Theories of Institutional Change: 
Applied to the study international market regulation, political economy, European decision-making and international agreements

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Second term seminar 2010/2011 
Tuesday 15:00-17:00 
Seminar Room 4, Badia Fiesolana

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It is the goal of the seminar to discuss broad questions of institutional change from various angles: how are institutions to be defined? How do they differ from the concept of organization? Starting from the definition of Douglass North of institution as “a man-made rule of behavior restricting and facilitating human interaction” we will ask questions (see for instance Kingston and Caballero 2009) such as

- under what circumstances is institutional change to be understood as a spontaneous, evolutionary process
- or as an outcome of deliberate institutional design?
- What is the relationship between formal rules and informal rules?
- What determines the pace of institutional change?
- What is the role of politics and collective action?
- What roles do exogenous shocks and endogenous parameter changes play as drivers of institutional change?
- When do institutions fail to change, and why? What are the main sources of institutional inertia that make institutions relatively durable over time?
- What kinds of equilibria are likely to be selected if there are multiple equilibria?
- When, and how, does history matter?

During the course different versions of institutional analyses will be discussed, including the rational choice, sociological and historical institutionalist perspectives using examples from the study of the change of supranational regulative institutions, the varieties of institutionalizing capitalism to the change of European institutional rules and international agreements.

As dramatically evidenced by the global financial crisis, the interaction of domestic regulatory systems has significant international consequences. Nevertheless, these relationships have received only limited attention from international relations scholars. The study of international market regulation – the processes through which the domestic regulatory activities of states and other actors set the effective rules of internationally-exposed markets is an evolving new research area that wants to fill this gap. It draws on and extends on arguments developed by historical institutionalists in comparative politics and American political development. In particular, the contributions in this field adapt two mechanisms – policy feedbacks and relative sequencing – to explain state and bureaucratic preferences over international market regulation as well as bargaining
strength in relevant negotiations. In the research field of the political economy of various models of capitalism, two issues occupy the central place: what factors shape the change of domestic institutions and through what mechanisms do processes of globalization effect domestic institutional change. One of the most influential, and also one of the most contested approaches within this field stresses the role played by institutional complementarities in maintaining comparative institutional advantages and explaining the reproduction of diverging institutional pathways.

The institutions in the European Union have been subject to repeated reforms and to a process of continuous institutional change. The institutional reforms have been engaged in at the specially convened intergovernmental conferences. They have primarily aimed at extending the formal powers of the European Parliament in the legislative process, but also its role in selecting Commissioners and its role in the control of the implementing powers of the Commission. Democratic institutional reform, however, also focused on the decision-making processes in the Council of Ministers, such as the allocation of votes to member states, or the role of national parliaments in the European decision process. This process of reform is predominantly characterized by bargaining among member governments. At the same time the democratic institutions deliberately created and revised in the intergovernmental conferences, precisely because they often represent vague compromises, once established have been subject to a subtle but continuous process of specification and modification in the course of their daily application. These subtle, changes in their sum may lead to important institutional changes between formal treaty revisions or interstitial institutional change. It is the objective to theoretically explain both institutional reforms and interstitial institutional change over a longer period of time, to analyze the underlying process dynamics and their outcomes.

In the third block we start from the Rational Design of International Institutions in the explanation of the design and change of international institutional rules. Including nonstate actors, international institutions and forms of power besides military force as well as interdependence in the analysis of changing institutional rules of international politics helps shed light on the changing dynamics of international cooperation and conflict.

Requirements: Participants are expected to actively engage in the discussion and to present at least one or two of the literature of the syllabus. If their projects deal with institutional change they are encouraged to present their own theoretically guided empirical research on institutional change in one of the areas of study. Informed participation in each weekly seminar is expected of every student in the course. To prepare for the discussions, write a short essay (2 pages) on the required readings for each week and upload it to the PbWorks site of the course at least 2 hours before the starting of the seminar. Researchers who want to write their term paper on a topic linked to this course should begin working on the paper in the first part of the course. The topic and the format of the final paper are your choice, in consultation with the instructor. It is expected that participants present and discuss one or two texts from the syllabus.

31 May: deadline for the submission of the second term paper (please send a copy to the seminar’s professors and the relevant secretary)
Session 1: Introduction

**Required**

Ostrom, Elinor, 1986, An Agenda for the Study of Institutions, Public Choice, 48:3-25

**Recommended**


**Block A: International Political Economy, European Political Economy**

Session 2: Historical Institutionalism

**Required**


**Recommended**


Session 3: Rational choice institutionalism

**Required**

Session 4: Constructivism Ideas and Institutional Change

Guest Speaker: Pepper Culpepper

Required


Recommended
Goldmann, K. 2005, Appriateness and Consequences: The Logic of Neoinstitutionalism, Governance, 35-52


Session 5: Varieties of Capitalism: Institutional complementarity and the politics of institutional change

Required

Wolfgang Streeck “E Pluribus Unum? Varieties and Commonalities of Capitalism” MPIfG Discussion Paper 10/12 Max-Planck-Institut für Gesellschaftsforschung, Köln Max Planck Institute for the Study of Societies, Cologne October 2010

Recommended

Session 6: Evolutionary Approach Guest speaker Sven Steinmo

Required

Block B: Decision-making in the EU

Session 7: Continuous institutional change in Europe

Required
Héritier, A. 2007, Explaining institutional change in Europe, OUP, pp. 5-66, 139-154


Recommended:


Session 8: International Organization

Required
Koremenos, B., 2005, Contracting Around International Uncertainty, APSR, 549-65


Session 9: International Organization (cont)

Required
Gilligan, M.J. The Transaction Costs Approach to International Institutions, in H.Milner, A.Moravscik, eds. Power, Interdependence, and Nonstate Actors in World Politics, PUP,


Session 10: Conclusion