this chapter.

It is worth highlighting in advance some of the more important points made here. First, the processes of institutional reproduction and change are contested. They involve considerable struggle, conflict, and negotiation. Power is central to all of this. Second, scholars have gradually come to recognize that theories of institutional reproduction and change must pay close attention to the mechanisms by which institutions are stabilized or transformed. Unless they do this, theories risk lapsing into functionalist tautology. Third, there is a growing tendency for researchers and theorists to think about institutional change in terms of the changing functions that institutions may come to perform. While it is important to understand what institutions do, to equate institutional change with a change in the functions they perform is a dangerous analytic precedent that is fraught with difficulties.

Historical antecedents

For a long time comparative institutional analysis was not concerned with either institutional change or reproduction per se. Instead most scholarship focused on how fixed institutions varied across countries, and how cross-national variation in these institutions affected a variety of national-level outcomes, such as economic policy, unemployment, inflation, and growth (e.g. Katzenstein 1978; Gourevitch 1986). Some recognized that there was considerable institutional variation across sectors within national political economies and that these variations also had important effects on sector-level policies and performance (Hollingsworth et al. 1994). For the most part, this was all in the spirit of a comparative statics approach to institutional analysis. That is, cross-national institutional variations were viewed as the critical independent variables used to explain political-economic outcomes (Thelen and Steinmo 1992). Little attention was paid to how or why the institutions themselves changed or remained the same.

This is not to say that nobody was concerned with institutional reproduction and change. During the 1950s and 1960s modernization theorists wrote about how democratic and capitalist institutions would spread around the world thanks to the wonders of technological change and industrialization, and how these modern societies would be preferable to and eventually replace the alternatives like socialism (e.g. Rostow 1960). Conversely, during the 1960s and 1970s, neo-Marxists developed theories about how capitalist institutions were reproduced in the short run, but would eventually be transformed into socialism in the long run thanks to the forces of class struggle and the structural contradictions that permeated capitalist democracies (e.g. O'Connor 1973; Poulantzas 1974). By the 1980s, both of these perspectives were largely discredited by world events, but also by the realization that there were significant institutional differences among advanced capitalist societies and that these differences mattered for their performance—an insight closely associated with a Weberian renaissance among political scientists and sociologists (e.g. Evans et al. 1985). Finally, and foreshadowing this renaissance, some scholars offered conjunctural theories about the political and ideological conditions under which capitalist institutions were likely to develop (Gershenkron 1962). But this perspective was more concerned with the development of capitalism per se than with institutional variation and transformation within capitalism.

As noted above, beginning in the 1980s all of this began to change. Scholars began to call for an analysis of the conditions under which institutional variations within capitalism emerged and changed historically (Campbell et al. 1991; Thelen and Steinmo 1992). To a degree, this was sparked in comparative political economy by the notion that the so-called Fordist model, based on mass production and mass consumption institutions like the multidivisional firm and Keynesian welfare state, had started to give way to a post-Fordist model, based on much different institutions, such as less hierarchical and more flexibly organized firms, smaller welfare states, and less economic regulation (Lash and Urry 1987). It was also driven by recognition that some of these institutions had come under considerable pressure to change in response to the problems of stagflation, globalization, and the rise of neo-liberalism (Campbell and Pedersen 2001).

One branch of institutional analysis—that associated with sociology and organization studies—became interested in institutional change at about the same time, but for reasons largely unrelated to the late twentieth-century political-economic climate. These researchers were interested more in the long historical view and why, in their view, a worldwide political culture was emerging in which nation-states began to adopt a common set of institutional practices, such as similar educational systems, democratic institutions, and rational scientific modes of thought (Thomas et al. 1987). Based on this work, scholars began to theorize about how national institutions adapted to this emergent world culture.

The point is that by the late 1980s social scientists became increasingly interested in institutional stability and change. Much of this work has adopted a cross-national focus.

Institutional reproduction

As researchers began to turn their attention to the analysis of change, they recognized that institutions typically do not change rapidly—they are sticky, resistant to change, and generally only change in 'path dependent' ways. The concept of path dependence refers to a process where contingent events or decisions result in institutions being established that tend to persist over long periods of time and constrain the range of options available to actors in the future, including those that may be more efficient or effective in the long run. In other words, latter events are largely, but not entirely, dependent on those that preceded them (e.g. Nelson 1994: 132; North 1990: 93–5; Pierson 2000*b*; Roe 1996). Scholars who argue that institutional and policy 'legacies' constrain change make very similar arguments (e.g. Berman 1998; Dobbin 1994; Guillén 2001; Steinmo et al. 1992).

The path dependence concept is now commonplace and has been discussed extensively elsewhere (e.g. Ebbinghaus 2005; Djelic and Quack 2007; Mahoney 2000). It has been used, for example, to characterize the development of economic institutions in China (Guthrie 1999) and post-communist Europe (Stark and Bruzst 1998) as well as in the advanced capitalist countries (North 1990). It has also been used to describe a variety of welfare and other public policy developments (Korpi 2001; Pierson 2000*b*; Prasad 2006).

Scholars have complained that the path dependence concept is used without a clear specification of the causal mechanisms involved (Knight 1998: 97; North 1998: 21–2; Thelen 1999). But when they are specified, a variety of mechanisms can come into play (Deeg 2005: 22–5). For instance, political scientists often argue that path dependence occurs in politics as a result of feedback mechanisms through which actors gain increasing returns for behaving in ways that are consistent with how they have acted in the past. As a result, institutions and the behaviour associated with them become locked into a particular path of historical development (Pierson 2000*a*, 2000*b*). Why? First, political institutions have large start-up costs so that once they are established actors are not likely to seek to change them, especially if they perceive that the chances of other actors joining them to innovate are increasingly slim given the costs involved. Second, sometimes politicians deliberately build institutions in ways that make them difficult to change. They may, for instance, impose procedural obstacles, such as super majority voting rules, to prevent others from later changing the institutions that they create. Third, once a particular policy style or decision-making approach has been institutionalized, actors accumulate knowledge about how it works. The more familiar and comfortable they become with it, the more hesitant they are to deviate from it. Fourth, beneficiaries of legislative or institutional largess reinforce institutional behaviour that will continue to provide them with benefits. Senior citizens, for example, will support politicians who promise to protect the social security systems upon which seniors depend. Arguments about lock in, feedback, and the like are typically derived from the work of economic historians, who have maintained that these sorts of mechanisms restrict actors to a particular path of economic or technological development (e.g. Arthur 1994; David 1985).

Another version of the path dependence argument comes from sociologists who argue that principles and practices become institutionalized to the extent that they are taken for granted by the actors involved in them (Jepperson 1991). Notably, Dobbin (1994) argued that the development of railroad systems in Britain, France, and the United States resulted in very different organizational forms, but that they were entirely consistent with the organizational forms of earlier turnpike and canal systems within each country. This was due to the fact that decision-makers in each country had certain taken-for-granted assumptions about the appropriate way to build a transportation system. The French, for example, assumed that it should be done in a very centralized fashion with strong direction from the national government. The Americans assumed that it should be done in a more decentralized fashion with much control being delegated to the private sector. The point is that within each country transportation systems developed in path dependent ways as a result of the normative and cognitive mindset of the actors involved. These are rather different mechanisms from those involving sunk costs, strategic obstacles, vested knowledge, or institutional constituents, although none of these are necessarily mutually exclusive in practice.

Finally, comparative political economists have written much lately about institutional complementarities and how they lead to institutional reproduction. The idea here is that any political economy consists of several institutions, such as those governing finance, labour-management relations, corporate governance, labour markets, and more. Over time, these institutions develop in ways that functionally complement one another in ways that tend towards institutional stability. The classic formulation is by Hall and Soskice (2001), who distinguish between two varieties of capitalism: liberal and coordinated market economies. This approach is referred to as the 'varieties of capitalism' approach. They argue that institutions complement each other to the extent that the functioning of one enhances the functioning of another. For instance, the returns from stock market trading may be enhanced more by rules requiring fuller exchange of information about corporate activity than by rules requiring less transparency. The implication is that the interconnectedness of institutions, and the complementarities or synergies that result, make it very difficult to change one institution because changing one implies changing others as well since they are tightly coupled. And changing one could undermine the benefits resulting from institutional complementarity. Hence, the institutional configuration of different types of national political economies tend to be rather stable even in the presence of considerable pressures for change (Aoki 2001; Crouch 2005: 30–1).

All of these literatures are well suited to explaining institutional reproduction and persistence. However, many scholars have used the concept of path dependence to explain why institutional change tends to be slow and incremental. Things change slowly, they say, precisely because these sorts of path dependent processes are operating. Hence, change typically occurs only at the margins, which in turn means that institutions tend to change only in incremental or evolutionary ways (e.g. North 1990; Pierson 2000*a*; Roe 1996)[3] But here we run into a problem. How can we explain change by relying on an analysis of mechanisms that block change? This is a logical trap into which many path dependent explanations of institutional change fall (Campbell 2004, chap. 3; Thelen 1999, 2000*a*, 2000*b*). In this sense, path dependence arguments are often very deterministic (Ebbinghaus 2005; Haydu 1998).

Some researchers have tried to theorize change mechanisms in arguments about path dependence by introducing the concept of critical junctures—that is, major exogenous shocks and crises that disrupt the status quo and trigger fundamental institutional changes (Haydu 1998; Thelen 1999). Things like wars and energy crises are good examples of critical junctures in so far as the transformation of political institutions is concerned. Such arguments often invoke the notion of punctuated equilibrium where institutions are stable until disrupted suddenly by a shock, which triggers a major institutional adjustment and eventually a new equilibrium (Krasner 1984). But there are at least three problems with this approach. First, shocks and crises of the sort that constitute critical junctures explain why major, revolutionary changes occur, but not why more incremental or evolutionary (i.e. path dependent) change happens (Thelen 2000a, 2000b). Second, the critical junctures approach assumes that the impetus for institutional change comes in the form of an exogenous shock. There is little recognition that the internal inconsistencies and contradictions of an institutional arrangement may also spawn crises that result in its transformation (Haydu 1998; Schneiberg 1999). Third, the critical junctures approach tends to focus our attention on the key events that create pressures for change, but not on the complex search process that follows whereby actors actually determine what institutional changes to make, if any (e.g. Campbell and Lindberg 1991). It would appear, then, that we need a more nuanced approach to explain institutional change than those found typically in arguments about path dependence.

Institutional change

Several schools of thought can be identified that seek to explain how institutions change cross-nationally. These include arguments that emphasize functionalism and technical efficiency; diffusion, conflict and power, bricolage and translation, gaps

[3] There are strong and weak versions of the path dependence argument with the weaker ones being more open to the possibilities of incremental change along relatively fixed paths. For further discussion of the difference between strong and weak versions, see Djelic and Quack (2007) and Ebbinghaus (2005).

between intentions and outcomes, and institutional complexity. It is important to note that while these approaches differ in many respects, most of them avoid the punctuated equilibrium view of change.

Functionalism and Technical Efficiency

Early work in comparative political economy on institutional change stemmed from a critique of efficiency-based or functionalist theories. In particular, scholars criticized two streams of work. One was Alfred Chandler's (1977) research on the rise of the modern corporation in the United States. Chandler argued that in the United States managers shifted from a uni-divisional to a multidivisional firm structure in response to improvements in communication and transportation technologies, which led to the development of national and international markets for mass produced goods. Multidivisional firms were better equipped organizationally to manage the vast inputs and outputs required in order to achieve economies of scale. Hence, they were more efficient and, thus, more likely to survive in this new environment. Scholars have extended Chandler's logic by arguing that "new innovations in communication and transportation technologies, such as the Internet and overnight delivery service, create larger and more volatile markets, which have elicited a functional response in the form of new, decentralized, and networked inter-firm arrangements" (Powell 1987, 1990).

The other stream of scholarship receiving criticism was that of Oliver Williamson (1985), who argued that when specialized assets were required for manufacturing or marketing, and when inputs or outputs tended to be procured repeatedly from the same firm, the most efficient way to organize production and distribution was through hierarchically organized firms, such as those that Chandler studied, rather than through market contracting. This was because under these conditions hierarchies reduced transaction costs relative to what they would be in the market. Thus Chandler, Williamson, and their followers believed that institutional change was a functional response to changes in the technical environments within which firms operated, and that the most functionally efficient institutions tended to prevail over time.

Much of this work was based on analyses of the United States. However, subsequent criticisms were often based on cross-national research, which raised serious questions about the adequacy of these theories and suggested that had Chandler and Williamson been more sensitive to cases from other countries, they might have been more circumspect in their arguments. For instance, it is apparent that the organization of industries with similar technical requirements and markets can vary considerably across countries. One reason for this may have to do with cultural differences. British and American managers may be much less inclined to trust managers in other firms with whom they have to deal than is the case with Japanese managers, because Japanese culture places a greater premium on honourable behaviour than does Anglo-Saxon culture. Hence, the incentives to move contracting out of the market and into large vertically integrated, multidivisional firms in order to mitigate opportunistic behaviour and reduce transaction costs may be greater in Britain and the United States than in Japan. And this may be why the auto industry, for example, has traditionally been more vertically integrated in Britain and the United States whereas it has involved much more long-term subcontracting and outsourcing in Japan (Dore 1983). This may also be one reason why, despite the rise of economic globalization and increased international competition, national political economies have not demonstrated much convergence towards common modes of corporate governance, human resource management, or other institutionalized business practices as globalization has advanced (Dore 2000; Jacoby 2005). In other words, cultural and social relations may mediate the degree to which changes in the technical environment necessarily precipitate institutional transformations (see also Granovetter 1985).

Researchers have also criticized the functionalist view for neglecting the role of the state and politics in explaining institutional change (Campbell and Lindberg 1990; Fligstein 1990; Guillén 1994; Perrow 2002). Much research shows that the state influences how the economy is organized. One example is Dobbin's work on railroads. But other studies show that for political as well as cultural reasons political leaders can inhibit the development of certain types of economic arrangements and facilitate others. This is one reason why, for instance, Taiwan developed a form of capitalism based on networks of family owned firms; South Korea developed the chaebol form of capitalism; and Japan developed business groups consisting of many firms, connected through complex cross-shareholding arrangements (Hamilton and Biggart 1988). It is also why Italy has become famous for its industrial districts, which are an artifact of the post-war Christian Democratic Party's efforts to encourage the development of small and medium-sized firms (Weiss 1988). Especially important in all of this are national legal systems, which can affect the institutional arrangement of firms in the economy as well as their relationships with investors and other stakeholders (Roe 1994, 2003).

Despite the important insights of these criticisms of functionalist and efficiency-based arguments, few of them spend much time addressing the issue of change. Rather they engage in the sort of comparative statics approach discussed earlier where cross-national institutional variations, this time in either culture or political systems, account for the degree to which economies tend to follow the developmental trajectories specified by efficiency theorists.

Theories that emphasize functional or efficient outcomes are frequently rooted in rational choice theory. Williamson's theory of institutional change is a good example. However, some rational choice theorists have offered theories of institutional change that are neither functionalist nor assume that institutions tend necessarily toward efficiency. Notably, Douglass North (1990) argued that actors sometimes seek to renegotiate institutional arrangements as their preferences change. New institutions may or may not emerge and, if they do, they may or may not be more efficient. It depends, according to North, on the relative bargaining strength of the actors involved, their perceptions and interpretations of the situation and possibilities for change, and the prevailing institutional arrangements, which may be resistant to change as a result of various mechanisms that tend to lock them into place in path dependent ways[4]. This sort of argument has also been used recently to explain the dramatic deterioration of institutions in ways that severely compromise efficient economic growth. In particular, Robert Bates (2008) showed how many African states turned toward corrupt and predatory policies when, in the face of declining state revenues, their leaders moved to line their own pockets and reinforce their political power in ways that ruined the national economy.

Sceptics would argue that theories such as these ignore how things like values, ideologies, and other types of ideas may also affect institutional change (e.g. Blyth 2002; McNamara 1998). In his more recent work, North (2005) deliberately tackles these issues. He explains that one cannot understand institutional change without theorizing how the culturally and ideologically filtered perceptions of individuals set normative and cognitive constraints on their ability to change institutions in ways that yield more efficient outcomes. And he argues that explaining these constraints is essential because actors typically face situations marked by considerable uncertainty and incomplete information, which means that their ability to calculate rationally is limited. Hence, they must resort to a variety of cognitive schema in order to make sense of their situations and figure out what institutional changes to make. The fact that North points towards the importance of ideas, cognition and perception, offers a bridge to another and very different view of institutional change.

Diffusion

In contrast to rational choice arguments, John Meyer and several of his colleagues at Stanford University and elsewhere developed the idea that institutions and institutional change are not the result of either efficiency considerations or functionalist imperatives. Rather they are the result of organizations seeking legitimacy from their peers within a field of related organizations (Thomas et al. 1987). In other words, "organizations operate according to a logic of appropriateness rather than a logic of instrumentality" (March and Olsen 1989). They showed through a series of empirical studies that western institutional practices diffuse among nation—states such that over time countries tend to converge on common institutional norms that is, a set of principles and practices that are deemed appropriate and legitimate by their peers within the field. Hence, a decentralized world culture has emerged gradually during the twentieth century. For instance, nation–states have adopted common educational, environmental, human rights, scientific, and other practices that have been codified through international codes of conduct, treaties, and transnational organizations, such as the United Nations (e.g. Meyer et al. 1997*a*, 1997*b*).

[4] Within rational choice theory, bargaining strength, power relations, and negotiation have become increasingly important for theories of institutional change (e.g., Knight 1992, 2001; Ostrom 1990; Scharpf 1997).

Debate revolves around the mechanisms by which this sort of diffusion occurs, particularly in so far as it leads to the spread of institutions modelled after the advanced capitalist nations. The Stanford School typically argues that convergent or isomorphic outcomes stem from either a normative process, whereby organizations learn what the normatively appropriate practices are and then move to adopt them, or a mimetic process, whereby organizations observe the surrounding organizations, evaluate which ones are performing best, and then copy what they do in the hope that so doing will enhance their own performance (DiMaggio and Powell 1983). Research on developing countries, however, points to the fact that western practices are often coercively imposed on countries by international organizations, such as the International Monetary Fund or World Bank, in exchange for loans and other valuable resources (Haggard and Kaufman 1995; Stallings 1992).

The diffusion perspective has been criticized on several grounds. First, despite claims that the mimetic and normative processes of isomorphic change are the most common, much of the research does not convincingly make the case due to methodological flaws. In particular, these mechanisms are imputed rather than demonstrated empirically because researchers have been more concerned with investigating how much isomorphism occurs, rather than testing competing theories of how it occurs (Mizruchi and Fein 1999). This situation has started to improve lately as researchers have begun, for example, to study how particular actors, such as international non-governmental organizations, influence the policies and practices of nation-states through combinations of normative and coercive pressures (Boli and Thomas 1999; Keck and Sikkink 1998). Recent studies of globalization have also begun to test the mechanisms by which political and economic institutions have diffused internationally. They have found that all three mechanisms noted above (coercive, normative, and mimetic) have been operating, but that a fourth mechanism—competition—has also been evident where countries change because they believe that if they do not match the institutions of competitor states, then they will lose out (Dobbin et al. 2007; Simmons et al. 2008)[5]. In this work it is clear that the mechanisms postulated by diffusion theorists are not mutually exclusive explanations because combinations of these mechanisms may operate in particular cases (e.g. Babb 2001; Campbell 2001; Halliday and Carruthers 2007).

Second, critics have charged that diffusion models are too simple; they fail to take seriously the notion that diffusing institutional practices are modified and transformed when adopted by receiving countries (Djelic 1998; Duina 2006; Soysal 1994; Westney 1987). This is so even when a group of countries agrees to adopt a common practice, such as directives from the European Union, which are often modified by member states during their initial translation into national law, and again during implementation, in order to fit their unique institutional traditions (Duina 1999).

[5] The identification of competition as a fourth diffusion mechanism is not a new discovery, although it is one that is often neglected by diffusion theorists. Indeed, the classic article by DiMaggio and Powell (1983) that is generally credited with bringing coercive, normative, and mimetic diffusion mechanisms to the attention of scholars also recognized the importance of competition.

Thus, what may appear initially to be a case of isomorphic diffusion often involves considerable cross-national variation.

Finally, and following the last point, the diffusion perspective often dwells on cross-national similarities rather than differences. In other words, it turns a blind eye towards the important institutional differences that may exist across countries, the origins of these differences, the mechanisms that reproduce them, and therefore the significant effects that they may have for political-economic performance. This is in sharp contrast to theories of institutional change that focus on how conflict and power shape the institutional profiles of different countries in different ways.

Conflict and Power Struggles

Taking exception with the idea that institutional change is driven by a logic of appropriateness, a third perspective argues that institutional change is determined largely by conflicts and struggles to control valued resources, dominate markets, and otherwise obtain power (Amable 2003; Campbell 2004, ch. 6). Those who are most powerful get the institutions they want and are best able to change them to fit their purposes. For instance, Mark Roe (1994, 2003) showed that cross-national differences in corporate governance institutions resulted from political struggles among contending interest groups. In the United States, large insurance companies, investment banks, pension funds, and mutual funds have long been prevented by law from owning large blocks of stock in a firm. This is because politicians, banks, and other interested actors at the state and local levels feared the emergence of monopolistic financial intermediaries and passed legislation limiting stock ownership by these organizations. Hence, stock has long been held by a plethora of small, fragmented shareholders—a situation that affords corporate managers tremendous autonomy from shareholders and, thus, control over the firm. In other countries, such as Japan and Germany, the constellation of interests and political power was much different so legal obstacles to concentrated ownership were largely absent and shareholders gained more control vis-a-vis managers over firms.

Much of the literature on institutional change within this perspective pays close attention to the relationshi between the state and economy, often arguing that economic institutions are embedded in and thus largely determined by the political context within which they operate (Campbell and Lindberg 1990). So, for instance, researchers have shown that political fights led to changes in property rights and anti-trust law and, therefore, changes in institutionalized corporate practices (Fligstein 1990; Guillén 1994), inter-firm relations (Campbell et al. 1990), industrial arrangements (Best 1990; Perrow 2002), and the trajectory of capitalism per se (North 1981). Conversely, scholars have argued that the resilience of shareholder and stakeholder forms of corporate governance in the face of stiff global pressures to change stems from the efforts of powerful vested interests to maintain the institutional status quo—an argument that resonates with some of the path dependence literature discussed previously (Dore 2000; Jacoby 2005).

Some rational choice theorists have argued that power struggles over the distribution of resources are the driving force behind institutional change (Knight 1992, 2001; Scharpf 1997)[6]. However, researchers closely associated with the Stanford school have also started to see the relevance of this point of view. In particular, organizational sociologists are beginning to argue that institutional change resembles social movements in so far as it involves the strategic framing of issues and interests, mobilization of resources, and coalition building (Davis et al. 2005). In their view, this is a promising way to tease out the mechanisms underlying the coercive, normative, and perhaps even mimetic processes that they have often imputed to account for institutional change.

One of the most important insights recently about power and institutional change concerns competing models. Several scholars have shown that even though a particular set of institutions, such as a set of property rights or a particular form of corporate governance, may come to dominate the landscape, its proponents often had to defeat those advocating other models. For instance, small-firm industrial districts were commonplace during the early to mid-1800s in the textile and armaments industries in the United States, but eventually gave way to large vertically integrated firms (Best 1990; Perrow 2002). State owned utility and transportation systems often suffered the same fate (Roy 1997; Schneiberg 2007). These transformations often involved much political deal making, power brokering, and corruption. Competition among different institutional models has marked other countries as well (e.g. Djelic 1998; Weiss 1988). The point is that as a result of power struggles it is by no means guaranteed that the most efficient institutional models will win out in the end, or that institutions will change at all, even when they are found to be deficient in important ways (Perrow 2002; Schneiberg 2007). Proof of this is that multiple models may exist simultaneously for extended periods within a particular national political economy or industry (Campbell et al. 1990; Deeg and Jackson 2007). This also suggests that the processes of institutional reproduction and change are mutually constitutive. That is, many of the forces that change institutions—that is, conflict and struggle—also stabilize them.

Bricolage and Translation

The possibility that multiple models may exist side by side suggests that national political economies may be less homogeneous institutionally than is generally recognized by those who specify different ideal types of capitalism, such as liberal and coordinated market economies as posited by the varieties of capitalism approach (Campbell et al. 1991; Crouch 2005; Zeitlin 2003). As Campbell (2004, ch. 3) explains, this suggests that the process by which institutions change may often involve the rearrangement or recombination of institutional principles and practices in new and creative ways, or, similarly, the blending of new elements into already existing

[6] As noted earlier, this is a departure from other rational choice theorists who suggest that institutional change is a more or less inevitable response to shifting environmental conditions by actors who are interested in achieving an efficient institutional equilibrium (e.g. Calvert 1998; Shepsle 1986).

institutional arrangements. The former is known as bricolage; the latter is known as translation because new elements must often be modified to properly blend with the old institutions (see also Crouch 2005, ch. 3). This should not be surprising because even within well-established institutional orders there is much institutional flotsam and jetsam—bits and pieces of previously attempted models and parallel paths—that actors can use to fashion new institutional arrangements (Hanké and Goyer 2005; Schneiberg 2007).

There is considerable cross-national work using this perspective to explain, for instance, the evolution of national vocational training (Thelen 2004), post-communist inter-firm relations (Stark 1996), the emergence of Germany's coordinated market economy (Sorge 2005), translation of the American model into post-war Europe (Djelic 1998), translation of EU directives into national practice (Duina 1999), and the adoption of post-national citizenship in Europe (Soysal 1994). There are also excellent case studies of this process in single countries, such as the revival of the mid-western American metal working industry (Whitford 2005).

This approach has several advantages over the others reviewed here. First, it is not functionalist and does not assume that efficiency considerations drive institutional change. This is because power is important. Second, this approach is not excessively deterministic as, for instance, efficiency theories and some diffusion theories are. Actors exercise a degree of autonomy to pick and choose from their repertoires as they see fit. Third, this view sees institutions as dynamic. It does not view them only as constraints on action. It also views them as resources that actors can use to facilitate and enable action. Fourth, this is an approach that can account for change that is path dependent. Through bricolage and translation actors create new institutional combinations, but combinations that still resemble their predecessors to a significant degree in so far as they are made up of institutional principles and practices that entrepreneurs have inherited from the past (Campbell 2004, 2006).

That said, there is room for improvement in this approach. In particular, more work is required to understand where institutional entrepreneurs get their repertoires from and, thus, why they create one bricolage rather than another. At the micro level, one would want to understand the interpersonal networks within which entrepreneurs are embedded in order to know what sorts of ideas they are exposed to and likely to incorporate into their repertoires. Arguably, the most creative ideas come from people in networks spanning different institutional locations where they are exposed to multiple models thus providing relatively more possibilities for experimenting and creating hybrid institutional forms (Campbell 2004, ch. 3; Schneiberg and Clemens 2006: 218–19). One reason, for instance, that Italy did not embrace the American model of corporate organization and governance as much as Germany or France, after the Second World War, was because Italy had weaker ties to the United States through which the diffusion of ideas could flow. Thus, Italian political leaders were less supportive and accommodating of the American model than leaders in other European countries (Djelic 1998). Similarly, early twentieth-century institutional reform in the United States in agriculture, welfare, and urban planning stemmed from the interpersonal ties among politicians, social activists, and intellectuals on both sides of the Atlantic by which European models were found by American policymakers who often translated them into the American context (Rodgers 1998).

At the macro level, to explain bricolage one would want to know the range of alternative institutional models that had been tried or advocated previously in a certain location in order to understand the range of historically given alternatives that entrepreneurs might consider in the future. This is important, for example, in understanding why a cooperative model of production, which is quite different from the traditional American model, spread during the early twentieth century across infrastructure industries like electricity generation, insurance, and banking in the mid-western United States (Schneiberg 2007). It is also important for understanding how the Dutch pension system shifted from public towards private provisions, drawing upon dormant or suppressed historical alternatives that had been experimented with briefly immediately after the Second World War (Ebbinghaus 2005). And it helps explain how French firms in the 1980s reduced their dependence on the state and capital markets and decentralized labour relations and economic planning to increase productivity. The inspiration for these institutional innovations came from a largely unsuccessful earlier effort by the state to deregulate, decentralize, and privatize financial and other markets (Hanké and Goyer 2005).

Gaps Between Intentions and Outcomes

Recall that the varieties of capitalism literature argues that national political economies consist of rather stable sets of complementary institutions falling into two basic types, liberal and coordinated market economies. In this view, stability stems from the presence of institutional complementarities, by which interconnected institutions reinforce each other, thereby deterring actors from changing any one of them for fear of triggering change in the rest. But the evidence is clear that national political-economic institutions are changing, if often in only incremental ways (Morgan et al. 2005). As a result, some scholars have tried to push this perspective in a more dynamic direction that is better equipped to explain institutional change (e.g. Crouch 2005; Deeg and Jackson 2007; Ebbinghaus 2005). In some cases, this has led to a cataloging of different patterns and mechanisms of institutional change in advanced capitalist economies during the late twentieth century.

Streeck and Thelen (2005) offer a typology of change that is perhaps the most well-known example of this approach. They identify five patterns and mechanisms of change. To begin with, institutions change when new institutional layers are grafted on to existing institutions, or when new institutional models appear and replace old ones. They refer to these processes as layering and displacement, respectively. To a degree, they resemble bricolage and translation. Under layering, actors perceive that their interests would be better served by adding new institutional principles, or practices, to old ones in the hope that the new ones will grow and eventually reduce the salience of the old ones. So, for instance, private pension schemes were added on to public social security systems in the hope that the former would grow in popularity to such an extent that public pensions would no longer be needed by most citizens. Under displacement, actors operate from a similar calculus but simply abolish old institutions and add new ones. In both cases, actors deliberately reform institutions.

Streeck and Thelen also argue that institutions change when the functions they serve change (see also Deeg and Jackson 2007; Ebbinghaus 2005: 23). They identify three possibilities. First is drift, a situation where the environment surrounding an institution changes in ways that alter the scope, meaning, and function of the institution. Sometimes this happens by accident, but sometimes it happens because actors deliberately neglect to keep an institution current vis-à-vis its environment. This might happen, for instance, when the national birth rate rises but policymakers do not increase funding for family allowances and daycare. Second, is conversion, a situation where formal institutions per se do not change, but are redirected toward new goals, functions, or purposes. German vocational training was initially intended to undermine the social democratic labour movement, but eventually became a source of strength to that movement vis-à-vis employers. Third, is exhaustion, a situation where an institution gradually withers away because it no longer functions as intended. That is, it no longer produces enough significant returns or benefits relative to costs. Germany's early retirement system, for instance, was established to deal with the unemployment associated with a few declining industries. But over time it was used to cope with rising unemployment more generally, especially during reunification. As a result, the demands on the programme outpaced the growth of its budget thereby threatening its very existence.

Identifying drift, conversion, and exhaustion as three types of institutional change is Streeck and Thelen's most innovative contribution. In particular, it focuses on the idea that institutional change is associated with the gap that may emerge between the intentions and actual outcomes of institution building. A substantial literature on policy implementation exists that takes off from the recognition that such a gap exists (e.g. Pressman and Wildavsky 1984). But few have incorporated this insight into an analysis of institutional change. We will return to this point later.

Creating typologies like this one is admirable in so far as it alerts us to the possibility that there may be a variety of mechanisms and processes involved in institutional change, not just one. However, this approach suffers in an important respect. The argument is framed as a sympathetic corrective to the varieties of capitalism literature (Streeck and Thelen 2005: 5–6). But while the notion of institutional complementarities is the core principle upon which the varieties of capitalism approach rests—and the source of institutional stability—Streeck and Thelen's approach to change actually says very little about how institutional complementarities or the interconnections among institutions more generally may provide important dynamics for institutional change. Their five types of change focus either on a single institution in isolation from others (drift, conversion, exhaustion), or on multiple institutions but with little regard for the complementarities that may or may not be involved (displacement, layering). Thus, their approach provides important insights about institutional change over all, but not about how institutional change is derived from or based on institutional complementarities and interconnectedness.

Recently, and in response to their critics, proponents of the varieties of capitalism approach have taken it upon themselves to develop an analysis of institutional change that is compatible with the notion of institutional complementarity (e.g. Hancké et al. 2007*a*; Thelen this volume). In brief, they argue that exogenous shocks, such as increased international trade, capital flows, and competition, create pressure for national economies to adjust their institutions in order to compete effectively—pressure that mounts as gaps between intentions and outcomes materialize, such as when firms or industries lose their competitive edge. However, these adjustments occur within constraints presented by cross-class coalitions, intra-firm relations, informal networks among business and policymakers, and state institutions—all of which played key roles in the development of national institutions and institutional complementarities in the first place. As a result, adjustments normally follow an incremental path-dependent process, not deviating radically from past practices. Why? Actors may seek institutional and functional equivalents to preexisting forms of coordination. For instance, German centralized wage bargaining persists but has adopted a cost-competition wage model. Or significant institutional changes may occur in one sector of the economy without spilling over into others, thus preserving many of a country's institutional legacies and complementarities. However, if cross-class coalitions or networks have changed dramatically since they created current institutions, then more radical institutional change can occur as pressure mounts. And it may spread from one sector to another if they are tightly linked. While all of this is said to hold for all types of capitalism, there is a certain asymmetrical quality to the argument. Several scholars argue that change is more arduous in national political economies that have high levels of institutional coordination, such as Germany or Switzerland, because change there requires negotiation, compromise, and arm twisting among social partners, related businesses, and policymakers. Where such coordination is lacking, as in Britain or the United States, institutional change can take place faster and easier (Hall 2007; Hancké et al. 2007*b*).

Institutional Complexity

Many critics of the varieties of capitalism approach have argued that it oversimplifies institutional reality. Real-world national political economies are in varying degrees complex institutional hybrids. They consist of a variety of interrelated institutions, some typical of liberal market economies and some typical of coordinated market economies (Amable 2003; Campbell et al. 1991; Crouch 2005; Zeitlin 2003). Moreover, institutions (i.e. rules) are rarely specified or understood absolutely clearly. As a result, they are ambiguous and open to interpretation by actors (Halliday and Carruthers 2007: 1149; Streeck and Thelen 2005: 14). All of this opens up the possibility that institutions are not as stable or locked in as the concept of institutional complementarity suggests (Deeg and Jackson 2007; Ebbinghaus 2005; Streeck and Thelen 2005; Djelic and Quack 2007). These insights have led to several new theoretical moves to explain institutional change.

The first move involves insights about the institutional variety and hybrid nature of political economies. As already discussed, real-world political economies are institutionally complex. There are a variety of institutional principles and practices available for actors to use when they want to change institutions. Bricolage, layering, translation, and displacement are the processes that are enabled by such institutional variety and hybridization (Campbell 2004; Crouch 2005). In this sense, institutions should be viewed as resources that actors can use in the pursuit of their interests (Hall and Thelen 2009; Streeck and Thelen 2005). Some have gone so far as to argue that the more institutional heterogeneity there is in a situation, the more likely it is that actors will engage in truly innovative institutional changes. Hence, contrary to the varieties of capitalism view (e.g. Hall and Gingerich 2004), heterogeneity and hybridization in national political economies may be beneficial because it yields institutional flexibility and innovation—that is, institutional change—that can improve socio-economic performance (Crouch 2005: 71).

The second theoretical move involves institutional interconnectedness. This is the premiss underlying the varieties of capitalism argument that strong complementarities prevent widespread change because actors are hesitant to change one institution for fear of starting ripple effects in others (Deeg and Jackson 2007: 167; Hall and Thelen 2009). The critical insight is that understanding institutional change requires a relational approach. That is, one cannot understand change simply by focusing on a single institution; it can only be understood by focusing on the relationships among institutions. This is not because a change in institution A necessarily triggers a functional response in institution B. Rather this is because actors in institution B have learned to live with institution A in ways that yield certain benefits, such as those derived from institutional complementarity. So when institution A changes, actors in institution B may suddenly have incentives to make changes in B in order to preserve these benefits or develop new ones.

For instance, changes in property rights institutions often precipitate changes in other institutions (Campbell and Lindberg 1990). Fligstein (1990) showed that in the United States every time policymakers made major changes to anti-trust law, the institutions of corporate organization and management changed as well, first from horizontally integrated firms, then to vertically integrated firms, and finally to conglomerates. This was because corporate managers wanted to avoid the penalties associated with violating new anti-trust laws and so changed their own institutions. As one institution changed it created new incentives for actors in another institution to change as well. Managers avoided the costs that would have been incurred by leaving a mismatch between the new law and the old corporate practices, which would have now been illegal. In fact, this was a reciprocal or co-evolutionary relationship because corporate practices initially precipitated changes in anti-trust law, which then precipitated further changes in corporate practices, and so on (see also Djelic and Quack 2007; Halliday and Carruthers 2007).

It follows that the more tightly coupled institutions are, the more likely it will be that a change in one will precipitate a change in another. For example, during the 1980s international financial organizations embraced and institutionalized a new set of normative principles—neo-liberalism. When the communist regimes in Eastern Europe collapsed, those countries that were more indebted to these organizations (e.g. IMF, private banks, national governments) were more likely to institutionalize neo-liberal practices themselves than countries that were less indebted (Campbell 2001). In other words, post-communist countries that were more tightly coupled to western financial organizations were more susceptible to the institutional changes favoured by those organizations. Of course, proponents of the varieties of capitalism view and others have made the opposite argument, suggesting that tight coupling (i.e. strong complementarities) tends to prevent widespread change (Djelic and Quack 2005: 159, 2007). We need better specifications of exactly what constitutes loose and tight coupling and then empirical research to settle the issue (Deeg 2005).

These last examples also illustrate a third theoretical move regarding institutional complexity and change—a move that emphasizes the connections among different institutional levels. The varieties of capitalism literature, among others, focuses on how the interconnectedness of institutions at the national level may affect change. Put differently, they stress the horizontal connections among institutions within a particular level of analysis. But others have shown that the vertical connections among institutions across local, regional, national, and international levels are also important. For instance, Halliday and Carruthers (2009) examined how after the 1997 Asian financial crisis various international professional and non-governmental organizations promulgated general guidelines for bankruptcy legislation in the hope that national governments would adopt them, standardize the law across countries, and thus enhance international commerce. However, the degree to which countries like China, Indonesia, and South Korea did so depended in large measure on how much leverage international organizations, multinational corporations and other states had over them and how legitimate these governments perceived the guidelines to be. In other words, institutional change at the national level was very much conditioned by forces related to institutional change at the transnational level. The importance of international guidelines, standards, and other forms of 'soft law' has gained increasing attention among scholars interested in how transnational institutions cause change at the level of nation-states (e.g. Djelic and Sahlin-Andersson 2006). But causality can work in both directions. Transnational institutions are often shaped according to various national institutional precedents. Nation-states helped create Halliday and Carruthers's transnational bankruptcy guidelines. And transnational markets including the European Single Market, Mercosur in South America, and the North American Free Trade Agreement, were all shaped according to the legal precedents of their member states (Duina 2006). Furthermore, changes in national institutions may be very much influenced by institutional changes at the subnational level as occurred when the US government modelled its welfare institutions on those developed earlier by state governments (e.g. Skocpol 1992). That is to say, things both trickle down and trickle up.

The fourth theoretical move stems from the notion of institutional ambiguity, which implies that the meaning of an institution is always open to interpretation. The exact meaning of an institution is never completely clear because social norms and rules are never unequivocal or capable of speaking for themselves. And interpretations of what an institution is are contested and may change over time. Indeed, what an institution makes possible, or not, is continuously redefined by what might be called interpretive entrepreneurs (Streeck and Yamamura 2003: 44). The possibility for such interpretive flux is exacerbated by the fact that actors are situated simultaneously in multiple and complex institutional locations, which makes it difficult for them to define their interests and strategies for action (Weir 2006).

It follows that the nature of institutional complementarity is also open to interpretation[7]. That is, actors may perceive for various reasons that a certain institutional configuration no longer yields benefits associated with institutional complementarity and, therefore, move to change it. Such an interpretation would be based on the belief of some actors that the institutions in question were not serving their interests in a satisfactory manner any longer, or that they were otherwise inappropriate (Hall and Thelen 2009). That said, "institutions may generate different levels of complementarity for different groups of actors" (Deeg and Jackson 2007: 168). Assuming that institutions are settlements born from struggle and bargaining (Campbell 2004: 1), then those in power are most likely to hold sway over the situation and, thus, it is their interpretations that may matter the most in the end. But this will involve considerable struggle, bargaining, and negotiation over these interpretations.

Comparative political economy has taken up issues of interpretation by analysing how ideas and discourse affect institutional change. Blyth (2002), for example, showed how different interpretations of the 1970s stagflation problem led to changes in taxation and welfare institutions in Sweden and the United States. And Schmidt (2001, 2002) showed how policymakers use different discursive strategies in different countries to facilitate change depending on the institutional configuration of their political economies. As noted above, even rational choice theorists, who have not typically paid much attention to the issue of interpretation, have started to recognize how important this is for explaining institutional change (e.g. Knight and North 1997; North 2005)[8]. Central to much of this work is the notion that ideas and

[7] Indeed, even among researchers, there is disagreement on just what institutional complementarity means and how it should be measured (e.g. Crouch 2005; Hall and Gingerich 2004; Kenworthy 2006).

[8] Perhaps the most extreme turn in this direction from within rational choice theory comes from North (2005), who advocated recently the cognitive approach to understanding institutional change noted earlier.

discourse can be used strategically by actors as tools in struggles to change institutions, but that they also exert effects structurally by constraining how actors perceive their interests and options in the first place (Campbell 1998).

Some of the most innovative work in this area stems from the recognition that perceptions and interpretations themselves can change according to changes in patterns of interactions among policymakers and others. For instance, one reason that the institutions governing German business are changing is that young corporate managers in Germany, who were formally trained in the United States, have started to develop different world views regarding how business systems ought to be organized that are more in line with their Anglo-American counterparts than with traditions in their own country (Lane 2005: 93). In addition to formal training, managers may have different perceptions of their firm's interests depending on how much interaction they have with other firms in their industry through business and employer associations (Martin 2005, 2006). Similarly, researchers have found that when groups with apparently diametrically opposed interests are granted authority to cooperatively make regulatory policy themselves, rather than lobby the state for it, long-term dialogue ensues, which leads actors to reinterpret their interests. In the end, previously adversarial, zero-sum conflicts become consensual, positive-sum negotiations that lead to cooperative trial-and-error experimentation, and incremental institutional change (Dorf and Sabel 1998; Karkkainen et al. 2000). Much the same occurred in Germany as firms learned that benefits could be gained through codetermination legislation, which forced them to cooperate with labour (Streeck 1997). The point is that the nature of the interactions that occur among actors from different institutional spheres may affect their interpretations of problems and interests and, in turn, institutional change itself (Fligstein 2001).

Finally, a fifth theoretical move involves the origins of change. Some scholars assume that institutional change is triggered initially by exogenous shocks of various sorts. This is common, for example, among scholars who argue for path dependent accounts of change of the punctuated equilibrium form, and among researchers who view institutional change as a functional response to technological innovations. But recognizing that there is much institutional variety in the world raises the possibility that the incentives or logics of action associated with different institutions may create tensions or otherwise contradict one another (Friedland and Alford 1991; Orren and Skowronek 1994). People may be motivated to ease these tensions or resolve these contradictions by changing institutions. Similarly, the ambiguities associated with interpreting institutional rules creates opportunities for reinterpretation, which can then lead to institutional change. Hence, change is not necessarily precipitated by exogenous shocks but can also be triggered by endogenous processes. Theorists and researchers have started to incorporate this realization into their theories of institutional change (e.g. Campbell 2004, ch 6; Sorge 2005).

The ontological nature of institutional change

Despite the amount of attention paid to explaining institutional change, surprisingly little effort has been devoted to defining exactly what we mean by institutional change in the first place. What exactly constitutes evolutionary or revolutionary change, incremental or rapid change, and so forth? And how do we know it empirically when we see it?

Some researchers have argued that institutions are multidimensional sets of rules so it is important to track all the important dimensions over an appropriate period of time in order to determine how much and what kind of change has occurred in specific cases. In comparative political economy this has led recently to the use of quantitative techniques, such as cluster analysis, in order to identify different institutional types of capitalism (e.g. Amable 2003; Boyer 2004). Combining cluster analysis with longitudinal techniques like event history analysis or interrupted time-series analysis is a way to more precisely identify the degree to which different dimensions of an institution change over time. The logic of tracking institutional dimensions can be used in qualitative as well as quantitative analysis (Campbell 2004, ch. 2).

Another recent approach is to focus on institutional functions. Here institutions are considered to have changed if the functions they are said to perform shift or are otherwise transformed. Streeck and Thelen (2005) illustrate the approach especially in so far as they see institutional change where unintentional drift, conversion, or exhaustion occurs, meaning that an institution's function has changed but its formal rules have not[9]. But taking a functionalist approach to measuring institutional change is fraught with difficulties. First, determining precisely what functions an institution performs can be a devilishly tricky business, especially if we take seriously the notion that some functions may be less obvious than others (e.g. Merton 1967). Second, picking important functions is not always straightforward. Even proponents of the institutional complementarities perspective seem to disagree about which functional indicators are most important to track (e.g. Hall and Gingerich 2004; Kenworthy 2006), if for no other reason than that selecting the 'most important' functions is partly a normative matter. Third, it is easier to determine the degree to which institutional rules have changed than it is to determine the degree to which these changes have affected functional performance. This is because it is often hard to determine precisely how much institutions, rather than other factors, affect national political-economic performance (Schwartz 2001). Fourth, if institutions actually

[9] There is a tension within their argument regarding how they define institutions. They write that institutions are "formalized rules that may be enforced by calling upon a third party" (p. 10), a definition that is consistent with that used by many people, including most comparative political economists. But they also write that "the practical enactment of an institution is as much part of its reality as its formal structure" (p. 18), which points to the importance of institutional functions.

consist of both rules and functional outcomes, then the question becomes how much change has occurred if the rules but not the function change, or if the function but not the rules change? Are these two possibilities equivalent or somehow significantly different? This is a tough question left unanswered.

All of this has implications for contemporary debates about the degree to which capitalist institutions are changing as a result of rising transnational economic activity. Some suggest that national institutions are beginning to converge on a common set of principles and practices while others say they are not. Part of this debate revolves around exactly which institutions are being examined. But part of it revolves around whether institutions are defined in terms of their rule structures or functions. A review of this literature is well beyond the scope of this chapter, but my guess is that those who dwell on institutional functions may find more change than those who dwell on rules per se (e.g. Campbell 2004; Streeck and Thelen 2005).

In sum, definitions matter. The definition of an institution has major implications for how researchers can study institutional change and how much institutional change they find. Most researchers would accept that changes in rules qualify as institutional change. I suspect that many would be less inclined to accept that changes in function also qualify.

Conclusion

Several things have become clear as the literature on institutional reproduction and change has evolved. First, where early theories emphasized functional or technical imperatives as the driving force behind institutional change, more recent theories have paid more attention to how actors are involved in the process—as institutional entrepreneurs, bricoleurs, and so on. As such, theorists and researchers have incorporated the notion of struggle, conflict, and negotiation over institutions into their understandings of institutional change. This is especially important because it reveals how institutional reproduction and change are flip sides of the same coin. That is, institutions are contested. So, depending on the balance of power among those contesting them, they may change or not. In this sense the processes of institutional reproduction and change are mutually constitutive—many of the forces that change institutions also stabilize them.

Second, with an increased emphasis on actors, there is also increased attention being paid to how actors perceive and interpret their situations vis-à-vis institutions. Similarly, institutions are seen not only as constraints that limit the range of choices available to actors, but also as malleable resources that actors can use to achieve their objectives. The notions of bricolage and translation are especially important in this respect. And the malleability of institutions is enhanced to the extent that they are ambiguous and open to interpretation by actors in the first place.

Third, the notion of path dependence is becoming understood in a more dynamic way. On the one hand, we now understand how institutions provide resources and opportunities that creative and innovative actors can use to alter institutional arrangements, albeit in incremental and evolutionary ways. In this regard, the punctuated equilibrium view of change has been supplanted by more nuanced views. On the other hand, we also understand how institutions constrain—but do not completely determine—the choices available to actors. So the concept of path dependence is more useful for explaining the process of change—better still, constrained change—than has previously been the case.

Finally, we now recognize that institutions are multidimensional phenomenon and that in political-economic settings a variety of institutions are in place. This has led to a greater appreciation for the interconnectedness and complexity of institutional settings. In turn, this has led researchers to inquire about how interconnectedness, institutional complementarities, and tight and loose coupling affect institutional change. It has also led scholars to recognize that institutions at the national level are connected to institutions at the transnational and sub-national levels in ways that affect change. Better understanding of these relationships is probably the area we know least about and that requires the most attention in the future.

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