Institutions in Comparative Policy Research

Fritz W. Scharpf

Comparative Political Studies 2000 33: 762
DOI: 10.1177/001041400003300604

The article explores the intersections between the different perspectives of institutional and policy research and discusses the characteristic purposes and conditions of theory-oriented policy research, where the usefulness of statistical analyses is generally constrained by the complexity and contingency of causal influences. Although comparative case studies are better able to deal with these conditions, their capacity to empirically identify the causal effect of differing institutional conditions on policy outcomes depends on a restrictive case selection that would need to hold constant the influence of two other sets of contingent factors—the policy challenges actually faced and the preferences and perceptions of the actors involved. When this is not possible, empirical policy research may usefully resort to a set of institutionalist working hypotheses that are derived from the narrowly specified theoretical assumptions of rational-choice institutionalism. Although these hypotheses will often be wrong, they are useful in guiding the empirical search for factors that are able to explain policy outcomes that deviate from predictions of the rationalist model.

INSTITUTIONS IN COMPARATIVE POLICY RESEARCH

FRITZ W. SCHARPF
Max Planck Institute for the Study of Societies

Varieties of the new institutionalism hold a promise of theoretical integration across several subdisciplines of the social sciences and a wide range of research fields, including comparative politics, the study of European integration, comparative political economy, comparative industrial relations, and comparative industrial governance (Hall & Taylor, 1996; Jupille & Caporaso, 1999; Thelen, 1999). There are thus good reasons to explore the usefulness of institutional explanations in comparative policy research as well. However, in doing so, we need to be aware of the special conditions that complicate their application in this particular field. To begin with, it seems useful to specify the ways in which institutionalist and policy perspectives may intersect.

The policy perspective focuses on two different questions that I described as being problem oriented and interaction oriented (Scharpf, 1997, pp. 10-12). Under the first perspective, policy research will analyze the nature and causes of (societal) problems that (public) policy is expected to resolve and the

COMPARATIVE POLITICAL STUDIES, Vol. 33 No. 6/7, August/September 2000 762-790

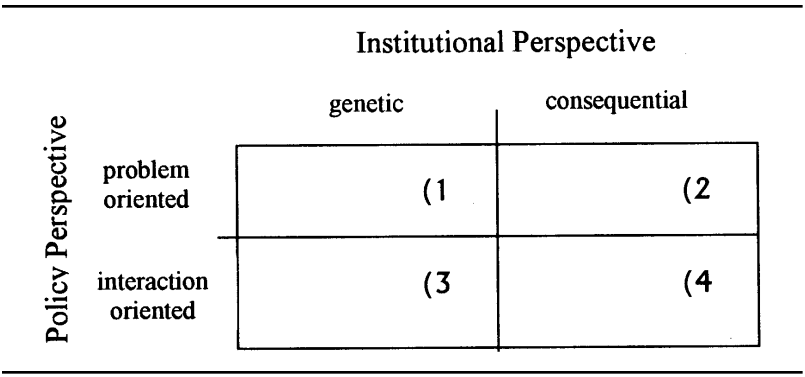

Figure 1. **Institutional perspective versus policy perspective.**

(empirical or potential) effectiveness of policy responses to these problems. Quite obviously, much of the substantive knowledge required in problem-oriented policy analyses will not come from political science but from other disciplines such as macroeconomics, labor-market economics, public health, biology, or climatology. By contrast, within the perspective of interaction-oriented policy research, political-science knowledge is likely to dominate analyses of the interactions between policy makers and of the conditions that favor or impede their ability to adopt and implement those policy responses that problem-oriented analyses have identified as being potentially effective. Similarly, the study of institutions also includes two distinct perspectives, with one focusing on the consequences that institutions may have for actors and actions within their domains and the other focusing on the genesis of and transformation of institutional arrangements themselves. If we combine these perspectives in a fourfold table, it is clear that interesting research questions may be located in all four cells (see Figure 1).

In the first cell, one would locate functionalist attempts to explain the existence of specific institutions by their ability to solve certain societal or economic problems—a perspective that, for instance, informs the institutionalism of transaction-cost economics (Williamson, 1985). In the second cell, the perspective is reversed, asking how the existence of given institutions contributes to the emergence or avoidance of certain societal or economic problems—a perspective adopted by structuralist studies that, for instance, attribute differences in the rate of inflation to the existence or absence of centralized wage-setting institutions (Calmfors & Driffil, 1988) or of independent central banks (Cukierman, 1992). In the third cell, research could focus on how institutional change may be explained as the outcome of strategic interactions between purposeful and resourceful actors—a perspective that,

for instance, has been highly productive in explaining major institutional changes in the European Union (EU) as the outcome of strategic interactions between national governments (Moravcsik, 1998).

The fourth cell, finally, identifies the perspective on institutions that is characteristic of interaction-oriented policy research. It treats institutions as one set of factors affecting the interactions between policy actors and hence the greater or lesser capacity of policy-making systems to adopt and implement effective responses to policy problems. This is the perspective adopted in this article. It differs from the structuralism in the second cell by its actor-centered character. Actors and their interacting choices, rather than institutions, are assumed to be the proximate causes of policy responses, whereas institutional conditions, to the extent that they are able to influence actor choices, are conceptualized as remote causes (Scharpf, 1997). However, because actors differ in their orientations and capabilities and because we also need to take account of the problem perspective, the search for or the use of institutional explanations faces characteristic difficulties in the context of interaction-oriented policy research. These difficulties will be discussed in the following section; I will then turn to the uses of institutional explanations in comparative policy studies.[1]

THE ELUSIVE QUEST FOR GENERALITY

To a greater degree than is otherwise true in the social sciences, policy research aspires to pragmatic usefulness in the sense that it should be able to provide information that (if heeded by policy makers—which is another question altogether) could contribute to the design of effective and feasible policy responses to given societal problems. At the practical end of a continuum, this calls for in-depth analyses of specific policy problems and interaction constellations that may best be done by consultants or the in-house staffs of ministerial departments and other policy-making organizations rather than by theory-oriented academic research. At the same time, however, such applied work would greatly benefit from being able to draw on empirically validated theoretical propositions specifying general causal mechanisms affecting the feasibility and effectiveness of policy options.

Given the multidimensionality and variety of real-world policy problems, however, any general theoretical proposition can at best only cover partial

1. Most of my examples will be taken from the fields that I know best—cross-national comparative studies of welfare state and employment policy responses to changes in the international economic environment (Scharpf, 1991; Scharpf & Schmidt, in press).

aspects that need to be integrated with other partial theories in the development of effective policy designs—just as the solution of any complex engineering problem will draw on a wide range of distinct natural-science theories. However, in policy research, even the search for partial theories is affected by the real complexity of its subject matter. Whereas the natural sciences can often rely on experimental designs to isolate the causal effect of a single factor, this is not usually possible in the social sciences. Here the comparative empirical study of real-world phenomena is generally our only way to discover causal relationships. However, regardless of whether the comparison is intertemporal, cross-sectional, or cross-national (which will be my focus here), if institutional conditions are thought to matter, then they are in themselves very complex factors with a high degree of variability across time and space. Moreover, if the dependent variable is to be policy responses, interaction-oriented policy research must also consider at least two additional sets of factors that are likely to have causal influence—the characteristics of the policy problems faced and the characteristics of the policy actors involved. These conditions constrain the design of theory-oriented and empirical policy research (Scharpf, 1997, chapter 3).

The standard way of dealing with complex factor constellations in empirical research is through multivariate statistical analyses that seek to identify the causal effect of specific variables while trying to control for the influence of other factors. Because internationally comparative policy studies are inevitably plagued with the small-*n* problem of too many variables and too few cases, it has become common practice to multiply the number of available observations by relying on cross-country, pooled time-series data (Beck & Katz, 1995). Their usefulness is limited, however, by the fact that some of the factors that influence outcomes may be both country-specific and relatively stable over time so that the multiplication of observations does not increase the available information to nearly the same degree. The same is true if exogenous shocks (like the oil price crises of 1973 to 1975 and of 1979 to 1981) affect all countries at the same time. If these fixed effects are then accounted for by the introduction of country and year dummies in the regression equations, then what is left is statistical information about relationships between variables that are cleaned of all influences that are specific for a given country or a given time period.

In the field of comparative political economy, there is a growing and methodologically sophisticated literature relying on these remedies for the small-*n* disease. They seem most useful for the identification of stable ceteris paribus relationships of an essentially structural character. Examples are studies of the relative influence on taxation and social spending levels of economic growth, trade openness, capital mobility, and other economic factors

on one hand and of the political and organizational strength of left-of-center political parties, labor unions, or corporatist institutional arrangements and other institutional factors on the other (Garrett, 1998; Garrett & Mitchell, 1999; Hicks, 1999; Rodrick, 1997). Similar methods are used to assess the effects of wage dispersion on private service employment (Iversen & Wren, 1998), of central-bank independence on inflation (Cukierman, 1992), or of more or less centralized wage-setting institutions on inflation and unemployment (Calmfors & Driffil, 1988; Iversen, 1999; Soskice & Iversen, in press). From the perspective of developing politico-economic theory, these are very useful studies, although their reach is constrained by the availability of quantitative time-series data that are cross-nationally standardized and by the need to reduce complex qualitative factors to quasi-quantitative indicators or to dummy variables.

From a policy perspective, however, the information that is screened out through the use of country and year dummies in pooled cross-section time-series regressions may be more important than the statistical regularities that are discovered. Exogenous challenges may change radically over time, and even if all countries were confronted with the same challenge at a given time (e.g., the dramatic rise of real interest rates in the international capital markets of the early 1980s), countries with different economic and social structures and with different policy legacies may differ greatly in their vulnerability and hence in problems that their policy systems must deal with. Moreover, even when these fixed effects play no role, the information used in multivariate regressions is generally too thin and the probabilistic effects identified are too uncertain to provide much guidance for policy choices in specific historical constellations.

Turning instead to historical studies of single cases, which may do justice to the complexity of interacting factors, cannot be the answer because these will not allow lessons to be derived for other cases, let alone cumulative theory development.[2] For some purposes, it may be useful to combine deductive theoretical work and statistical analyses of some empirical indicators with case studies that explore the more complex specific antecedent conditions (Coppedge, 1999). An example is Iversen's (1999) theoretical and econometric analysis of the joint effects of (accommodating or nonaccommodating) monetary policy regimes and (more or less centralized) wage-setting institutions on inflation and unemployment, backed up by more detailed historical

2. Worse yet, if such case studies are written with the self-conscious intent of producing inductive generalizations, they are likely to contribute to the endless cycle of overgeneralized propositions and falsifications that plague not only the study of European politics (Scharpf, 1999a).

explorations of developments in a few European countries. Here statistical analyses are used to identify probabilistic regularities, whereas the influence of various (and changing) institutions on policy choices is presented in the narrative mode. For Iversen's purposes, that seems to be a perfectly valid solution.[3]

But what if we are primarily or at least equally interested in empirically supported generalizations about the influence of a greater variety of policy-making institutions on the capacity for effective policy responses in a wider range of policy areas? From what I have said, it follows that comparative case studies are likely to be better suited to this task than multivariate regressions based on quantifiable data and indicators. However, it also follows that to arrive at potentially generalizable conclusions, we must find ways to cope with the excessive variety and complexity of causal constellations. This can often be achieved by focusing the comparison on a subset of cases in which it is possible to hold other contingent conditions sufficiently constant to allow the influence of institutional variations to be identified with some confidence. However, to do so, we must have a theoretical understanding of the contingencies that we are trying to hold constant.

CONTINGENCIES

The effect of institutional conditions on the effectiveness of policy choices is contingent on two broad sets of noninstitutional factors—the nature of the problems or challenges that policy is supposed to meet and the normative and cognitive orientations of the policy actors involved. Both are generally ignored in structuralist theories asserting the unconditional superiority or inferiority of certain policy-making institutions such as neocorporatism or the Westminster model.

Thus, the multiple-veto characteristics of German political institutions may indeed impede policy changes (Tsebelis, 1995)—but compared to the stop-and-go policies facilitated by the single-actor British political system, this condition favored successful German economic policy from the 1950s to the end of the 1980s. In the 1990s, however, when new economic challenges would have required major policy changes, the same institutional conditions are considered the causes of German policy failures (Manow & Seils, in press). Conversely, institutional conditions and the challenges arising from

3. Another interesting combination of methods is used by Hicks (1999), who relies on multivariate regressions when quantitative time-series data are available but resorts to Ragin's (1987) qualitative comparative analysis when only qualitative data can be obtained.

the external policy environment did not change between 1978 and 1979 in Britain or between 1983 and 1984 in New Zealand. Nevertheless, radical policy changes were brought about by new governments whose cognitive and normative orientations differed from those of their predecessors (Rhodes, in press; Schwartz, in press). Both of these contingencies can be specified more precisely.

POLICY CHALLENGES

In the political economy of advanced welfare states, policy challenges are themselves a complex concept that is best defined by the interaction between three sets of factors—changes in the policy environment impacting on more or less vulnerable socioeconomic structures and on more or less vulnerable policy legacies.

For examples of recent changes in the policy environment, one may think of the two oil price crises, of the fall of the Berlin Wall, of the completion of the European internal market and the European Monetary Union (EMU), but also of demographic changes resulting in the graying of the population or of changes in family structures increasing the labor force participation of women. Such changes will often affect several or many countries at the same time, but whether and how these changes will lead to policy problems is likely to be conditioned by the characteristics of domestic socioeconomic structures and policy legacies.

The importance of differences in socioeconomic structures is obvious: The second oil price crisis constituted a different type of policy challenge for oil-exporting Norway than it did for oil-importing welfare states. Similarly, the Danish economy, which is dominated by small, family-owned enterprises, was less affected by recent increases in capital mobility than was true of Sweden, where large, multinational enterprises play a major role (Benner & Vad, in press). The second set of mediating factors is described by the concept of policy legacies (Skocpol & Weir, 1985), which refers to existing policies and the practices and expectations based on them. Because their theoretical importance is less obvious, a clarification seems useful.

Although policy legacies are the product of past political choices, they are not necessarily at the disposition of present policy makers. For one thing, not everything can be changed at the same time in modern, highly differentiated policy systems. In any one policy area, therefore, the body of existing policy in other areas must mostly be considered an invariant environment of present policy choices. However, even when changes are considered, they are likely to be impeded by policy inertia. In multiactor policy systems with high con-

sensus requirements, innovators will be at a competitive disadvantage in interactions with the defenders of the status quo (Scharpf, 1988). However, even if formal (majoritarian) decision rules do not have a conservative bias, the status quo is favored by the fact that a proposed innovation must not merely appear superior in the abstract, the expected gains must also be big enough to cover the costs of transition—and these are likely to increase with the extent to which the new policy would depart from status quo solutions. In extreme cases, the status quo may be protected by lock-in effects (Arthur, 1989, 1990; David, 1985), and even when policy change is feasible, it is likely to be path dependent (Pierson, 1996, 1997; Thelen, 1999) in the sense that only certain goals can be reached from a given starting position.

Consequently, similar changes in the policy environment may constitute problems differing in nature or severity, depending on the accidental goodness of fit between these changes and existing national policy legacies. Thus, the policy problem generated by the first oil price crisis was massive job losses in countries like Germany, where the monetary regime was nonaccommodating, whereas rampant inflation became the dominant problem in Britain and other countries with an accommodating monetary legacy (Scharpf, 1991). Similarly, the graying of the population constitutes a massive financing problem in welfare states whose earnings-related pensions are financed by the pay-as-you-go contributions of a shrinking active population, whereas funded pension systems are much less threatened. Under conditions of increasing international competition and capital mobility, moreover, the characteristic differences in the policy legacies of Scandinavian, Continental, and Anglo-Saxon welfare states (Esping-Andersen, 1990, 1999); of national production systems (Estevez-Abe, Iversen, & Soskice, 1999; Soskice, 1999); and of industrial-relations systems (Crouch, 1993; Golden, Wallerstein, & Lange, 1999) have come to matter very much for the problem load that must be faced by national policy systems (Scharpf, 2000; Scharpf & Schmidt, in press).

ACTOR ORIENTATIONS

In combination, external changes affecting the given socioeconomic structures and policy legacies will create time- and country-specific patterns of vulnerabilities that, in democratic polities, are transformed into challenges to which policy actors may have to respond. That these responses are influenced by the institutional setting is generally assumed, but the dominant strands of current institutionalist theorizing, rational-choice institutionalism and sociological institutionalism (Hall & Taylor, 1996; Thelen, 1999), differ

in their conceptualization of these influences, although both make quite strong claims about the value of institutions as predictors of what actors will in fact do.[4]

In sociological institutionalism, institutions are defined very broadly so as to include not only externally imposed and sanctioned rules but also unquestioned routines and standard operating procedures and, more important, socially constructed and culturally taken-for-granted worldviews and shared normative notions of appropriateness (Berger & Luckmann, 1966; DiMaggio & Powell, 1991; March & Olsen, 1989; Zucker, 1991). In that view, therefore, institutions will define not only what actors can do but also their perceptions and preferences—and thus what they will want to do.

In rational-choice institutionalism, by contrast, institutional rules are understood as external constraints and incentives structuring the purposeful choices of self-interested rational actors (North, 1990; Shepsle, 1989). However, because actors are also assumed to have standardized and stable preferences defined by their personal or organizational self-interest and because they are assumed to be rational in the sense that their perceptions can be taken to be correct representations of the objective situation and that their cognitive capabilities are sufficient to identify the consequences of available options for their self-interest, the knowledge of institutions will also allow predictions and explanations of what actors will in fact do. As Tsebelis (1999a) has put it, "Since institutions determine the choices of actors, the sequence of moves, as well as the information they control, different institutional structures will produce different strategies of the actors, and different outcomes of their interactions" (p. 4).

In light of empirical policy research, however, both of these theoretical positions appear much too deterministic.[5] I referred earlier to the examples of Britain between 1978 and 1979 and New Zealand between 1983 and 1984, but the point can be stated more generally: Even if external and institutional conditions remain constant, policies can change if the cognitive and norma-

4. Historical institutionalism, the third strand discussed in these overviews, is primarily interested in the path-dependent evolution of institutional forms (Pierson, 1997; Steinmo & Thelen, 1992), but it has no distinct theory of its own about the way that institutions influence actors' choices. Some authors lean more toward rational-choice assumptions, whereas others lean toward social-constructivist interpretations.

5. I should add that my presentation of the differences between the two is also overdrawn. For a more integrative discussion, see Thelen (1999). From the rational-choice side, a useful theoretical bridge is built by Lindenberg's (1989) concept of socioculturally defined production functions through which (or the social roles in which) the abstract individual self-interest in physical well-being and social recognition must be concretely pursued. For the organizational self-interest of corporate actors, this concept seems even more pertinent.

tive orientations of policy makers change—as they did when Keynesianism was replaced by monetarist and neoliberal economic paradigms (Hall, 1992, 1993). In our own framework of actor-centered institutionalism (Mayntz & Scharpf, 1995; Scharpf, 1997), we therefore find it necessary to treat actor orientations (i.e., their preferences and perceptions) as a theoretically distinct category—influenced but not determined by the institutional framework within which interactions occur.

In our view, actor preferences have at least two dimensions—individual and organizational self-interest on one hand and (internalized) normative obligations and aspirations on the other.[6, 7] In the organization-theoretic literature, this corresponds to the distinction between system maintenance and goal attainment (Etzioni, 1964, pp. 16-19), and there it is generally assumed that in cases of conflict, the former takes precedence over the latter.[8] In any case, the goals of corporate and collective actors are strongly influenced by the institutional rules to which they owe their existence and by institutional and cultural norms that define the criteria of their success or failure.[9] For that reason, they will vary greatly between different types of actors—political parties, government ministries, unions, central banks, and so forth—and in time and place. By contrast, the maintenance or survival interests in ensuring adequate organizational resources, defending organizational autonomy, and (where institutionally relevant) achieving competitive success are likely to be more uniform and constant—which allows fairly general and reliable predictions of organizational responses to institutional incentives (and hence useful suggestions for institutional design).[10]

Like actor preferences, cognitive orientations are also shaped by institutional norms and incentives defining the role-specific content of conventional wisdom and selective perceptions (Dearborn & Simon, 1958). Central banks

6. Preferences in our view must be understood as relatively stable (prestrategic) criteria for the evaluation of outcomes rather than as tentative commitments to a particular strategy (which may of course be changed quite easily by arguments providing new information). If this distinction is kept in mind, much fruitless debate over the need to endogenize preferences in analyses of policy interactions could be avoided.

7. A third dimension is defined by identity concepts that may be more specific than institutionalized norms and role obligations (Scharpf, 1997, chapter 3).

8. The point is nicely made in the dictum, ascribed to Lyndon Johnson, that "you got to be reelected to be a statesman."

9. See the reference to production functions in Note 5.

10. It is puzzling that in modeling the effect of institutional rules on policy choices, Tsebelis (1995, 1999a) considers only the goal dimension (expressed by the ideological distance between veto players) while ignoring the maintenance dimension (e.g., the effect of competitive incentives on the organizational self-interest of corporate actors and hence on their willingness to reach agreement).

will pay more attention than union leaders to early indicators of inflation. Moreover, certain policy areas may be dominated by the specific paradigms (Hall, 1993) of particular advocacy coalitions (Sabatier, 1987, 1999) or epistemic communities (Haas, 1992). Beyond that, the capacity for effective policy responses is affected not only by the quantity and quality but also by the diversity of policy-relevant information and analysis provided by an institutionalized information infrastructure. Thus, in the heyday of Austro-Keynesianism in the 1970s, policy coordination in Austria was greatly facilitated by the fact that the government, the political parties, and the social partners relied on the analyses provided by a single economic research institute. In Germany, by contrast, unions and employers maintain separate research institutes, the federal government and the Länder support altogether six such institutes, the federal labor administration and the Bundesbank maintain large in-house research capacities, the independent Council of Economic Advisors relies on its own research staff, and the big commercial banks have their own macroeconomic research departments. All of these not only provide data, explanations, and policy recommendations for their respective sponsors but also publish their often inconsistent findings and contradictory interpretations—which are then debated in the financial press and in the economic and financial pages of the general press, allowing very different policy proposals to claim scientific support.

The downside of the monopoly model is, of course, the risks of groupthink (Janis, 1972)—that is, the failure to pay attention to observations, interpretations, and recommendations that do not conform to the dominant worldview. This was arguably the case in Britain in the early 1970s, when policy makers in the treasury continued to rely on the Keynesian recommendations derived from the single macroeconomic simulation model, even when the economy had ceased to respond as predicted (Hall, 1992). However, when the analyses of institutionalized information monopolists do fit the problem (and if they are believed), they will facilitate effective problem solving in single-actor systems and effective coordination in multiactor systems. The pluralistic model, by contrast, will provide protection against the institutionalization of error. However, the cacophony of voices may render coherent policy choices difficult, even in single-actor systems, and is likely to work against cooperative, or at least coordinated, problem solving in multiactor systems.

DIMENSIONS OF INSTITUTIONAL EFFECTS

We thus have three major sets of variables that will affect the capacity of a system to come up with effective policy responses: the nature of the policy

problem, the orientations of policy actors, and the characteristics of the institutional setting. Because each of these will vary greatly over time and space, comparative policy research will be faced with a dilemma: If we try to cover a variety of significant policy choices in a larger set of countries (e.g., the usual 18 or 20 OECD countries), the number and diversity of distinct factor constellations will overwhelm available methods of multivariate statistical analysis as well as Ragin's (1987) Boolean qualitative comparative analysis. However, if we try to instead select our cases by the logic of most similar systems or most different systems designs (Przeworski & Teune, 1970) to identify the influence of a single set of factors, we are likely to end up with very few cases at best. Thus, focusing on Britain between 1978 and 1979 or on New Zealand between 1983 and 1984 does in fact allow us to identify the influence of actor orientations while problems and institutions are held constant. Similarly, in my "Crisis and Choice in European Social Democracy" (Scharpf, 1991), I selected four countries (Austria, Britain, Germany, and Sweden) that during the 1970s were faced with the same problems of stagflation and had governments with strong preferences for the maintenance of full employment and cognitive orientations shaped by the Keynesian paradigm. Within this design, it was then relatively easy to relate differences in policy choices to differences in institutional structures (in particular, central-bank independence and concentrated or fragmented collective-bargaining institutions).

THE NEED FOR INSTITUTIONALIST WORKING HYPOTHESES

In comparative policy research, however, we may want to study a larger population of countries and policy choices or seek to explain cases selected for their topical interest rather than by the logic of variance-controlling research designs. Nevertheless, for the reasons discussed above, a purely empirical approach would not serve our purposes. Instead, we might rely on theoretically grounded working hypotheses rather than empirical research for some causal influences to simplify and guide our empirical search for other explanatory factors. Preferably, these should be hypotheses with high predictive power—meaning that they should allow us to form precise expectations about significant causes and effects based on relatively limited and easily obtainable information (Scharpf, 1997, chapter 1).

Such hypotheses are clearly not available for all factors involved in our complex constellations. We have no general theory that would allow us to predict the occurrence of policy problems or the characteristics of effective solutions. These need to be identified by case-specific problem and policy analyses. Similarly, we have no general theory predicting the type of institutional settings within which policy interactions take place. They also need to

be identified empirically in the specific cases at hand. However, once we have obtained both of these sets of empirical information, we can use them to formulate theoretically grounded expectations of the policy responses that we should expect under the circumstances.

Substantive problem and policy analyses will generate policy recommendations of a prescriptive character that can be converted into empirically relevant predictions if they are coupled with the assumption that the perceptions of all policy actors are identical with those of the policy analyst and that the preferences of all policy actors are exclusively defined by a normative commitment to maximizing the public interest as defined by the policy recommendations of the analyst. If these (unrealistic) assumptions were true, institutions would play only a very limited role. However, because we have reason to think that institutions matter, we also need hypotheses that predict their influence on the effectiveness of policy responses.

This influence is most obvious when formal institutional rules impose direct constraints on the repertoire of permissible policy choices. However, we expect that within this repertoire, the actual choice between permissible options is also affected by institutional rules prescribing actor constellations and modes of interaction and by institutional incentives and disincentives affecting actor preferences. For formulating such predictions, rational-choice institutionalism has a clear advantage over the less information-efficient sociological variety. Its predictive power depends precisely on its narrow focus on the incentive effect of institutional rules on organizational self-interest and on the assumption of complete information and adequate information-processing capacity. Thus, if we know how the organizational self-interest of specific policy actors would be affected by the available responses to given policy challenges and if we know the actor constellation and the applicable rules of the game, we can then apply a range of analytical (essentially game-theoretic) tools to predict the policy outcome that interactions between rational and self-interested policy actors would produce in the specific case.

From what was said above, it follows of course that both of these predictions are based on unrealistic assumptions and thus will often be false. However, that does not mean that they would be useless.[11] I will return to this point in the concluding section. I will now turn to a brief overview of the institutional hypotheses that are likely to play a major role in comparative policy studies.

11. In this regard, the approach discussed here differs from the analytic-narratives approach (Bates, Greif, Levi, Rosenthal, & Weingast, 1998), which expects rational-choice analyses to provide complete explanations of historically unique cases.

CONSTRAINTS ON PERMISSIBLE POLICY OPTIONS

Countries differ in the range of institutionally permissible policy options. An example is the power of governments to determine wages and working time—an option that was routinely exercised by Belgian governments in the 1980s and 1990s and available in most other countries as well, but is ruled out in Germany by the constitutional guarantee of collective bargaining. Similarly, the judicial interpretation of the German constitution imposes narrow constraints on the permissible extent of property taxation, and it is claimed to rule out a Scandinavian-type dual income tax that would tax capital incomes more lightly than incomes from other sources. Admittedly, the German case represents an extreme example of legalism-cum-judicial activism, but similar legal fetters—for instance, on the public debt—can be found in other constitutional democracies as well.

More important for most countries is the increasing tightness of international legal constraints. Thus, the blatant protectionism that shielded import-substituting industrialization in Australia and New Zealand well into the 1980s (Schwartz, in press) would now be liable to massive legal sanctions by the World Trade Organization. Similarly, the tight control of capital transfers and the highly discriminatory regulation of credit markets that facilitated the success of macroeconomic full-employment strategies in Sweden until the mid-1980s (Benner & Vad, in press) would now be ruled out by EU directives liberalizing capital markets and financial services. More generally, the rules of negative integration and, in particular, European competition law have become a major constraint on all economic policy options that could be construed as inhibiting or distorting free competition in the markets of EU member states (Scharpf, 1999b). Countries that have joined the EMU not only had to transfer their monetary competencies to the (totally independent) European Central Bank but also had to accept legally binding constraints on their fiscal policy options. Consequently, the option of achieving full employment through Keynesian strategies of demand reflation is no longer available at the national level among EMU member states.

ACTOR CONSTELLATIONS AND MODES OF INTERACTION

In addition to imposing substantive prohibitions, institutional rules also define the constellations of actors that may participate in the adoption and implementation of policy responses and their permissible modes of interaction—which could be classified as mutual adjustment, negotiated agreement, voting, or hierarchical direction (Scharpf, 1997). Together, these rules determine the most basic and policy-relevant characteristic of the institutional setting,

namely, the number of formal veto positions (Tsebelis, 1995). In extreme simplification, one may thus speak of single-actor constellations in which all relevant policy choices are potentially determined by the preferences and perceptions prevailing in a unified action center or of multiple-actor constellations in which effective policy depends on the choices of several independent actors that may be acting from separate and potentially conflicting preferences and perceptions.[12] Here, policy can be blocked at multiple veto positions, and effective action will depend on negotiated agreement. The theoretical expectation is that everything else being equal, the adoption of policy changes will be more difficult in multiple-actor than in single-actor constellations.

In practice, most policy choices result from multiactor interactions. However, some countries whose political institutions approximate the ideal Westminster model have the option of treating any major policy problem in a single-actor constellation (Wilson, 1994). In other words, hierarchical direction is an institutionally available mode of interaction.[13] This ideal type was approximated in Britain under Thatcher and in New Zealand until the 1993 reform of the electoral system; however, despite the existence of coalition governments, France also comes close to the single-actor pattern (Schmidt, l996, chapters 1 and 2). Germany, by contrast, is characterized by a multiactor constellation with coalition governments and a bicameral parliament at the center, autonomous subnational governments, an independent central bank, an independent constitutional court, and constitutional guarantees of autonomous collective bargaining by unions and employers' associations; an even more extreme example of a multiple-veto system is the Swiss combination of bicameralism, all-party coalitions, and the referendum.

INSTITUTIONS AS STRUCTURES OF INCENTIVES

Institutional rules will affect policy responses not only by restricting options, constituting actor constellations, and regulating their modes of interaction but also by structuring the incentives of the participating actors. In rational-choice institutionalism, these incentives are defined by reference to the self-interest of the corporate and collective actors involved in the policy

12. The same kind of descriptors may be used to characterize wage-setting systems. Here, effective decisions may again be vertically centralized and horizontally concentrated in the arena of peak-level negotiations between monopoly associations of capital and labor, which may be located at the level of national industrial sectors and branches or decentralized to regional negotiations, to firm-level or shop floor negotiations, or even to individual employment contracts.

13. The center would be hopelessly overloaded if choices were in fact made there in many cases (Downs, 1967). Nevertheless, the fact that any decision could be centralized is likely to affect the choices made in the shadow of hierarchy at the level of departments or agencies (Scharpf, 1997, chapter 9).

process—for example, governments, political parties, central banks, labor unions, their subunits, or the individuals acting for them.[14] In single-actor systems, the incentives that have the most direct effect on policy choices are constituted by the mechanisms of political accountability. In multiactor systems, accountability is weakened and policy outcomes are more affected by incentives favoring cooperation or conflict between the veto actors.

Accountability Incentives

Accountability is most clearly institutionalized in Westminster-type political systems in which all policy competencies are concentrated in a central government whose choices are controlled by the winner in periodic two-party electoral competition. Under the restrictive assumption of a one-dimensional and single-peaked distribution of voter preferences, this model creates incentives for self-interested governments to adopt policies corresponding to the preferences of the median voter (Downs, 1957), and under even more restrictive assumptions of complete information all around, these policies would maximize aggregate welfare (Mueller, 1989). It should not be forgotten, however, that under the same complete-information assumptions and in the absence of transaction costs, the Coase theorem predicts that welfare-maximizing outcomes would also be achieved in consociational democracies through negotiations between parties and associations representing the interests of affected groups (Coase, 1960; Scharpf, 1997, chapters 6 and 8). Under idealized conditions, in other words, democratic accountability would ensure effective policy responses in multiactor and single-actor constellations.

In the real world, however, policy information is incomplete and contested and intergroup negotiations are impeded by high transaction costs. Under these conditions, it is plausible that voters and members of organized interest groups will oppose policy changes whose immediate impact on their status quo interest position is negative. Then the institutions of democratic accountability will create incentives favoring policies maximizing short-term benefits and avoiding short-term costs for voters and interest groups, which may prevent the adoption of effective policy responses to manifest problems. However, the extent to which this is likely varies with the specifics of institutional arrangements.

14. I will not go into the intricacies of when it is useful to ascribe actor qualities to corporate and collective actors and when it is necessary to focus on subunits thereof or even on individuals (Scharpf, 1997, chapter 3), except to note that in general, the incentives for individuals acting in the name of corporate and collective actors are closely linked to their success in terms of organizational self-interest.

For one thing, an increasing number of countries have exempted certain policy functions from the control of democratically accountable governments and legislative majorities by providing constitutional courts, independent central banks, or cartel offices with a greater, although surely not unlimited, freedom to pursue unpopular policies.[15] To an even greater (and from the perspective of democratic accountability, much more problematic) degree, this is also true of the European Central Bank, of the European Commission, and of the European Court of Justice in its role as interpreter and guardian of treaty obligations—under institutional rules in which its interpretation of the treaties could be reversed only by unanimous agreement among member governments that needs to be ratified by the parliaments of all member states (Scharpf, 1999b). On the other hand, the negative incentive effect of democratic accountability increases with the proximity of elections and their expected salience for the parties in power. Thus, the fact that the legislative term was shortened to 3 years in 1970 is said to have reduced the capacity of Swedish governments to govern from a long-term perspective (Immergut, 1999), and in France, shorter intervals between parliamentary and presidential elections have been shown to affect the willingness of governments to maintain potentially unpopular initiatives (Bonoli, 1997). In Germany, the government is even less insulated from short-term electoral pressures because the 4-year parliamentary term is punctuated by altogether 16 Land elections that affect the partisan composition of the Bundesrat. By contrast, the realization of Thatcher's radical reforms benefited from the 5-year interval between general elections and even more from the fact that she was facing a divided opposition, which, under first-past-the-post election rules, practically ruled out electoral defeat.

It is clear, then, that national institutions differ greatly in the extent to which they expose governments to incentives favoring policies responding to short-term voter reactions rather than strategies that, although initially unpopular, may demonstrate their effectiveness and convince voters in the longer term. However, it should be kept in mind that the organizational self-interest that is affected by these incentives does not circumscribe the full range of action-relevant preferences. Political parties and governments may be committed to normative goals and role obligations that will override electoral concerns—as was true of the Lubbers coalition government in the Netherlands that stuck to its unpopular retrenchment program in the face of practically certain electoral defeat in 1994 (Visser & Hemerijck, 1997). Even more

15. The celebrated independence of the German Bundesbank could have been abolished by ordinary legislation. That it was maintained even in major conflicts with governments of the day, from Konrad Adenauer to Helmut Kohl, was due to broad public support for its institutional independence.

important, governments are not necessarily helpless when faced with negative voter reactions. They may be able to engage opposition parties, organized interests, the media, and the general public in policy-oriented discourses that explain and justify the course of action that is proposed and the sacrifices associated with it. Again, however, their capacity to do so is influenced by institutional conditions—it is greater in single-actor polities, in which the government can speak with one voice, than it is in multiple-veto constellations, in which policy choices will often have the character of compromises between conflicting goals that are difficult to justify from the positions of any one of the parties involved in their adoption (Schmidt, in press).

Incentives to Collaborate in Multiactor Systems

Depending on whether unilateral policy action is a realizable option, it is useful to distinguish between two variants of multiactor systems. In the first case, which one may call *policy fragmentation*, some of the instruments of public policy that are required for the adoption of a successful policy response to a given problem, are not under the control of a single actor but are exercised by independent agents—a formally independent constitutional court, a de facto independent central bank or cartel office, autonomous subnational governments, and in Europe, the EU Commission and the European Court of Justice. The effect of policy fragmentation is, first, to limit the range of policy options that a single actor may unilaterally adopt and implement and, second, to raise the possibility that mutually inconsistent unilateral policy choices will interfere with each other, and even if some coordination is achieved by actors responding to others' choices in the mode of mutual adjustment, the outcome may still be suboptimal.[16] If that is to be avoided, coordination through negotiated agreement between independent actors may be required.[17]

In the second case, which I have called *joint decision making* (Scharpf, 1988), none of the parties is allowed (or physically able) to act unilaterally.

16. More precisely, the efficiency of the outcome depends entirely on the underlying constellations of actor interests. If they correspond to a battle of the sexes—which is the constellation that Carey (2000 [this issue]) is primarily considering—mutual adjustment may be highly efficient. A real-world example was the adjustment of German unions after 1975 to the monetary policy announced annually by the Bundesbank. However, if the underlying constellation should resemble a chicken game or the prisoner's dilemma, mutual adjustment would produce highly undesirable policy outcomes. A real-world example was the inflationary wage competition between British unions in the 1970s (Scharpf, 1987).

17. Negotiated coordination may take two forms: Negative coordination merely avoids policies that would have negative external effects on other policy areas, whereas positive coordination attempts to maximize the gains from cooperation (Scharpf, 1997, chapter 6).

Here, effective policy responses can only be adopted and implemented with the agreement of several independent actors. That may be true even in single-party governments if ministers are representatives of intraparty factions that cannot be ignored by the prime minister or if ministries enjoy a large degree of constitutional autonomy so that policy conflicts between them must be resolved through interministerial negotiations or through the cabinet as a collegiate body (Mayntz & Scharpf, 1975). In coalition governments, the agreement of separate political parties, each with its own policy goals and organizational self-interest, is generally necessary for important policy choices (Budge & Laver, 1993), and in bicameral legislatures, the second chamber may have a veto that is exercised by partisan majorities differing from those in the first chamber.

Given that no policy system is truly single actor, the difficulties of effective action depend, of course, on the substantive convergence or divergence of policy preferences among the veto players involved (Tsebelis, 1995, 1999b). In contrast to mutual adjustment, the Coase theorem (Coase, 1960) assures us that in the absence of transaction costs, negotiations are able to achieve efficient outcomes in all constellations in which potential gains from cooperation exist. However, because transaction costs are never absent, the probability of agreement depends very much on issue-independent incentives favoring cooperation or conflict that are inherent in different institutional settings.

General incentives for cooperation should be strongest within single-party and unitary governments of the Westminster model. Even if intraparty factions may compete with each other for policy influence and career opportunities, and even if individual ministerial departments may enjoy considerable autonomy, all officeholders of the governing party must win or lose elections together and thus should have strong incentives to cooperate on successful policies. Similar incentives also exist among the parties in a coalition government that should have a common interest in the success of their government. However, because each of them must ultimately face its own clienteles and voters separately, there are also incentives to sharpen one's own profile through tough bargaining strategies and even open conflicts within the coalition, which may then delay, distort, or even block effective solutions. Blockage is more likely in the end-game phase of an election period than in the honeymoon of a new coalition, and it is generally more likely in multiparty systems with an expectation of rapidly changing governing coalitions—so that unilateral concessions in the interest of longer term cooperation are unlikely to have high future payoffs. This was true of multiparty coalition governments in the French IVth Republic and of Italian governments before the early 1990s, whose capacity for effective policy responses was generally

very low. By contrast, the Danish multiparty system seems to have evolved into a pattern of relatively stable minority governments that are free to seek the support of variable ad hoc majorities for their policy initiatives and thus able to achieve a remarkably high degree of problem-solving capacity (Benner & Vad, in press).[18] Its ad hoc coalitions may be formed exclusively on the basis of convergent substantive policy interests, whereas longer term government coalitions are usually based on agreements that rule out voting with the opposition against another coalition party, with the consequence that effective policy responses may be blocked within the coalition even if they would have had majority support in the full parliament.

At the opposite extreme are constellations of divided government in which institutional incentives favor conflict rather than cooperation. This is true in bicameral legislatures, when partisan majorities in both houses are opposed to each other (Krehbiel, 1996; Laver & Shepsle, 1991). Somewhat similar conditions may be found in all constitutional democracies when effective policy solutions require constitutional amendments that can only be passed by supermajorities, including parties in opposition to the government of the day.[19] Under these conditions, even compromises that would advance the substantive policy goals of the opposition may be blocked. Because governments and opposition parties are engaged in zero-sum competition for the votes of the same electorate, the opposition has not only a substantive interest in promoting its own policy goals through favorable compromises but also a competitive interest in defeating government initiatives to undermine its reputation for competent and successful political action.[20] Thus, conditions of divided government are particularly unfavorable for effective but unpopular policy responses with a high party-political salience (Alt & Lowry, 1994; Laver & Shepsle, 1991).[21]

18. Blom-Hansen (1999) points to a second mechanism facilitating effective problem solving in Scandinavian countries, namely, the government's choice of alternative arenas of decision making—parliamentary, intergovernmental, and corporatist.

19. Such conditions are most likely to occur in countries where an activist constitutional court is deeply involved in substantive policy choices—which is true of courts in Germany and Denmark, and increasingly in Italy and France. In that sense, constitutional courts may be able to create the very political deadlocks that Tsebelis (1999a) sees as their major source of power.

20. Competitive incentives may be softened by expectations of an imminent return to government. Thus, in Sweden in the early 1990s, opposition Social Democrats collaborated with the conservative government in designing cuts in welfare-state expenditures that they considered necessary. For the Netherlands in the 1980s, it has been suggested that the Social Democrats did not attack the unpopular reforms of the Christian Liberal government because they hoped to join a future coalition with the Christian Democrats (Green-Pedersen, 1999).

21. There is a parallel in international relations in which the realist school assumes a dominance of competitive incentives that force states to pursue relative rather than absolute gains

In between these extremes are attempts to achieve effective policy responses through joint decision making between governments and independent public agencies or social-partnership organizations or between different national or subnational governments with autonomous jurisdictions and separate constituencies (as is true of negotiations in the EU Councils of Ministers). Here, agreement is not facilitated by a generally shared interest in the success of a joint venture, but it is also not impeded by disincentives arising from political competition. As long as each party is unchallenged in its own institutional domain, self-interested cooperation on substantive solutions has a chance under the Coase theorem (Coase, 1960) whenever the policy goals pursued by all parties are better achieved through concerted rather than separate action. In fact, much public-sector problem solving does occur in the form of agreements between local, regional, or national governments, and the important achievements of European integration are best explained in terms of intergovernmental agreements as well (Moravcsik, 1998).

Going beyond the Coase theorem (which presupposes that agreements can only be achieved if all parties involved will benefit from it), long-standing patterns of successful substantive collaboration may create additional generalized incentives to maintain cooperation even if one or the other party must accept short-term sacrifices to its own institutional or policy interests. Such incentives are said to explain the long-term success of social- partnership institutions in Austria (Heinisch, 1999; Marin, 1987). Nevertheless, even institutionalized corporatist cooperation cannot be taken for granted. The breakdown of Concerted Action in Germany in the early 1970s (Scharpf, 1991, chapter 7), the complete but temporary suspension of coordinated wage setting in the Netherlands during the 1970s (Visser & Hemerijck, 1997), and the erosion of centralized wage setting in Sweden in the 1980s (Compston, 1995; Pestoff, 1995) demonstrate that generalized incentives are unlikely to maintain cooperation in the face of sustained conflicts over either policy goals or institutional self-interest between the parties involved.

STRATEGIES FOR COMPARATIVE POLICY RESEARCH

This overview of hypotheses about institutional incentives and their policy-relevant effects on the organizational self-interest of corporate and collective actors could be extended from the arenas of parliamentary and intergovern-

(Waltz, 1979), whereas liberal theorists assert the theoretical possibility and practical importance of international agreements capturing absolute gains from cooperation (Keohane, 1984).

mental interaction to other arenas in which important policy choices are determined—for example, interactions in monetary policy, industrial relations, or European regulation. Moreover, the hypotheses themselves could and should be formulated with greater differentiation and precision with regard to the assumed organizational self-interest of different types of actors and the likely incentive effects of different types of institutional arrangements. Given the deductive methods of rational-choice institutionalism, the formulation of such hypotheses would not pose serious difficulties—and given a suitable database, some of these hypotheses may also be corroborated by statistical analyses (e.g., see Bawn, 1999; Tsebelis, 1999b).

As I emphasized above, however, in the specific case, the hypotheses derived from rational-choice institutionalism will often turn out false. So what is the role that they could and should play in comparative policy research that is less interested in statistical probabilities than in explaining the outcomes of individual cases? The answer is that having such hypotheses is as useful for comparative case studies as having a regression line in a scattergram is for the exploration of quantitative relationships: It focuses attention on the residuals, that is, on cases in which the prediction is not confirmed.

In fact, from what I said about the relationship between problem-oriented and interaction-oriented policy research, it follows that we are able to work with two different sets of theory-based hypotheses: On one hand, problem-oriented policy analyses predict the choices we should expect if all policy actors had complete information and were exclusively motivated to realize public-interest maximizing outcomes. On the other hand, rational-choice institutionalist analyses predict the choices we should expect if all policy actors had complete information and were exclusively motivated to realize self-interest maximizing outcomes. If these two predictions agree, we could conclude that institutional incentives are favoring the adoption of effective policy responses to the problem in question. If they disagree, such responses are made more difficult by institutional obstacles. But since (multipurpose) political institutions can rarely be optimized with a view to specific policy problems, this abstract evaluation of institutional incentive effects is not our main concern.[22]

However, empirical policy research benefits very much from being able to compare the observed outcome of policy interactions to these two theory-based predictions, both of which rely on highly stylized assumptions about actor orientations. If the outcome should agree with either of these, we

22. The exceptions are institutions that are explicitly designed to serve a single purpose—as may be true of the European Central Bank, which is supposed to be exclusively committed to price stability.

could content ourselves with having obtained a satisfactory explanation. However, when that is not the case (i.e., most of the time), we have at least a clear idea of where to search for explanations. Because both the nature of the problem and the institutional incentives have already been accounted for, the explanation must be found in actor orientations that differ from the stylized assumptions underlying our predictions. Thus, we must seek empirical information on the actual preferences and perceptions of the policy actors involved.

More specifically, we should seek cognitive orientations that deviate from the information and cause-and-effect hypotheses of the substantive problem and policy analyses that we consider to be true. At the same time, we should also seek actor preferences that differ from either the perfectly public-interested or the perfectly self-interested motivations assumed in our hypotheses. In doing so, it is often very useful—in the spirit of Lindenberg's (1990) method of decreasing abstraction—to begin by focusing on the institutionalized norms of appropriateness that are emphasized by sociological institutionalism (March & Olsen, 1989) and to move on to searching for more idiosyncratic normative orientations and identity concepts only when the more stylized institutional hypotheses fail to explain choices. In any case, however, the discrepancy between theoretical predictions and observed policy choices will guide and greatly simplify the empirical search for those preferences and perceptions that actually can explain the failure to adopt effective policy responses.

To give an example, after the Bundesbank had switched to monetarism in the mid-1970s, all countries that had pegged their currencies to the German mark (Austria, Denmark, the Netherlands, and Belgium) were confronted with the same hard-currency environment that, in the absence of union wage restraint, would produce high unemployment. When faced with this challenge, rational institutionalism would tell us that the centralization or fragmentation of wage-setting institutions should not matter: Large or small unions alike should find it in their organizational self-interest to save the jobs of their members through wage restraint. This is what happened in Germany and Austria within 1 or 2 years, whereas collective bargaining in Denmark, Belgium, and the Netherlands continued to generate wage inflation even under conditions of steeply rising unemployment. Because institutional incentives cannot explain these differences, the comparison would then have to focus on the influence of cognitive misperceptions and normative (ideological) orientations that prevented the unions in some countries, but not in others, from fully appreciating the impact of a change in (German) monetary policy on their own employment situation (Scharpf, in press).

The example has several interesting implications for research strategies. First, what counts as a case in comparative case studies depends on what is to be explained. In comparative policy research that is trying to explain differences in policy response to a given challenge, the case is defined by the set of interactions connecting the challenge to the response. Because the historical processes we are studying contain a considerable variety of (often nested) policy challenges, we have considerable freedom in selecting sets of cases that, at minimum, are similar with regard to the policy challenge that was being faced. In the example, we could have focused on the full set of countries that were members in the European currency snake between 1973 and 1974, asking why some of them responded to the German switch to monetarism by quitting the snake, whereas others maintained their commitment to a hard-currency position. Among the subset of soft-currency countries, we could then compare responses to the challenge of escalating rates of inflation; among the hard-currency countries, in turn, comparison would focus on responses to rising unemployment and so on. Among these sets defined by similar challenges, moreover, it should usually be possible to identify subsets of cases that have additional causal factors in common, which would then permit a more precise focus on a narrower range of explanatory variables.

Combined with the use of rational-choice working hypotheses, then, structured comparisons within varying subsets of cases seem to be our best hope for building a body of generalizable knowledge about the causal relations between types of policy challenges, types of institutional structures, and actor orientations. Moreover, by switching between overlapping subsets of cases defined either by common challenges, common actor orientations, or common institutions, we should be able to increase our confidence in the explanations discovered in each of these dimensions. These explanations will surely not amount to a general and comprehensive theory, but they will go beyond the ad hoc explanations that are otherwise characteristic of historical case studies (Scharpf, in press).

REFERENCES

Alt, James E., & Lowry, Robert C. (1994). Divided government, fiscal institutions, and budget deficits: Evidence from the states. *American Political Science Review*, *88*, 811-828.

Arthur, W. Brian. (1989). Competing technologies, increasing returns, and lock-in by historical events. *Economic Journal*, *99*, 116-131.

Arthur, W. Brian. (1990, February). Positive feedback in the economy. *Scientific American*, 80-85.

Bates, Robert H., Greif, Avner, Levi, Margaret, Rosenthal, Jean-Laurent, & Weingast, Barry R. (1998). *Analytic narratives*. Princeton, NJ: Princeton University Press.

Bawn, Kathleen. (1999). Money and majorities in the Federal Republic of Germany: Evidence for a veto players model of government spending. *American Journal of Political Science*, *43*, 707-736.

Beck, Neal, & Katz, Jonathan. (1995). What to do (and not to do) with time-series cross-sectional data in comparative politics. *American Political Science Review, 89*, 634-647.

Benner, Mats, & Vad, Torben B. (in press). Sweden and Denmark: Defending the welfare state. In Fritz W. Scharpf & Vivien A. Schmidt (Eds.), *Welfare and work in the open economy. Vol. II: Diverse responses to common challenges*. Oxford, UK: Oxford University Press.

Berger, Peter L., & Luckmann, Thomas. (1966). *The social construction of reality.* Garden City, NJ: Doubleday.

Blom-Hansen, Jens. (1999). Avoiding the "joint-decision trap": Lessons from intergovernmental relations in Scandinavia. *European Journal of Political Research*, *35*, 35-67.

Bonoli, Giuliano. (1997). Pension politics in France: Patterns of co-operation and conflict in two recent reforms. *West European Politics*, *20*, 111-124.

Budge, Ian, & Laver, Michael. (1993). The policy basis of government coalitions: A comparative investigation. *British Journal of Political Science*, *23*, 499-519.

Calmfors, Lars, & Driffil, John. (1988). Centralization of wage bargaining. *Economic Policy*, *6*, 14-61.

Carey, John M. (2000). Parchment, equilibria, and institutions. *Comparative Political Studies*, *33*, 735-761.

Coase, Ronald H. (1960). The problem of social cost. *Journal of Law and Economics*, *3*, 1-44.

Compston, Hugh. (1995). Union participation in economic policy making in Scandinavia, 1970-1993. *West European Politics*, *18*(1), 98-115.

Coppedge, Michael. (1999). Thickening thin concepts and theories: Combining large *N* and small in comparative politics. *Comparative Politics*, *31*, 465-476.

Crouch, Colin. (1993). *Industrial relations and European state traditions*. Oxford, UK: Clarendon.

Cukierman, Alex. (1992). *Central bank strategy, credibility, and independence*. Cambridge, MA: MIT Press.

David, Paul A. (1985). Clio and the economics of QWERTY. *American Economic History*, *75*, 332-337.

Dearborn, DeWitt C., & Simon, Herbert A. (1958). Selective perception: A note on the departmental identification of executives. *Sociometry*, *21*, 140-144.

DiMaggio, Paul, & Powell, Walter. (1991). Introduction. In Walter Powell & Paul DiMaggio (Eds.), *The new institutionalism in organizational analysis* (pp. 1-40). Chicago: University of Chicago Press.

Downs, Anthony. (1957). *An economic theory of democracy.* New York: Harper & Row.

Downs, Anthony. (1967). *Inside bureaucracy.* Boston: Little, Brown.

Esping-Andersen, Gøsta. (1990). *The three worlds of welfare capitalism*. Princeton, NJ: Princeton University Press.

Esping-Andersen, Gøsta. (1999). *Social foundations of postindustrial economies*. Oxford, UK: Oxford University Press.

Estevez-Abe, Margarita, Iversen, Torben, & Soskice, David. (1999, September). *Social protection and the formation of skills: A reinterpretation of the welfare state*. Paper presented at 95th American Political Science Association Meeting, Atlanta, GA.

Etzioni, Amitai. (1964). *Modern organizations*. Englewood Cliffs, NJ: Prentice Hall.

Garrett, Geoffrey. (1998). Global markets and national politics. *International Organization*, *52*, 787-824.

Garrett, Geoffrey, & Mitchell, Deborah. (1999). *Globalization and the welfare state*. Unpublished manuscript, Yale University, New Haven, CT.

Golden, Miriam, Wallerstein, Michael, & Lange, Peter. (1999). Postwar trade-union organization and industrial relations in twelve countries. In Herbert Kitschelt, Peter Lange, Gary Marks, & John D. Stephens (Eds.), *Continuity and change in contemporary capitalism* (pp. 194-230). Cambridge, UK: Cambridge University Press.

Green-Pedersen, Christoffer. (1999). *Welfare-state retrenchment in Denmark and the Netherlands 1982-1998. The role of party competition and party consensus*. Unpublished manuscript, University of Aarhus, Denmark.

Haas, Peter M. (1992). Introduction: Epistemic communities and international policy coordination. *International Organization*, *46*, 1-35.

Hall, Peter A. (1992). The movement from Keynesianism to monetarism: Institutional analysis and British economic policy in the 1970s. In Sven Steinmo, Kathleen Thelen, & Frank Longstreth (Eds.), *Structuring politics. Historical institutionalism in comparative analysis* (pp. 90-113). Cambridge, UK: Cambridge University Press.

Hall, Peter A. (1993). Policy paradigms, social learning, and the state. The case of economic policy making in Britain. *Comparative Politics*, *25*, 275-296.

Hall, Peter A., & Taylor, Rosemary C. R. (1996). Political science and the three new institutionalisms. *Political Studies*, *44*, 936-957.

Heinisch, Reinhard. (1999). *Coping with the single market: Corporatist response strategies in Germany and Austria*. Unpublished manuscript, University of Pittsburgh, Johnstown, PA.

Hicks, Alexander. (1999). *Social democracy and welfare capitalism: A century of income security politics*. Ithaca, NY: Cornell University Press.

Immergut, Ellen M. (1999, September). *Political institutions and the Swedish welfare state*. Paper presented at the International Sociological Association RC 19 meeting, Societal Changes and Social Policy Responses, Prague, Czech Republic.

Iversen, Torben. (1999). *Contested economic institutions. The politics of macroeconomics and wage bargaining in advanced democracies*. Cambridge, UK: Cambridge University Press.

Iversen, Torben, & Wren, Anne. (1998). Equality, employment, and budgetary restraint: The trilemma of the service economy. *World Politics*, *50*, 507-546.

Janis, Irving L. (1972). *Victims of groupthink*. Boston: Houghton Mifflin.

Jupille, Joseph, & Caporaso, James A. (1999). Institutionalism and the European Union: Beyond international relations and comparative politics. *Annual Review of Political Science*, *2*, 429-444.

Keohane, Robert O. (1984). *After hegemony. Cooperation and discord in the world political economy*. Princeton, NJ: Princeton University Press.

Krehbiel, Keith. (1996). Institutional and partisan sources of gridlock. A theory of divided and unified government. *Journal of Theoretical Politics*, *8*, 7-40.

Laver, Michael, & Shepsle, Kenneth A. (1991). Divided government: America is not "exceptional." *Governance*, *4*, 250-269.

Lindenberg, Siegwart. (1989). Choice and culture: The behavioral basis of cultural impact on transactions. In Hans Haferkamp (Ed.), *Social structure and culture* (pp. 175-200). Berlin, Germany: de Gruyter.

Lindenberg, Siegwart. (1990). Homo socio-economicus: The emergence of a general model of man in the social sciences. *Journal of Institutional and Theoretical Economics*, *146*, 727-748.

Manow, Philip. (1999). *Liberalism's and corporatism's uneasy compromise in postwar Germany*. Cologne, Germany: Max Planck Institute for the Study of Societies.

Manow, Philip, & Seils, Eric. (in press). Adjusting badly: The German welfare state, structural change, and the open economy. In Fritz W. Scharpf & Vivien A. Schmidt (Eds.), *Welfare and work in the open economy. Vol. II: Diverse responses to common challenges*. Oxford, UK: Oxford University Press.

March, James G., & Olsen, Johan P. (1989). *Rediscovering institutions*. New York: Free Press.

Marin, Bernd. (1987). Neo-corporatism and the "consociational" heritage. From consociationalism to technocorporatism: The Austrian case as a model-generator? In Ilja Scholten (Ed.), *Political stability and neo-corporatism. Corporatist integration and societal cleavages in Western Europe* (pp. 39-69). London: Sage.

Mayntz, Renate, & Scharpf, Fritz W. (1975). *Policy making in the German federal bureaucracy*. Amsterdam: Elsevier.

Mayntz, Renate, & Scharpf, Fritz W. (1995). Der ansatz des akteurzentrierten institutionalismus [The approach of actor-centered institutionalism]. In Renate Mayntz & Fritz W. Scharpf (Eds.), *Steuerung und selbstorganisation in staatsnahen sektoren* (pp. 39-72). Frankfurt a.M., Germany: Campus.

Moravcsik, Andrew. (1998). *The choice for Europe. Social purpose and state power from Messina to Maastricht*. Ithaca, NY: Cornell University Press.

Mueller, Dennis C. (1989). *Public choice II*. Cambridge, UK: Cambridge University Press.

North, Douglas C. (1990). *Institutions, institutional change, and economic performance*. Cambridge, UK: Cambridge University Press.

Pestoff, Victor A. (1995) Towards a new Swedish model of collective bargaining and politics. In Colin Crouch & Franz Traxler (Eds.), *Organized industrial relations in Europe. What future?* (pp. 151-182). Aldershot, UK: Avebury.

Pierson, Paul. (1996). The path to European political integration: A historical institutionalist analysis. *Comparative Political Studies*, *29*, 123-163.

Pierson, Paul. (1997). *Path dependency, increasing returns, and the study of politics* (Working Paper Series No. 7.7). Cambridge, MA: Center for European Studies, Harvard University.

Przeworski, Adam, & Teune, Henry. (1970). *The logic of comparative social inquiry*. New York: John Wiley.

Ragin, Charles C. (1987). *The comparative method. Moving beyond qualitative and quantitative strategies*. Berkeley: University of California Press.

Rhodes, Martin. (in press). Restructuring the British welfare state: Between domestic constraints and global imperatives. In Fritz W. Scharpf & Vivien A. Schmidt (Eds.), *Welfare and work in the open economy. Vol. II: Diverse responses to common challenges*. Oxford, UK: Oxford University Press.

Rodrick, Dani. (1997). *Has economic integration gone too far?* Washington, DC: Institute for International Economics.

Sabatier, Paul A. (1987). Knowledge, policy-oriented learning, and policy change: An advocacy coalition framework. *Knowledge: Creation, Diffusion, Utilization*, *8*(4), 649-692.

Sabatier, Paul A. (Ed.). (1999). *Theories of the policy process*. Boulder, CO: Westview.

Scharpf, Fritz W. (1987). A game-theoretical interpretation of inflation and unemployment in Western Europe. *Journal of Public Policy*, *7*, 227-257.

Scharpf, Fritz W. (1988). The joint decision trap: Lessons from German federalism and European integration. *Public Administration*, *66*, 239-278.

Scharpf, Fritz W. (1991). *Crisis and choice in European social democracy*. Ithaca, NY: Cornell University Press.

Scharpf, Fritz W. (1997). *Games real actors play. Actor-centered institutionalism in policy research*. Boulder, CO: Westview.

Scharpf, Fritz W. (1999a). Approaches to the study of European politics. *ECSA Review*, *12*(2), 7-9.

Scharpf, Fritz W. (1999b). *Governing in Europe. Effective and democratic?* Oxford, UK: Oxford University Press.

Scharpf, Fritz W. (2000). The viability of advanced welfare states in the international economy: Vulnerabilities and options. *Journal of European Public Policy*, *7*, 190-228.

Scharpf, Fritz W. (in press). Economic changes, vulnerabilities, and institutional capabilities. In Fritz W. Scharpf & Vivien A. Schmidt (Eds.), *Welfare and work in the open economy. Vol. I: Diverse responses to common challenges*. Oxford, UK: Oxford University Press.

Scharpf, Fritz W., & Schmidt, Vivien A. (Eds.). (in press). *Welfare and work in the open economy. Vols. I-II: Diverse responses to common challenges*. Oxford, UK: Oxford University Press.

Schmidt, Vivien A. (1996). *From state to market? The transformation of French business and government*. Cambridge, UK: Cambridge University Press.

Schmidt, Vivien A. (in press). Discourse and values. In Fritz W. Scharpf & Vivien A. Schmidt (Eds.), *Welfare and work in the open economy. Vol. I: Diverse responses to common challenges*. Oxford, UK: Oxford University Press.

Schwartz, Herman. (in press). Internationalization and two liberal welfare states: Australia and New Zealand. In Fritz W. Scharpf & Vivien A. Schmidt (Eds.), *Welfare and work in the open economy. Vol. II: Diverse responses to common challenges*. Oxford, UK: Oxford University Press.

Shepsle, Kenneth A. (1989). Studying institutions: Some lessons from the rational choice approach. *Theoretical Politics*, *1*, 131-147.

Skocpol, Theda, & Weir, Margaret. (1985). State structures and the possibilities for "Keynesian" responses to the great depression in Sweden, Britain, and the United States. In Peter B. Evans, Dietrich Rueschemeyer, & Theda Skocpol (Eds.), *Bringing the state back in* (pp. 107-163). Cambridge, UK: Cambridge University Press.

Soskice, David. (1999). Divergent production regimes: Coordinated and uncoordinated market economies in the 1980s and 1990s. In Herbert Kitschelt, Peter Lange, Gary Marks, & John D. Stephens (Eds.), *Continuity and change in contemporary capitalism* (pp. 101-134). Cambridge, UK: Cambridge University Press.

Soskice, David, & Iversen, Torben. (in press). The non-neutrality of monetary policy with large wage or price setters. *Quarterly Journal of Economics*, *15*(1).

Steinmo, Sven, & Thelen, Kathleen. (1992). Historical institutionalism in comparative politics. In Sven Steinmo, Kathleen Thelen, & Frank Longstreth (Eds.), *Structuring politics: Historical institutionalism in comparative analysis* (pp. 1-32). Cambridge, UK: Cambridge University Press.

Thelen, Kathleen. (1999). Historical institutionalism in comparative politics. *Annual Review of Political Science*, *2*, 369-404.

Tsebelis, George. (1995). Decision-making in political systems: Veto players in presidentialism, parliamentarism, multicameralism, and multipartyism. *British Journal of Political Science*, *25*, 289-326.

Tsebelis, George. (1999a). Approaches to the study of European politics. *ECSA Review*, *12*(2), 4-6.

Tsebelis, George. (1999b). Veto players and law production in parliamentary democracies: An empirical analysis. *American Political Science Review*, *93*, 591-608.

Visser, Jelle, & Hemerijck, Anton. (1997). *"A Dutch miracle." Job growth, welfare reform and corporatism in the Netherlands*. Amsterdam: Amsterdam University Press.

Waltz, Kenneth N. (1979). *Theory of international politics*. New York: McGraw-Hill.

Williamson, Oliver E. (1985). *The economic institutions of capitalism. Firms, markets, relational contracting*. New York: Free Press.

Wilson, Graham K. (1994). The Westminster model in comparative politics. In Ian Budge & David MacKay (Eds.), *Developing democracy: Comparative research in honour of J.F.P. Blondel* (pp. 198-201). London: Sage.

Zucker, Lynn G. (1991). The role of institutionalization in cultural persistence. In Walter Powell & Paul DiMaggio (Eds.), *The new institutionalism in organizational analysis* (pp. 83-107). Chicago: University of Chicago Press.

Fritz W. Scharpf is a director of the Max Planck Institute for the Study of Societies, Cologne, Germany. He was trained in law and political science in Tübingen, Freiburg, and Yale. He taught law at the Yale Law School and political science at the University of Konstanz, and he was the director of the International Institute of Management, Wissenschaftszentrum Berlin, before moving to his present post. His current research is in the fields of European integration and the comparative political economy of welfare states.