

Two theoretical schools—rationalist and constructivist approaches—dominate the literature on policy and institutional change. They tend to focus the debate on the ontological understanding of human behavior and hence the logic behind change. The authors note that another dimension of change—namely, its scope—is treated unsatisfactorily in the literature due to a neglect of the level of abstraction used as a point of departure by different studies. Hence, the literature is littered with “false debates” couched in the language of ontological disagreement. A regrouping of the literature into structure- and agency-based approaches will help to take for more systematic account of the levels of abstraction problem and therefore the varying measuring rods applied to assess the scope of change. The authors’ analytical focus runs orthogonal to the question of ontology and complements the dominant debate by allowing for a separation of different analytical dimensions in the study of political change.

## “SEEK AND YE SHALL FIND!” Linking Different Perspectives on Institutional Change

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Different conceptual lenses lead analysts to different judgements about what is relevant and important.

(Allison, 1971, p. 253)

Policy and institutional change represent core problems for scholars in the fields of comparative politics and international relations. A variety of factors—ranging from “globalization” to a change of government—may be responsible for change. In this article, we are less concerned with the sources for change, however. Rather, we develop an analytical framework for systemati-



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AUTHORS’ NOTE: *We are grateful to Mark Aspinwall, Gerda Falkner, and three anonymous reviewers for very helpful comments on an earlier draft of this article.*

COMPARATIVE POLITICAL STUDIES, Vol. 34 No. 2, March 2001 187-215  
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cally incorporating the assessment of the scope of change in the analysis. In the literature, we find recurring disagreements in the estimation of the degree of change that has taken place in any given policy sector or institutional constellation. For example, some authors detect a fundamental retrenchment of the welfare state in Western Europe, whereas others insist that past welfare structures are quite resilient against any pressures to change (see below, Clayton & Pontusson, 1998, versus Pierson, 1996). Similarly, characterization of the liberalization of formerly state-dominated sectors, such as telecommunications, railways, or electricity, range from revolutionary to representative of the traditional national patterns of state-market relations (see below, Schneider, 1998, versus Vogel, 1997, on telecommunications). At first sight, these analyses do not seem to be compatible and have indeed given rise to sometimes-intense debates.

In this article, we raise the question of how the frequently diverging assessments of change in the literature can be explained. We develop two interrelated arguments. First, we argue that the literature on policy and institutional change is mined with false debates. It is not the faulty collection or interpretation of empirical data but the application of different analytical perspectives that results in contrasting assessments of change. More specifically, it is often overlooked that the “contestants” view and measure change from different levels of abstraction. What seems a fundamental reform from the perspective of the affected actor may appear marginal change from a systems perspective. Strikingly little attention is paid to the levels of abstraction applied in seemingly competing research. Instead, contrasting evaluations tend to be cast as theoretical debates. Due to the lack of attention to the measurement scales for change, we observe academic shadow boxing or sometimes illusory agreements.

Second, we argue that a regrouping of the literature into structure- versus agency-based approaches will serve the debate in terms of more systematically taking account of the levels of abstraction and therefore the measuring rod for change. Presently, the leading approaches in comparative politics and international relations are grouped into sociological versus rational choice variants of institutional analysis or into constructivist versus rationalist approaches. The central question in both debates concerns the ontological conception of human behavior. In short, do institutional and normative structures provide meaning that is relevant in the formation of preferences, or do they influence behavior by providing a context for strategic action without influencing human preferences? Notwithstanding the significance of these questions, their pursuit does not allow for a systematic discussion of the levels of abstraction problem—hence our suggestion of regrouping the literature.

Before developing our argument about why the structure- versus agency-based distinction will allow a systematic consideration of the measurement problem, we will reflect in more detail on the dominating debates in the literature and their utility for our purposes. In the third section, we then turn to our argument, providing empirical evidence in the fourth section. The fifth section summarizes the results and draws general conclusions on the factors affecting the explanatory scope of structure-based and agency-based approaches within different empirical constellations.

### **DOMINANT DEBATES AND THE LEVELS OF ABSTRACTION PROBLEM**

The current theoretical discussion about policy and institutional change in comparative politics is dominated by different variants of neoinstitutionalism. In this section, we will briefly describe the battleground between sociological, rational choice, and historical institutionalists and indicate the similarities to the dominant debate in international relations between constructivists and rationalists. In a second step, we show that the focus of the discussion runs orthogonal to our concern in this article. Similarly, the increasing attempts to find some common ground and develop complementary approaches are not able to dissolve the muddled debates that are rooted in the neglected levels of abstraction problem.

The different “institutionalisms” are grouped into sociological institutionalists, focusing on normative and cultural institutions establishing a “logic of appropriateness” for human behavior; the rational choice institutionalists, focusing on strategic, goal-oriented behavior within institutional limits; and historical institutionalists, borrowing somewhat eclectically from the other two schools though with a special appreciation for the influence of history for present-day policy making. The three variants are distinct in their ontological understanding of human behavior—calculus or culture led, in Hall and Taylor’s (1996) words—and hence the logic behind change. Because ontology has been the dividing line between the different schools, it has also been the focus of recent attempts to unify the literature. Hall and Taylor argued that

each of these literatures seems to reveal different and genuine dimensions of human behavior and of the effects institutions can have on behavior. None of the literatures appears to be wrong-headed or substantially untrue. More often, each seems to be providing a partial account of the forces at work in a given sit-

uation or capturing different dimensions of the human action and institutional impact present there. (p. 22; also see Checkel, 1998; Thelen & Steinmo, 1992)

The discussion of these different dimensions of human behavior and logics of change is not equivalent to recognizing another source of debate—or, as we suggest here, misunderstanding—the different scales for measuring change. Notwithstanding a tendency of the sociological institutionalists to take a bird’s-eye perspective and hence use a small-scale map, on one hand, and of the rational choice institutionalists to examine change on the spot using a “human-sized map,” on the other, we would like to keep the question of the source of human behavior and institutional change distinct from the estimation or measurement of change on a given—but often undeclared—scale. The latter issue has given rise to as much argument in the literature as the former, but the sources for disagreements have remained blurred.

We find a very similar debate in the field of international relations, and here the discussions of developing a common ground have already progressed further toward developing concrete research designs. The focus remains solely ontological, however, as will become evident in this brief review. The anniversary issue of *International Organization* (1998, vol. 4) provides a wonderful reflection of the rationalist versus constructivist debate in international relations as well as on the “state of the art” for finding a common ground. Katzenstein, Keohane, and Krasner (1998) summarize succinctly:

The core of the constructivist project is to explicate variations in preferences, available strategies, and the nature of the players, across space and time. The core of the rationalist project is to explain strategies, given preferences, information and common knowledge. Neither project can be complete without the other. (p. 682)

As is evident in this short characterization, the argument between rationalists and constructivists is rooted in questions regarding the source of human behavior and hence the origin of change.

As hinted by Katzenstein et al. (1998), there have been attempts to close this ontological gap. We observe two general strategies: First, although neither perspective is adequate to cover all aspects of social reality, they may be linked by a sequential “two-step.” Rationalists following this strategy acknowledge that their analysis of strategic interaction between actors should be preceded by an analysis of the formation of preferences on the basis of prevailing norms, identities, knowledge, and culture. Legro (1996), for instance, develops an explanation that specifies how organizational cultures of bureaucracies shape state aims and choices in the use of alternative types of

warfare. Similarly, Schoppa (1999) investigates the influence of the wider social and institutional context on the bargaining behavior of state actors. Constructivists, in turn, started to deliberate the possibility of a strategic manipulation of norms and “meanings.” Finnemore and Sikkink (1998), for instance, emphasize that “instrumental rationality plays an important role in the social construction of norms, identities and preferences” (pp. 910-911). In a similar way, Barnett (1999) points out that “strategic action can be designed to rewrite the cultural landscape” to legitimate policy change (p. 5). In essence, the complementarity of the two schools lies in the mutual qualification of the other’s dependent variable—norm or preference.

A second strategy is additive rather than sequential. Rather than following primarily one logic—strategic or culture bound—human behavior is considered more multifaceted, exhibiting different logics. In the context of international organizations and the European Union (EU), actors may not only act strategically and calculating, they may also interact in a deliberating or argumentative style and attempt to persuade others while being open to learn themselves (cf. Eriksen & Fossum, 2000; Joerges & Neyer, 1997; Risse, 2000) in addition to being bound by social context and norms. In this perspective, policy or institutional change results from a complex interactive process that cannot be reduced to a single behavioral logic or sequence. Both attempts to join forces may be useful to explain the presence or absence of institutional change even though the first strategy implies a certain danger of writing a never-ending story and the second strategy results in high explanatory indeterminacy.

However, the debate between rationalists and constructivists is not the source of contrasting assessments of the degree of institutional change on which we would like to focus in this article. The disagreements between scholars arguing either fundamental or minimal changes (e.g., in the structure of the welfare state as the result of economic liberalization) are rooted in a lack of a declaration of the level of abstraction rather than in ontological issues. Although Finnemore and Sikkink (1998) may be correct in stating that “much of the macrotheoretical equipment of constructivism is better at explaining stability than change” (p. 888), we will show that this has less to do with the constructivist effort to reason about the formation of preferences than with the tendency of constructivist analysis to explore the macro-structural context of human behavior. It is important to keep these two analytical debates distinct.

In the following sections, we will develop why a regrouping of the literature into structure- versus agency-based approaches allows us to take more systematic account of the measurement issue.

To elaborate on our argument, we will first investigate the distinctive levels of abstraction underlying different theoretical approaches. We will focus on the institutionalist literature, as it is so central to the academic discourse in comparative politics. In a second step, we will indicate the theoretical and analytical benefits emerging from these considerations. On the one hand, it becomes apparent that much of the scholarly debate and disagreement about the presence and magnitude of change can be traced to insufficient attention to the scale of measurement implied in different institutional analyses. On the other hand, the consideration of these differences in the level of abstraction allows for a complementary linkage of structure- and agency-based approaches.

### **DIFFERENT INSTITUTIONAL APPROACHES AND THEIR LEVEL OF ABSTRACTION**

Although there is a long-standing scientific debate on the different ways institutions affect individual behavior and political outcomes (i.e., by providing cognitive frames of reference or merely opportunity structures for strategic interaction), little attention has been given to the fact that different institutional approaches explain the same cases not only on the basis of distinctive ontological perspectives but also from varying levels of abstraction (Knill, 2001).

The distinctive levels of abstraction chosen in different institutional approaches are closely related to their conception of institutions as either independent or intervening variables in explaining individual action and political outcomes, the former taking a bird's-eye perspective and the latter remaining on the spot. In view of this constellation, which is based on the explanatory value associated with institutions rather than ontological differences, we suggest grouping the different theoretical variants under the heading of the neo-institutionalism into structure-based and agency-based approaches.

It is important to emphasize in this context that by referring to the different levels of abstraction inherent to structure-based and agency-based approaches, we do not deny the importance of ontological differences between rationalist and sociological or constructivist approaches. Rather, our analytical focus runs orthogonal to these aspects, cutting across ontological boundaries (Figure 1).

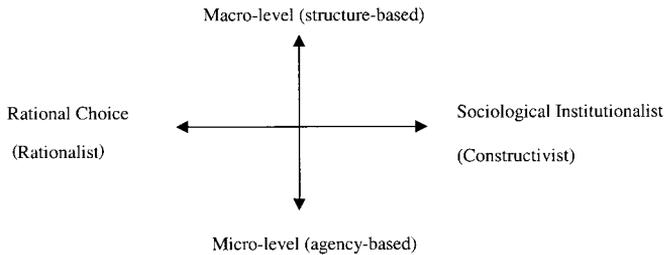


Figure 1. Orthogonal lines of debate.

#### STRUCTURE-BASED VERSUS AGENCY-BASED APPROACHES

In distinguishing structure- and agency-based approaches, we follow the argument made by Mayntz and Scharpf (1995, p. 52), emphasizing that from a merely explanatory perspective the crucial question is not how institutions exert their influence but how much they explain. To what extent can we conceive of institutions as independent or only intervening factors to account for political outcomes?<sup>1</sup>

Structure-based approaches emphasize the role of existing institutional configurations as independent explanatory factors in the analysis of political outcomes and institutional development. Existing institutions are considered the primary explanatory factor in shaping policy and institutional change.

The attribution of far-reaching structuring impacts to institutions favors conservative expectations. Structure-based approaches, regardless of their distinctive ontological conception of institutional impacts, emphasize the stability and continuity of institutions and policy legacies. As a general rule, adaptation processes remain incremental or path dependent without challenging well-established core patterns of existing arrangements. It is only in exceptional cases of fundamental performance crises or external shocks that the discrepancy between exogenous pressure and adaptive capacity is

1. Mayntz and Scharpf (1995, 52) further legitimize their approach in view of empirical ambiguities. Thus, in many instances it is difficult, if not impossible, to tell whether empirically observed behavior was consequential or appropriate. There might well be constellations in which egoistic self-interested behavior is exactly what is expected as institutionally appropriate from certain actors.

becoming too big and old continuities are given up to create new continuities (Krasner, 1988; Thelen & Steinmo, 1992).

In this way, structure-based approaches provide us with rather clear expectations concerning the scope and mode of change. However, by emphasizing the structuring impact of institutions and claiming that institutions influence both strategies and interests of actors, this relatively parsimonious model risks explanatory determinism, ignoring possibly independent influences of actors and their strategic interaction on political outcomes (Mayntz & Scharpf, 1995).

The conception of institutions as independent variable cuts across ontological boundaries between rationalist and constructivist approaches. To be sure, structure-based approaches are particularly dominant in the sociological institutionalist or constructivist corner, with institutions not only enabling and constraining specific strategies and choices of actors but also influencing the way actors conceive of their ultimate interests in the first place. Institutions do not affect simply the strategic calculations of individuals but also their most basic preferences and very identity. Institutions are frameworks that structure choices by providing appropriate routines and standard operating procedures (DiMaggio & Powell, 1991; March & Olsen, 1989).

However, the conception of institution as independent variable can also be observed within rationalist frameworks, emphasizing the structuring impact of institutional "lock-ins," in which deviations from the initial path become increasingly costly or difficult as a result of the institutionally structured distribution of power between different actors (Arthur, 1989; North, 1990). In this context, it can be seen as an important contribution of historical institutionalism to emphasize that the independent explanatory role of institutions may be interpreted as the result either of lock-in effects or of a process in which the logic of appropriateness has gradually taken over from the initial logic of utility maximization. Historical institutionalists point out that for explaining institutional change, it is more important to recognize that "history matters" than to figure out whether path dependency is the result of lock-in effects or the institutional reproduction of standard operating procedures (Thelen & Steinmo, 1992, p. 9).

Agency-based approaches attach a less determining explanatory role to institutional factors.<sup>2</sup> In contrast to structure-based approaches, change is analyzed from the perspective of methodological individualism. Human action is the cornerstone of these social science explanations. Institutions still

2. Please note that we are still referring to a neo-institutionalist variant and not to a "pure" agency-based model that does not consider the role of institutions even as an intervening factor.

matter, but they operate as intervening rather than independent variables between the interaction of actors and corresponding outcomes.

Agency-based approaches explain policy or institutional developments (continuity or change) by reference to the prevailing actor constellation in a given institutional context. Hence, they do not face the problems of determinism in the same way as structure-based approaches do. They are not biased in favor of institutional stability and thus can equally well account for stability and change. The weak spot of agency-based explanations, however, is rooted in their need to account for high empirical complexity. In practice, the challenge of an accurate attribution of resources, preferences, and strategic orientations to the diverse set of actors involved, and hence an accurate *ex ante* assessment of the conditions for institutional change, is enormous.

As with structure-based approaches, agency-based frameworks also can be found in ontological variants. The conception of institution as intervening variable is most prominent in rational choice forms of the new institutionalism. Institutions are conceived as an opportunity structure that constrains and enables the behavior of self-interested actors. Institutions limit the range of strategic options that are available to actors, however—in contrast to structure-based approaches—without entirely prestructuring political decisions toward certain outcomes (Shepsle, 1989; Shepsle & Weingast, 1987). But, as indicated by the above-mentioned theoretical innovations, the application of an agency-based approach does not necessarily coincide with rationalist assumptions on the behavior of individual actors given the increasing number of studies theorizing agency not only as strategic and calculating but also as deliberative, argumentative, and affected by the social and institutional context (Joerges & Neyer, 1997; Risse, 2000; Schoppa, 1999).

As will be shown in the following discussion, structure- and agency-based approaches are characterized not only by different conceptions of institutions as either independent or intervening explanatory factors but also by different levels of abstraction and hence varying assessments of political outcomes.

#### **REVOLUTION OR INERTIA? A QUESTION OF PERSPECTIVE**

We suggest that the extent to which we might detect revolutionary or incremental institutional transformation is strongly affected by the analytical level from which the developments under study are evaluated. The scope of institutional transformation is interpreted differently when viewed on the spot or from a bird's-eye perspective.

A high level of abstraction, taking a bird's-eye view in evaluating institutional change, generally characterizes structure-based approaches. The levels of empirical development and analytical evaluation are not identical.

Thus, historical institutionalists (regardless of whether operating on the basis of a more rationalist or constructivist framework) typically prefer to analyze sectoral developments against the background of the general macro-institutional context. Immergut (1992), for instance, analyzes developments in health politics in light of varying political structures that confront reformers with different institutional veto points. Steinmo (1993) explains the succession of different tax policies by reference to distinctive national political structures. Dobbin (1994) explains cross-national variation in 19th-century railways policy by the impact of varying conceptions of the state and the market in different countries. This is not to say that approaches that emphasize the importance of institutions as independent explanatory factor automatically focus on state structures. There are many sociological studies that are explicitly concerned with organizational life (March & Olsen, 1989). But these studies also evaluate developments on lower, for instance departmental, levels in light of the more abstract, in this case organizational, perspective.

By contrast, agency-based approaches, which conceive of institutions merely as an intervening variable structuring strategic interaction, tend to assess institutional changes on the spot; that is, the levels of empirical observation and analytical evaluation are identical. The analyst follows the affected actors through the institutional jungle viewing change through his or her eyes. Changes in the structure of regulatory agencies, for instance, are not evaluated in light of a macro-institutional context (such as the conception of state and market relations) but by reference to the distribution of power between different actors situated in the respective regulatory environment (Moe, 1990).

The distinctive level of abstraction, as inherent to structure-based and agency-based approaches, has important consequences for the interpretation of political developments. With increasing remoteness, the scale of change is diminishing. For instance, the privatization of the state-owned utilities will be dramatic from an individual or organizational perspective; it might even constitute a sectoral revolution. But at the same time, the mode of the reform may remain in line with the legal and administrative traditions of the country in question and, on this basis, be judged as incremental. Given the adoption of a higher level of abstraction by structure-based approaches, their emphasis on persistence and continuity is hardly surprising. On the other hand, the proximate perspective taken by agency-based approaches explains their more open expectations toward change or persistence.

## **COMPLEMENTARY RATHER THAN COMPETING PERSPECTIVES ON INSTITUTIONAL CHANGE**

The inherent disposition of different institutional approaches to evaluate change from different abstraction levels has two analytical implications. First, we argue that the explicit acknowledgment of the level of abstraction avoids misunderstandings with respect to varying evaluations of policy and institutional change. Second, we propose that these different explanatory scopes should be treated as complementary rather than competing.

### **AVOIDING SHADOW BOXING AND ILLUSORY AGREEMENTS**

Taking account of the fact that structure-based and agency-based approaches analyze the same empirical development from different levels reduces the risk of engaging in muddled debates. Watching out for different levels of abstraction helps us to understand that different approaches explain different aspects of the same empirical phenomena and hence might arrive at varying evaluations and assessments of change. Once this oversight is corrected, many polarized debates will be exposed as shadow boxing, and some agreements will be shown to be illusory.

### **COMBINING VARYING LEVELS OF ABSTRACTION**

The acknowledgment of different levels of abstraction not only helps to avoid muddled debates but also opens up an interesting space for the complementary linking of structure- and agency-based approaches. It is important to emphasize in this context that our suggestion crucially differs from current attempts to combine rationalist and constructivist approaches on the basis of a sequential or additive logic, which are based on ontological links or divisions of labor between the two approaches. By contrast, our suggestion is based on the combination of the distinctive levels of abstraction, hence the distinctive explanatory value of institutions inherent to different theoretical approaches.

We have shown that structure- and agency-based approaches not only operate from distinctive levels of abstraction but also are characterized by particular explanatory strengths and weaknesses. Although the conservative bias of structure-based approaches provides us with clear expectations on the scope of institutional change, the inherent deterministic bias at the same time constitutes a major weakness. Agency-based approaches, by contrast, avoid the problem of determinism but suffer from their openness, hence making it

very difficult for *ex ante* hypothesizing. The crucial question is therefore not to decide which approach is theoretically superior but to link them in a synergistic way.

The determinist bias of structure-based explanations was rooted in the presumption to explain everything by reference to institutional factors. Once we explicitly account for different levels of abstraction, such institutional determinism may be limited to the more remote level, whereas institutional factors merely structure human interaction on lower levels and still leave a broad range of options for change. To find out which of these options is taken, not only a lower level of abstraction but also an agency-based perspective may be more suitable. At this stage, agency-based institutionalists may benefit from the contributions of their colleagues who have already reduced the scope of likely outcomes and hence the complexity to be accounted for in the analysis.

To be sure, the synergy effects emerging from a complementary linking of structure-based and agency-based approaches might vary from case to case, depending on the extent to which it is actually possible to restrict the universe of potential adjustment options from a structure-based *ex ante* perspective. We suggest that an important factor accounting for the varying explanatory scope of structure-based approaches refers to the level of adaptational discretion.

Structure-based analyses assume a thick institutional defense wall against any impetus for change. To capture the limits of this analytical perspective in a systematic way, we need to investigate the intensity of the challenge in the context of the degrees of freedom provided by the existing structures. The concept of adaptational discretion relates to this actual political challenge to existing institutions or policies. It varies not only with the scope of external adjustment requirements (e.g., international or European norms and regulations on domestic institutions), which might be more or less demanding and specific. The challenge is also influenced by the compatibility or fit of external requirements (the impetus for change) and existing arrangements (Caporaso, Cowles, & Risse, *in press*; Knill & Lenschow, 1998).

If the institutional degrees of freedom and therefore the adaptational discretion are high, the structural wall is highly permeable. Hence, the higher the discretion, the more difficult it might be to delineate the universe of potential adjustment options from an *ex ante* perspective. On the other hand, confrontation of existing institutional arrangements with concrete and highly specified adaptation requirements provides structure-based approaches with a better leverage to define the range of compatible and incompatible adjustment options on the basis of the given institutional constellation. Against this

backdrop, we assume that the synergy effects of a complementary linking of structure-based and agency-based approaches decrease with the level of adaptational discretion.

In the following sections, we will illustrate our theoretical considerations with empirical evidence from five policy areas. In particular, we will demonstrate (a) why agency-based and structure-based approaches arrive at differing evaluations and explanations of institutional change as a result of their varying analytical perspectives, (b) how these different interpretations result in muddled debates, and (c) that these different explanations can be linked complementarily.

### **EMPIRICAL ILLUSTRATION: EXAMPLES OF SHADOW BOXING OR ILLUSORY AGREEMENTS**

To illustrate our argument, we will review several studies on policy and institutional change.<sup>3</sup> The case studies are drawn from different policy fields, ranging from policy evolution in the global context to negative market integration as well as reregulatory efforts on the part of the EU. Specifically, we look at the developments implied in telecommunications and railway liberalization, transitions or retrenchment of the welfare state, and regulatory change in social and environmental policy.

To demonstrate the relevance of our analytical considerations with respect to different constellations, we have selected the empirical cases according to two criteria: the degree of contradiction between different institutional explanations and the level of adaptational discretion. With the level of contradiction between different institutional explanations, we distinguish cases of contradictory and concurrent assessments of institutional change. By distinguishing constellations of either high or low discretion for adaptation, we take account of the fact that synergy effects emerging from a complementary linking of structure-based and agency-based approaches vary with the level of political challenge to existing arrangements. It is our intention to show that, regardless of the constellation of these two criteria, the explicit acknowledgment of the distinctive level of abstraction is important to avoid potential misunderstandings and contradictions between different approaches. In Table 1, we show the four quadrants formed by the two criteria and the cases we have chosen to illustrate our argument.

3. Therefore, the case studies will not give a complete overview of the policy developments in the given field and all explanatory variants; they will be used with methodological rather than explanatory intentions.

Table 1  
*Context for Change*

|                                    | Adaptational Discretion |  |
|------------------------------------|-------------------------|--|
|                                    | High                    | Low  |
| Level of explanatory contradiction | High                    | Telecom liberalization<br>Welfare state retrenchment   |
|                                    | Low                     | Railway liberalization<br>EU environmental policy<br>(Eco-Audit Regulation)<br>EU social policy<br>(Equal Pay Directive) |

### **HIGH ADAPTATIONAL DISCRETION AND HIGH EXPLANATORY CONTRADICTION: THE CASES OF WELFARE STATE RETRENCHMENT AND TELECOMMUNICATION REFORM**

#### **THE RETRENCHMENT OF THE WELFARE STATE**

The crisis of the welfare state with its policy consequences is an issue of high contestation in the literature. Some argue that we face a process of a fundamental retrenchment of the welfare state due to the impact of heightened competition in an increasingly global market (Martin & Schumann, 1996; Streeck, 1995). Others may paint a less gloomy picture but nevertheless anticipate fundamental changes converging toward a less universally oriented welfare state model (Rhodes, 1995) or toward new organizational forms in the provision of services (Schwartz, 1994). Other scholars seem convinced, by contrast, that no major cutbacks or radical restructuring of the welfare state are occurring, nor should they be expected (Pierson, 1996; implicitly also Skocpol, 1992).

An exemplary text that supports the retrenchment argument has been authored by Clayton and Pontusson (1998). They attempt to show that "major changes have indeed occurred in the scope and organization of public welfare provision not only in the U.K. and the U.S. but across the OECD area more generally" (p. 69). They explain the changes on the basis of an agency-based model, arguing that "societal and coalitional alignments have changed" (p. 98) and situate their analysis in opposition to

Pierson's widely cited *World Politics* article of 1996, providing the clearest and most compelling presentation of the case for welfare state resilience. Using this

article as a foil, [they] seek to . . . sketch an alternative approach to the study of welfare states in transition. (pp. 67-68)

The cited article by Pierson (1996) argues indeed that despite economic, political, and social pressure, “it becomes difficult to sustain the proposition that these strains have generated fundamental shifts” (p. 173). In contrast to Clayton and Pontusson, Pierson’s analysis is rooted for the most part in the structure-based literature. Acknowledging the role of pressure politics, interest group strength, and strategies of politicians seeking to be reelected, he maintains that “whether these efforts succeed may depend very much on the structure of policies already in place” (p. 147), hence the structuring effect of policy legacies creating new interest constellation as well as organizational path dependencies.

The growth of social spending has reconfigured the terrain of welfare state politics. Maturing social programs produce new organized interests. . . . The networks associated with mature welfare state programs constitute a barrier to radical change . . . [because] organizations and individuals adapt to particular arrangements, making commitments that may render the cost of change . . . far higher than the costs of continuity. (p. 175)

Furthermore, Pierson points to the “generally conservative characteristics of democratic political institutions,” particularly “where power is shared among different institutions” (p. 174).<sup>4</sup> Hence, historical institutions produce “sunk cost” and “lock-in effects” working against change.

Retrenchment or resilience—and whom to believe? We will neither test the empirics nor seek out holes in the respective arguments. Rather, we want to find out whether the theoretical contest can be resolved by closer attention to measurement and scale. The two cited studies are notable examples in which this issue is not entirely ignored. Pierson (1996) acknowledges that “measuring retrenchment is a difficult task” (p. 157) and “establishing what constitutes ‘radical’ reform is no easy task” either (fn. 39). Clayton and Pontusson (1998) state even more pointedly that the “literature on welfare state retrenchment raises the thorny question of how to distinguish radical change from incremental adjustment” (p. 69), arguing that Pierson is at fault due to his chosen “narrow” interpretation of change. Rather than putting one or the other author at fault, we suggest that in looking through different ana-

4. He also points to the high electoral costs associated with retrenchment initiatives. In this respect, his argument is actor centered because the strategic behavior of actors is perceived as individually based rather than institutionally derived.

lytical lenses, they both have identified different dimensions of change (or persistence) that may be gainfully combined to a greater picture.

Pierson (1996) combines in his analysis aggregate data of government spending over the past two decades (social security transfers as percentage of gross domestic product [GDP], government outlays as percentage of nominal GDP, and government employment as percentage of total employment) as well as data on spending patterns in different program categories (merit goods and income transfers). On the most aggregate level, he observes hardly any change; on the program level, he notes change in some categories, although not in all countries. The general perspective is one focusing on the departure from previously established patterns. Clayton and Pontusson (1998), in turn, view the services rendered from the perspective of the individual or small group. They make three basic arguments: First and most prominently, from the actor- and society-centered perspective, they notice changed structures of need (“context of rising social inequality and insecurity” [p. 69]) and the increasing misfit of old welfare state programs in this new social context. Their argument is less that the overall structure of the welfare state has changed but that the welfare state performs increasingly poorly in a context of socioeconomic change. They measure change of impact rather than change of structure. Second, to the extent that Clayton and Pontusson focus on the structure of the welfare state, they disaggregate further than Pierson does and investigate “how the allocation of resources among individual programs might have changed” (p. 70), noting a general reallocation from universal to means-tested programs. Third, from the operational perspective, they observe that “public sector reform has increasingly emphasized cost reduction. . . . Exemplifying a general trend among OECD countries, the administrative mechanisms of the Swedish welfare state increasingly mimic those of private corporations” (p. 92). Such intraorganizational changes escape Pierson’s macro-level analysis.

Given the high discretion for welfare state reforms, it becomes apparent that from a structure-based perspective, it is only possible to suggest some, however general, limits to further welfare state reforms and cutbacks for many individual beneficiaries. To understand the various ways of political and institutional adjustment, we must rely on a less abstract agency-based perspective, as developed by Clayton and Pontusson (1998).

#### **LIBERALIZATION OF THE TELECOMMUNICATION SECTOR**

As a second case in the high adaptation/high explanatory contradiction quadrant, we consider the recent global reform wave in the sector of telecom-

munications and the different interpretations offered by structure- and agency-based explanations. Whereas the telecommunications industry was long considered a classical case for a public monopoly, most industrialized countries (including the United States, Japan, Britain, France, Germany, and Italy) have broken up the former public utilities and transformed them into competitive markets, implying the privatization of state enterprises and the establishment of regulatory regimes for market control.

The regulatory regimes for market control offer wide discretion for adaptation. Relevant EU legislation has focused on the removal of barriers or “negative integration” (Taylor, 1983) and established merely a framework for achieving the goals of liberalization, but it does hardly impose specific procedural and structural conditions. On the other hand, we find rather contradictory assessments of the scope of similar regulatory changes, reaching from “revolution” to “incremental adjustments.”

Schneider (1998), for instance, speaks about a “‘big bang’ of institutional reform” starting in the United States and creating a “chain reaction towards global deregulation and liberalization” (pp. 17, 19). Caught by the “winds of change, which . . . blew the old order in telecommunication away” (p. 20), all three countries studied (Germany, France, Italy) experience the almost complete liberalization of their telecommunications sector, the privatization of their former public operators, and the introduction of independent regulatory agencies taking over the tasks of monitoring, licensing, and regulating.

Schneider arrives at his conclusion of fundamental change from an agency-based analytical perspective. He argues that rapid technological innovation combined with the globalization of markets have significantly altered the powers, resources, costs, and benefits between sectoral actors, hence challenging existing institutional equilibria in favor of new arrangements. National institutions affected only the process of change but had no impact on the outcome of the reforms, which show a converging tendency across countries. Approaching the issue of sectoral telecom liberalization from the viewpoint of the involved actors, Schneider “measures” the degree of change from a sector-based perspective. On this level of abstraction, the institutional transformations are plausibly characterized as path breaking.

Vogel (1997), by contrast, comes to seemingly opposite conclusions with respect to the global trend to converge and the scope of change occurring. He points out that the arrangements to regulate the privatized telecommunications sector continue to look quite different in Britain and Japan. Whereas in Britain privatization is accompanied by a pattern of “competitive deregulation,” the Japanese arrangements reveal a more protectionist approach based on “competitive re-regulation.” Both reactions to the universal challenge res-

onate well with the respective national bureaucratic traditions, state-society relations, governmental structures, and prevailing ideas about the appropriate relationship between state and market. These factors are responsible for the continuity Vogel observes behind national processes of liberalizing the telecommunications sector.

Again the question appears to be “who is correct?” Are we confronted with continuity or change? The two analyses suggest a theoretical debate. While Schneider (1998) differentiates his analysis from structure-based accounts, Vogel (1997) explicitly discards agency-based explanations. Comparing Britain and Japan, he notes that “the alignment of interest groups was actually similar in the two countries and therefore cannot account for the differences in reform outcomes” (pp. 178-179). Schneider perceives the institutional constraints to be weak and common market pressures high, inducing rational actors to pursue similar reform pattern across countries. Vogel, by contrast, argues that “the feedback from the marketplace is ambiguous enough to allow countries to pursue distinct strategies” (p. 181) in line with national institutions and traditions.

Looking more closely, we think that the two authors are engaged in shadow boxing. In Vogel’s (1997) historical-institutionalist interpretation, change is measured not from a sectoral but from a macro-institutional perspective. From this higher level of abstraction, sectoral changes are characterized as “appropriate adaptations” in light of the particular structural background of state and administrative traditions. Rather than emphasizing institutional convergence, he points to the path-dependency of sectoral changes. Schneider’s (1998) measurement of change is on the spot; ignoring the continuing embeddedness in greater institutional structures and traditions, he notes the indeed fundamental reforms of the sector. In the end, both are correct in pointing to global convergence, on one hand, and national continuities (and therefore persisting cross-national variation), on the other hand.

As in the welfare state case, the high level of adaptational discretion in telecommunication liberalization implies that structure-based analysts delineate merely general patterns for sectoral development. The variety of sectoral change across countries can be fully assessed only from an agency-based perspective. Notwithstanding the limited explanatory scope of structure-based approaches in such constellations, however, they provide important insights complementing and qualifying the interpretations to be gained from the less abstract agency-based analysis.

### **HIGH DISCRETION AND LOW EXPLANATORY CONTRADICTION: THE CASE OF RAILWAY LIBERALIZATION**

Railways were long considered a natural monopoly because of high fixed sunk costs in terms of investment and rolling stock. Consequently, they were traditionally dominated by single public enterprises owning infrastructure and providing services in most European countries. Following a profound financial crisis of European railways and subsequent, albeit small, steps of the EU toward liberalization, we saw political initiatives to railway reform in many European countries from the early 1990s onward.

Although the rather symbolic character of European legislation provided high institutional discretion for domestic adjustment (Knill & Lehmkuhl, 2000), the interpretation of corresponding regulatory changes is characterized by a less contradictory picture as in the telecommunications case, including both concurrent and contradictory evaluations on the basis of different institutional approaches.

The studies of Knill (in press) and Lehmkuhl (in press) on the railway reforms in Britain and the Netherlands provide good examples for the complementarity of seemingly contradictory interpretations. Both explicitly evaluate the reform developments in one country from first a more remote and then a more proximate analytical perspective. Applying a sectoral measurement rod for the evaluation of institutional change, both authors emphasize the path-breaking character of the railway reforms. In view of the complete transformation of British Rail from public into private ownership (including infrastructure), the far-reaching organizational fragmentation, and the introduction of different forms of competition (Zahariadis, 1996), Knill concludes that these developments “without doubt mark a watershed in the history of British railways” (p. 87). Lehmkuhl suggests a similar assessment for the Dutch development, pointing to the splitting up of the formerly integrated railways into different businesses as well as the separation of private businesses (such as freight transport) and public businesses (infrastructure).

However, the assessment of path-breaking sectoral developments is only one part of the story told by both authors. Similar to Vogel’s (1997) analysis of telecommunication reform in Britain and Japan, they note that—from a more general analytical level—sectoral changes in both countries reveal significant differences that must be understood against the background of different national state and administrative traditions: The radical liberalization of

British Rail, which included the privatization of the infrastructure, reflects the liberal tradition of the British "stateless society" (Dyson, 1980), characterized by the supremacy of the market over the state (Dobbin, 1994; Knill, in press); the distinction and interdependence of public and private businesses in the design of the Dutch railway reform reflects the impact of the distinctive Dutch tradition of corporatism and demonstrates the social and institutional embeddedness of Dutch state-society relations (Lehmkuhl, in press).

Although the case studies on Britain and the Netherlands illustrate the complementarity of competing institutional interpretations, the analyses of Teutsch (in press) and Kerwer (in press) show that the explicit acknowledgment of distinctive levels of abstraction underlying different institutional approaches is of explanatory relevance even in cases in which agency-based and structure-based explanations seem to agree in their evaluations. In contrast to the studies on Britain and the Netherlands, Teutsch and Kerwer emphasize the incremental and piecemeal character of German and Italian railway reforms from a sectoral perspective. They argue that due to numerous institutional veto points, those actors in favor of substantial reforms were not able to successfully challenge powerful vested interests. Thus, in both countries sectoral changes were restricted to the formal privatization of the national railways, implying no change in ownership but only in the industry's legal basis. At first glance, this agency-based interpretation of sectoral persistence seems to confirm the expectations derived from a structure-based perspective. However, this agreement is illusory, as path dependence from the sectoral perspective and path dependence from the macro-institutional perspective refer to different aspects of the same case.

The structure-based approach only allows us to delineate the range of options for sectoral adjustment in light of the macro-institutional context but is not capable of explaining the concrete form of sectoral change. Whether we find sectoral revolutions (as in Britain and the Netherlands) or sectoral path dependence (as in Italy and Germany) cannot be determined from a macro-structural perspective. Thus, the tradition of strong state intervention, which characterizes the macro-institutional context in both Germany and Italy, explains only certain parts of the sectoral changes in both countries, for instance, that infrastructure will remain in public ownership. The structure-based approach does not explain why even within these macro-institutional restrictions for sectoral choices we find only piecemeal changes in the Italian and German railway sector.

## **LOW DISCRETION AND HIGH EXPLANATORY CONTRADICTION: THE IMPLEMENTATION OF THE EU ECO-AUDIT REGULATION**

The implementation of the European Eco-Audit Regulation is a good case to illustrate the complementarity of structure- and agency-based approaches in cases of low institutional discretion and high explanatory contradiction of agency-based and structure-based approaches.

Low institutional discretion emerges from the fact that European market-shaping policies, such as environmental regulation, generally prescribe distinctive institutional requirements for domestic compliance. In the concrete case of Eco-Audit, these requirements refer to the establishment of a regulatory framework for industrial self-regulation. The regulation is intended to offer incentives for industry to introduce environmental management systems on a voluntary basis. It defines procedural requirements for the establishment of internal management systems, which have to be approved by external verifiers. Member states must create competent bodies for the accreditation of the verifiers and the certification of participating companies.

Considering different studies on domestic changes in view of European requirements, we are confronted with rather contradictory assessments. This becomes apparent in particular when comparing different interpretations of the regulation's impact in Germany, where the traditional interventionist style in environmental regulation was fundamentally challenged by the self-regulatory approach advanced by European legislation.

Arguing from an agency-based perspective, Börzel (1999) points out that the implementation of the Eco-Audit Regulation in Germany led to substantive legal and administrative changes, implying a clear departure from the traditional patterns of interventionist regulation in German environmental policy. Although the German administration initially favored a minimalist implementation strategy by absorbing European requirements as far as possible into the existing regulatory structures, the strong societal pull in favor of innovative implementation finally led to fundamental institutional changes, going "far beyond the legal and administrative changes required by the Regulation" (p. 26). The strong support from industry, in particular, resulted from its expectation that in the future authorization and inspection procedures might be "slimmed" for voluntary Eco-Audit participants (Knill & Lenschow, 1998). As a consequence, Germany established an Eco-Audit system that relies heavily on industrial self-regulation with respect to the accred-

itation of environmental verifiers and the certification of participating companies.

While Börzel emphasizes the path-breaking developments in German environmental regulation from hierarchical top-down intervention toward industrial self-regulation, Knill and Lenschow (1998) arrive at a rather different assessment of this development. Arguing from a structure-based perspective, they note that the Eco-Audit scheme “corresponds with German corporatist structures in general state-industry relations” (p. 604) and that the “challenge to embedded patterns has indeed been limited” (p. 605). They emphasize that the self-regulatory system as it was set up to comply with the Eco-Audit Regulation has a strong affinity to the corporatist arrangements found in the domains of social policy, health policy, education, and labor relations and reflects a whole range of intermediary organizations that partly assume public functions and partly represent private interests. Thus, the professional criteria to be met by the verifiers as well as the guidelines for their supervision are set by a corporatist expert committee consisting of representatives of industry, environmental organizations, trade unions, and the environmental administration.

Once again, the apparent disagreement can be resolved by taking a closer look at the different levels of analysis underlying both explanations. Börzel evaluates the changes in German environmental regulation against the background of previously existing regulatory arrangements in this sector, whereas Knill and Lenschow assess sectoral changes in environmental regulation from the general perspective of the German administrative tradition. Börzel’s finding of path-breaking sectoral developments is therefore well compatible with Knill and Lenschow’s emphasis on the continuity of German administrative traditions. Both studies explain different aspects of the same empirical case.

In view of the low adaptational discretion emerging from detailed European adjustment requirements, the explanatory scope of the structure-based perspective is considerably broader than in the previous high discretion cases. In particular, it allows us to develop expectations on the extent to which domestic adaptation to European requirements will occur. Thus, in contrast to Germany, where the regulation corresponded with the corporatist tradition, the lack of a similar tradition of cooperative state-industry relationships implied strong resistance to changing the existing regulatory practice in France (Knill & Lenschow, 1998).

### **LOW DISCRETION AND LOW EXPLANATORY CONTRADICTION: THE EU POLICY OF “EQUAL PAY”**

Most of the discussion around the development of the EU social policy has focused on the EU level of policy and decision making. Although some have noted the acceleration of activities and output in this field during the past two decades (Cram, 1997; Ross, 1994), others have insisted on the limited nature of the European progress in developing a “social Europe” (Scharpf, 1997; Streeck, 1995). Commenting on the rather different evaluations concerning the EU-level change in this policy field, Falkner (1998) has formulated a critique on the nature of the debate that corresponds to the intention of this article—namely, the missing or unsystematic attention to the measurement scale. We show below that different scales even shape the discussion on the level of change in a particular policy sector, the EU equal pay policy.

The implementation of the European policy on equal pay leaves member states limited discretion for adjusting existing regulatory arrangements. In contrast to the Eco-Audit case, however, different interpretations of corresponding changes reveal a less polarized discussion, indicating constellations of illusory agreement between structure- and agency-based approaches.

The degree of adaptational discretion has decreased notably during the evolution of this policy. The EU Founding Treaties have formulated the principle “equal pay for equal work” in Article 119. The interpretation of equal work as either “sameness” or “equal in value” was left open, and the scope of pay (e.g., including or excluding social security rights) was not clearly defined, leaving wide discretion for the implementing domestic actors. Through a series of court cases as well as a number of directives based on Article 119, the issue became more clearly defined (and further reaching);<sup>5</sup> it began to exert institutional adaptation pressure in most member states.

Generally, studies that emphasize the limited impact of the EU equal pay legislation on domestic practices dominate. Duina (1997) concludes that “the U.K. failed to transpose and apply the [1975] EPD [equal pay directive] properly; Italy transposed the EPD well and practically on time, but could not apply it; France transposed the directive well and applied it fully, although late” (p. 162). He explains these varied national responses from a structure-based perspective, arguing that

5. For good overviews of the evolution of the policy, see Elman (1998), Mazey (1998), and Ostner and Lewis (1995).

history, as embodied in national institutions, had determined implementation patterns of directives across member states; by contrast the will of political leaders, national sentiments regarding the EU and the objective efficiency of state machineries have not . . . had any real influence over implementation. (p. 157)

The relevant institutions for Duina operating as independent influences during implementation are the legal and administrative traditions (or policy legacies) of a country and the constellation of interest groups (in terms of resources, degree of centralization, and membership numbers). Ostner and Lewis (1995) also focus on the conservative impact of policy legacies and argue that the EU legislation has been implemented in a limited fashion not exceeding the boundaries of the structure of gender relations in the member states. Focusing on Germany and Ireland, countries with the deeply institutionalized idea that men (and only men) should perform the role of breadwinners, the authors note the misfit with the idea behind the equal pay directive and argue that this misfit is the cause for the very resistant and in the end limited implementation of the directive in these countries. The basis for the final evaluation is the structure of gender relations in society (see also Elman, 1998) and (in Duina's case) the societal or interest constellation.

Other authors seem slightly more impressed with the impact of the equal pay directive (Hoskyns, 1996; Mazey, 1998). Mazey (1998) writes, "the Community delivered a shock to national policy systems and helped to create a new policy area at the national level" (p. 131). The

application of the EC equality directives has undoubtedly benefited working women, by providing them with a legal means of redress in cases of sex discrimination. Moreover, politicians and civil servants can no longer afford to ignore gender implications of welfare and labor market policies . . . [illustrating] the power of European institutions . . . to construct new national agendas and to force national political systems to attend to new problems. (p. 132)

Mazey is fully aware that national policy traditions and ideas have not been shaken and acted as filters in the implementation process (p. 133), but moving down from such macro-perspective to the scope for action for the individual, she notes fundamental changes. To better their situation as members of the workforce, women have subsequently used the policy that was placed on the agenda and pushed by a feminist advocacy coalition. Hoskyns (1996) focuses very similarly on specific policy developments, small-scale institution building in this area, and the emerging (mostly legal) opportunities for working women:

This meant that there were groups and individuals ready to respond to the fragile but significant infrastructure developing in the European institutions around the women's policy. At the same time, attempts were made to develop transnational links among women, to support, influence and benefit from these new possibilities. Thus there began to be created a "policy network" around women's issues, springing out of and contributing to the process of incorporation. (p. 124)

In sum, authors approaching the issue from an agency-based perspective (focusing on individuals, groups, coalitions, networks) compare the "before and after" in terms of the scope for individual action. Depending on the women's competitive position in a pluralist society, they may be able to ensure significant progress on this micro-level of abstraction. Authors who approach their analysis from a macro-institutional perspective will measure the impact on a map of policy legacies, legal and administrative traditions, and societal structures and arrive at a more skeptical assessment. In cases of misfit (Germany, Ireland, United Kingdom), they note the persistence of the traditional structures and ideas and the resistance to implementing EU directives; they are likely to overlook or interpret as minor the nevertheless emerging new opportunities for women within these old structures. Neither evaluation is wrong; they are drawn on differently scaled but complementary maps.

## CONCLUSION

In view of frequently diverging interpretations of institutional and policy change in the institutionalist literature, it was the intention of this article to provide a systematic analytical framework for the assessment and evaluation of empirical developments. In so doing, we have argued that many contrasting evaluations of change can be traced to the fact that scholars analyze the same empirical case from different analytical perspectives. Although much of the current scientific debate between different institutionalisms in the field of comparative politics as well as rationalist and constructivists in the field of international relations concentrates on ontological differences between different approaches, the impact of distinctive levels of abstraction on the interpretation of political outcomes has been surprisingly overlooked. Thus, it makes a crucial difference for the interpretation of change when empirical developments are viewed from the level of the involved actors or from the remote perspective of the macro-political context.

We have argued that the extent to which institutional approaches adopt a more proximate or more remote analytical perspective cuts across ontologi-

cal boundaries of different theoretical variants but is closely related to the explanatory value associated with institutions. Accordingly, we have suggested grouping the literature into structure-based and agency-based approaches. Structure-based approaches emphasize the independent explanatory value of institutions and generally adopt a more remote analytical perspective. Agency-based approaches, which tend to evaluate empirical developments on the spot, conceive of institutions basically as intervening variables for the explanation of political outcomes.

Taking account of the distinctive level of abstraction of structure-based and agency-based approaches not only helps to reveal the false character of many debates concentrating on the assessment of institutional or policy change; it also allows us to link structure-based and agency-based approaches in a complementary way. Rather than asking analysts to give up their distinct ontological positions, as suggested in the more conciliatory literature bridging rationalist and constructivist approaches, complementarity in our case emerges from the fact that, as a result of their different analytical perspectives, varying institutional approaches explain different aspects of the same empirical phenomenon. We note, however, that the synergy effects vary with the degree of adaptational discretion of the political structure.

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