

**Designing Institutions for Governance in Complex Environments: Normative,
Rational Choice and Cultural Institutional Theories Explored and Contrasted**

ESRC Fellowship Paper No1, June 2004

Gerry Stoker

Abstract

Governance requires the design of institutions to meet the demands of collective decision-making in increasingly complex circumstances. There are good grounds for being cautious about the possibility of designing institutions to achieve intended consequences but there are a number of strategies available to the designer that offer ways forward. Normative theory, explicitly or implicitly, often drives recommendations about governance arrangements. Its strength is that it can provide a sense of direction but it rarely provides developed instructions about how to get anywhere. Rational choice theory can provide a detailed prospectus for designing governance with its assumption that people will act in the context of rules to maximise their utility but it does so on the back of a limited understanding of human motivations and behaviour. Above all rational choice theory underestimates what institutions can do to direct human behaviour. Cultural institutional theory incorporates a more socialised understanding of human behaviour and a more developed understanding of the potential impact of institutions and can claim to be analytically efficient. As such it has the potential to provide a richer basis for the examination of institutional design to achieve better governance. However compared to rational choice theory it is underdeveloped as an approach.

Introduction

There is a spirited debate in the literature about the meaning of governance that will hopefully not delay us for too long here. There is not much doubt that governance has been used in a variety of ways with a range of different emphases (Pierre, 2000). A long-standing and common usage of governance is to see it as about the steering actions of public authorities to shape their environment (Mayntz, 2003). Pierre and Peters (2000) see governance as about the state learning to steer society in new ways, but they also see governance as emerging through the development of complex networks and the rise of more bottom-up approaches to decision-making. Certainly much of the new focus in governance is on forms of control that go beyond top-down, hierarchical options (see Stoker, 1998). Some focus on the development of public management through contracts (Donahue and Nye, 2001; 2002); others see the increased use of networks as the key to defining governance (Rhodes, 1997; Newman, 2001). Still others define governance as a process of political communication in which both governors and governed negotiate a way forward (Bang, 2003). Drawing on private sector experience some writers see governance decisions as arising where market forms neither will nor suffice (Williamson, 1979). Governance is about the

emergence of different forms of the firm or company and then more particularly about the control of those organisations (Mallin, 2003)

Notwithstanding these differences most of these writers agree that in some way governance is about collective decision making, it is just that they focus on particular developments and forms. As a baseline definition it can be taken that governance refers to the rules and forms that guide collective decision-making. That the focus is on decision-making in the collective implies that governance is not about one individual making a decision but rather about groups or individuals or organisations or systems of organisations making decisions. The reference to rules stretches from both the formal to the informal and indicates that the decision-making procedures are expressed in institutional form and relatively stable over time, although not necessarily unchanging. Indeed one reason for growing interest in governance is precisely because forms of established institutional forms of governance appear under challenge and new forms of governance appear to be emerging (Rhodes, 1997).

Governance measures that are being designed to meet new and challenging circumstances are the focus of attention here. To focus on governance arrangements in the context of uncertainty and change rather than stability

and certainty is appropriate given the pressure in many arenas of decision-making stretching from the private to the public sector is for a wider range of participants to be seen as legitimate members of the decision-making process in the context of considerable uncertainty and complexity. Boards of private sector companies and governmental bodies at local, national and international have experienced increased demands to be held to account in new ways. An additional pressure has been to find new ways to collaborate as the interdependence of individuals and organisations intensifies.

Can we deliver governance institutions that provide accountability and an enhanced capacity for collaboration? The governance debate in the context of complexity recognises that the scale of the challenge that is involved. There is uncertainty about which interests should be involved, which rules should be applied and how decisions should be taken.

Can we identify design principles to work in various challenging governance settings or contexts? Some think that this kind of conscious institutional design is a 'mission impossible'; we lack an adequate understanding of human nature and the capacity to predict the consequences of any intervention to engage in any effective act of design. The first section of the paper examines the 'mission impossible' thesis. The remainder of the paper

is about different strategies for thinking about designing governance institutions that does just end in the shrug of the shoulders and an acceptance that it is all too difficult.

One strategy of design that by-passes the concerns raised by the 'mission impossible' group draws on normative theorising to identify valued features required of a governance arrangement and then promotes any institution that can be seen as expressing that value. This strategy is examined in section two of the paper. If you believe, for example, that a system of governance should give regions within a nation state more decision-making autonomy you might promote devolution. The immediate consequences of devolution are less of a concern to you than the expression in institutional form of a value you hold. Such normative considerations are an inevitable element, explicitly or implicitly, of governance debates but they offer their guidance with two limitations. First the values that are promoted are subject to contestation and multiple interpretations. Second the advice is pretty general, with only a little to offer about how to design the governance arrangements that are recommended. The normative approach can help you be clear about your destination but it does not provide a very helpful road map.

Empirical theorists, those trying to describe and explain the world as it is, can provide a more detailed road map. But to do so they have to address the problem of both offering a viable understanding of human decision-making in collective settings and a way of predicting behaviour. The market leaders in offering this sort of advice on institutional design are the various branches of rational choice theory. Their approach is investigated in section three of the article. By assuming that decision-makers act instrumentally to maximise their utility theorists in this tradition are able to make considerable head-way in institutional design. The volume of work produced in this tradition is considerable. The work of Elinor Ostrom is chosen as a focus of attention because in her theoretical work and empirical research she has dealt with decision-making in the challenging and uncertain context of common-held resources and the management of their usage. Her eight principles to guide governance institutional design are presented.

Rational choice theorists are the market leaders in positive institutional design because their assumptions about human behaviour are focused and parsimonious and their claims to be able to predict behaviour are confidently made. Get the incentives right and people will respond is their clear and consistent message. However many other institutional theorists think their assumptions about human behaviour are naïve and their claims to be able to

get the incentives right is misplaced. The thrust of the argument is that rational choice assumptions not only fail to capture the complexity of human motivation but their approach seems particularly limiting when looking at human behaviour in the context of institutions. The incentives favoured by rational choice theorists may steer the heuristics or short-hand mechanisms to guide decision-making by individuals but for a rational choice theorist individuals must remain instrumentally motivated to maximise their utility. An individual's cost/benefit calculation for an action can be influenced by incentives but these incentives can not affect their sense of who they are and what they want. These features of individual decision making remain outside of the analysis. Yet above all else it would appear that it is these elements of human behaviour that are critically affected by institutions. That is what institutions do: they help people define their identity and think and act in certain ways. Institutions are there to stop people having to think of everything for themselves. Rational choice theory has a thin or limited understanding of what institutions can do.

Great swathes of theorists offer a more socialised account of humans in institutions. These approaches are examined in section three of the paper. They suggest a more complex understanding of human motivation and an account of the way that institutions make people by providing a sense of

identity, preferences and purposes. However many of these more socialised institutional accounts tend towards the view that institutions and individuals interrelate in such complex ways that any prospect of purposive design is near impossible. However, one branch, cultural institutional theory, offers a way through to match the analytical efficiency of rational choice. This approach is reviewed in section four of the paper. The paper concludes by recommending a further exploration of this approach and offers some governance principles derived from the cultural institutional theory to put against those derived from rational choice theory.

Designing Institutions: mission impossible?

Hirschman (1995) reminds us that opponents of change tend to frame their arguments along set lines. Sometimes they claim that any change will jeopardise key valued elements of existing arrangements. At other times they argue that the reforms will be futile; they will not achieve their stated purposes. Finally they argue that the reforms will have perverse, unintended consequences. The first argument is a useful reminder that any process of institutional design for governance is unlikely to start with a blank sheet and has to meet the challenge of being better than the existing systems. The last

two arguments suggest that designers of new arrangements may be faced with a 'mission impossible'.

As Pierson (2000) points out there are good reasons for thinking that a simple vision of purposive, far-sighted design of institutions by instrumental actors is not entirely convincing. First the designers of change may not be instrumental. Design narratives are often constructed on the premise that actors know what they want from institutions and design them to achieve those purposes. But there are strong theoretical traditions and much commonsense experience to indicate that the relationship is less straightforward. Hall and Taylor (1996, 949) review this line of argument:

(O)rganizations often adopt a new institutional practice, not because it advances the means-end efficiency of the organization but because it enhances the social legitimacy of the organization or its participants....In some cases, these practices may actually be dysfunctional with regard to achieving the organization's formal goals

So other non-instrumental motives may well be involved in institutional design. At a minimum it would be fair to say that there is a considerable

body of theory and evidence to suggest that the process of institutional design is not always driven by instrumental motivations.

A second issue, identified by Pierson (2000, 478), that may limit institutional design is what he refers to as 'the problem of short time horizons'. As John Maynard Keynes argued short term problems in the economy are not to be side stepped by the view that in the long run a beneficial equilibrium will emerge because as he caustically puts it 'in the long run we are all dead' (Keynes, 1923, 83). In particular in politics 'electoral death' may come before any benefits from actions that yield benefits in the long run can be obtained. But equally for private sector managers long-term benefits are not necessarily the most attractive. For institutional designers there is often likely to be a substantial temporal gap between their design of an institution and any reward they might receive for its effective operation, they are going to be judged in the short-term not the long-term.

A counter argument by proponents of intentional design in institutions is that in response to the problem of short time horizons it is rational to try to bind the hands of both yourself and your successors (North and Weingast, 1989; Shepsle, 1991). Because decision-makers and designers realise they have only a limited window of opportunity then thinking about how to

achieve long term effects makes sense. So, for example, a government might give control over interest rates to an independent central bank in order to 'free' it from short term concerns and create a framework that it would be difficult for successors to overthrow. These and other mechanisms for delivering 'credible commitments' suggest that short term time horizons do not count automatically against far-sighted institutional building. Moreover particular types of actor, those approaching the end of their careers for example, might be willing to think in a future-oriented way. Care for your reputation, a vital asset to any actor in a governance setting, may also drive a willingness to think long-term. Notwithstanding the potential of these time-lengthening forces for extending the horizons of reformers Pierson (2000,483) concludes 'my point is not that actors always have short time horizons, but that they often do' and where those short time horizons are operative then 'claims about institutional design become more suspect'.

The third problem for institutional designers identified by Pierson (2000, 483) is that institutional effects may be unanticipated. In responding to complex settings, precisely where much of the governance debate currently finds itself, it is difficult to effectively predict all the likely outcomes of any intervention. Indeed there are some who define political studies as driven by the 'sour law of unintended consequences' (Hennessy, 1992, 453). The world

changes but never quite as you intended. One response by the ever hopeful institutional designer is to argue that learning and reflection could be built into institutional design (Goodin, 1996). But Pierson (2000) remains unconvinced and argues that evolution or competition will not necessarily deliver better institutions, especially in the world of politics without the simplifying bottom line of economics. Rather path dependency, the reinforcing of choices made at the launch of organisation through positive feedback and sustained mutual benefit among the key players, will lead institutions not down the path of reform but rather down its original even if misguided path. 'Previous institutional choices may be sticky, and they may be path dependent. Thus, even if learning and competitive mechanisms are present, it is far from self-evident that these pressures will translate into institutional enhancement' (Pierson, 2000, 493).

Pierson (2000) seems to combine the insights of the dismal science of economics with the sour political studies law of unintended consequences in a fairly strong thrust against purposive design. But his position should be taken as cautionary rather than as categorically undermining the project of institutional design. Actors designing institutions can be instrumental and rational to a degree. They can bind themselves and others in the future. Lesson drawing from unintended consequences may be hard but it is clearly

not impossible. Indeed as Pierson (2000, 490) comments: 'it would be hard to deny that political institutions may be modified and enhanced'. Equally it would be wise to note the underlying messages of Pierson's work. That the design of institutions must have some strategy for dealing with motivational complexity, it ought to be able to explore the extent to which actors perceive they can bind themselves and others and it should be able to build learning and evolution into its models.

Thinking about the governance design challenge: normative theory

Designing institutions for better governance or designing a template against which to measure the performance of institutions is a challenge that can be addressed in a variety of ways. We start with an examination of normative theorising. It avoids the pitfalls of 'mission impossible' as set above by explicitly abandoning instrumental argument and justifying a form of governance by way of the values that it logically embodies. Given such a normative commitment short-term considerations and problems can be overcome and it is not necessary to take an untenable position over the predictability of particular reforms.

Normative theory specifies the values that are to be promoted and then argues for institutions that embody those values. Alternatively it can be used to assess established institutions against their achievement of those values. This approach is quite widely used in political theory. For example, David Held has developed an interesting argument about the possibility of cosmopolitan democracy in the context of global governance arguing for nested layers of institutions at local, regional, national and global levels driven by the values of constitutionalism and entrenched rights and shared obligations (see Held, 1995). This normative or value-laden approach is also used in discussions in the private sector; the theory of stakeholder governance (for a review see Prabhakar, 2003) stipulates the desirability of mechanisms to allow a wider group of stakeholders than simply managers or shareholders to be part of the decision making structures of a firm. Official bodies or governments can also use a normative conception of governance to guide their choices. The World Bank and other international bodies have promoted the idea of good governance on the back of a set of values that seem to combine a commitment to the virtues of liberal democracy and efficient management in the public sector (Leftwich, 1993; Williams and Young, 1994).

There are considerable advantages to the normative argumentation that lends support to a form of governance on the basis of an appeal to the values that it embodies. As Kay (2003) points out this approach side-steps a number of the problems identified by above in that it is not necessary to be able to accurately predict the future in terms of advocating a reform. The strength of normative theorising is illustrated by Kay by the move to a devolved form of governance in Wales as part of the United Kingdom.

Kay (2003, 53) argues that before devolution was introduced in Wales as part of a programme of reform when a new Labour government came power in 1997 'its consequences were unpredictable, and indeed its full consequences remain unforeseen and unknowable'. In a series of arguments that echo the concerns of Pierson (2000) Kay suggests that change is unpredictable because that the motivations of those subject to the new institutions are difficult to fathom but also impossible to fix as they will adapt their behaviour to the new circumstances created by new institutions. Moreover short term and long term effects may take different paths and it is extremely difficult to judge whether the effects are steady state or transitional. He concludes that in light of the unpredictability of especially large scale reform we should 'abandon consequentialism' and instead justify reform by appeals to the values it embodies.

A change in the institution of governance is supported because of the values that it embodies rather because it will necessarily deliver good or desirable effects. Positive effects may be hoped for but they are not essential to either justifying the reform of governance or evaluating it. Thus Kay (2003) argues that devolution within a country is best argued for and evaluated by deontological reasoning that characterises it as intrinsically valuable because, above all, it embodies the idea of autonomy. The commitment is moral rather than as result of instrumental reasoning about consequences. This form of reasoning makes the case for institutional reform in a way that avoids untenable claims about being able to predict the future as Kay (2003:58) argues:

If a reform is perceived as fundamentally just people will be motivated to endure the costs of transition and the extensive trial-and-error procedures that may be required before a viable implementation is found...if the case for devolution rests on the idea Wales ought to be autonomous, it is more resistant to the practical difficulties of implementation.

Knowing the consequences of reform is not vital to justify it, rather if the values embodied in devolution continue to be seen as justified it follows then

any institutional failure leads to an argument to try again rather than abandon the project.

Normative theorising about the design of governance institutions resolves some elements the design challenge but it does have its limitations. First and obviously the values used to justify a reform or evaluate an existing governance arrangement are likely to be subject to competing views and contestation. What we should value is not a matter on which all are likely to agree. Second even if we do agree, for example, that autonomy is a value that would justify devolution there is the considerable difficulty of agreeing a definition of what it entails. Above all normative theorising tends to remain at a high level of abstraction and it perhaps prone to offering utopian institutional solutions. For the practical business of governance it can provide a helpful guide and a useful critical template but it has a tendency never to get to answering questions about how the system is going to work. It leaves open the question of how are individuals with different interests and concerns going to come together to engage in sustainable collective decision-making. It is silent or very quiet-voiced when it comes to institution-building. It can advocate a change in the form of governance but it offers little in the way of detailed institutional advice. It remains as a cheer

leader on the side of the pitch rather than taking part as a player or even as a coach.

The Governance Design Challenge: the contribution of rational choice theory

How to develop institutions that work is a central concern of empirical rather than normative theory. The market leader is rational choice theory which claims 'to provide a grand theoretical framework for designing human institutions' (Schofield, 1996, 189). The scale and scope of the work that has been produced under this banner is very substantial; indeed with voluminous writings on the operation of voting systems, legislatures, cabinets, bureaucracies in political settings (see Mueller, 2003) and the highly influential principal-agent theory in the analysis of corporate governance in the private sector (see Keasey et al, 1997; Laffont and Martimont, 2002).

There are a number of different strands to rational choice applications but they share a number of common assumptions and an understanding of key problems (cf. Peters, 1999, 46–7). All approaches assume that individual actors are central to the process and that they act rationally to maximise personal utility. Institutions provide a framework for individuals in making decisions, providing incentives and constraints provided by the rules that

institutions establish and maintain. The approach tends to assume that most individuals respond in the same way to the same set of incentives. Rational choice theory also tends to share a concern about how to solve a set of common problems which are highly pertinent to governance. The first concern is with how individuals can make collective decisions, following their own interests, but without having a decision imposed by external authority. The second is how coordination and control can be made to work in institutions, how principals, (the leaders of organisations) can oversee effectively the performance of agents and get them to work to the principal's goals rather than their own.

Within the scope of this paper it is not possible to review all the various the rational choice approaches. Much of the work concentrates on collective decision-making in conditions of relative certainty and stability (for a review see Nurmi, 1998). A notable exception to this work is provided by Elinor Ostrom. Ostrom is a subtle institutional rationalist with a considerable reputation (as evidenced by her 1997 Presidential Address to the American Political Science Association, Ostrom, 1998) as a theorist, modeller and empirical researcher. This last point is particular worthy of mention since a common criticism of rational choice theorists is that they value the elegance of their model building more than a commitment to the generation of

empirically valid non-trivial observations about the social world (Green and Shapiro, 1994).

Ostrom (1990) has a particular concern with designing governance arrangements for the management of common-pool resources that share two characteristics (Dolsak and Ostrom, 2003, 7–8). They have a quality of sub-tractability, if one person uses the resource another cannot and access to the resource is difficult to restrict. Governing common-pool resources, such as fish stocks or water sources, presents a considerable challenge but Ostrom (1990) is keen to avoid seeing the imposition of state control over the resources as the only way forward or the allocation of private ownership rights as the other viable option. Instead she recommends an alternative solution in which those with access to a common resource ‘make a binding contract to commit themselves to a cooperative strategy that they themselves will work out’ (Ostrom, 1990, 15).

Ostrom is clear that the common pool context makes for a tough challenge for solutions to emerge from individuals and their capacity to build institutions. Moreover she is equally clear that her individuals she is talking about are not all-knowing, all-seeing demi-gods. They have problems that involve ‘lack of predictability, information, trust, as well as high levels of

complexity and transactional difficulties' (Ostrom, 1990, 25–6). Her central question is ' how a group of principals who are in an interdependent situation can organize and govern themselves to obtain continuing joint benefits when all face temptations to free-ride, shirk or otherwise act opportunistically' (Ostrom, 1990,29).

Ostrom's model of the internal world of individual choice is as she puts it based on 'a very broad conception of rational action, rather than a narrowly defined conception'. She has what Friedman (1996,2) refers to as a thin understanding of rationality, based on the claim that ' regardless of what sort of ends people pursue, they do so through strategic, instrumentally rational behaviour' and does not hold as public choice theorists insist that material self-interest will dominate in the selection of strategies. Moreover while opportunistic behaviour is a possibility it is not always the driving factor in decisions. Individuals calculate expected benefits against expected costs informed by internalised norms and a judgement about discount rates. It is worth dwelling on these last two elements of the model. Norms 'reflect valuations of behavior that individuals place on actions or strategies in and of themselves, not as they are connected to immediate consequences' (Ostrom, 1990, 35). An individual may have, for example, a strongly internalized norm for keeping promises. Failure to keep that norm may result

in feelings of guilt and if the norm is shared then with others they may be subject to social censure if the norm is broken. Discount rates refers to the phenomenon that individuals are not engaged in a one off calculation but rather may accept future benefits as part of the pay off. The context in which they find themselves will determine substantially the degree to which future benefits are discounted.

The calculation of costs and benefits in the light of norms and discount rates leads an individual to a choice of strategies. In making those choices individuals can utilize contingent strategies where by they take action and see what response they get, and in subsequent interactions take into account that response. They proceed by a process of trial and error. As Ostrom (1990, 38) indicates her model gives a broad scope to the individual in choosing a rational strategy, and places the 'primary weight of the theoretical analysis on specifying rigorously and fully the models of the situations in which individuals find themselves.'

In searching for governance solutions Ostrom notes but wants to avoid if possible the reliance on authority as a tool. Authority can be exercised by an entrepreneur in charge of a firm or a ruler in charge of the state to resolve collective action problems. Through respectively formal and informal

contracts participants are brought into line and the entrepreneur or ruler is in a position to make credible commitments to punish any transgression and gains a direct benefit themselves so as a result has incentive to keep the system working. But in the case of common pool resources such solutions can be impractical or ineffective. Instead Ostrom (1990, 42–5) is interested in the circumstances that will lead to individuals developing their own solutions. To do so they have to establish the context in which they are motivated to supply a new set of institutional arrangements (establishing trust and a sense of community are the key), be able to provide each other credible commitments (no one wants to be a sucker, keeping promises while all others break them) and develop a system for mutual monitoring (you need to be able to reassure yourself that others are following the rules).

The conditions set by Ostrom are tough: building the confidence to develop rules that will work is not going to be easy in respect of common pool resources but people do appear to do it. The answer lies in people agreeing rules at three nested levels: the operational (the day-to day rules), collective choice (the rules about how the day-today rules are to be adjusted) and constitutional-choice (the rules about who is eligible to be involved in decision-making). Broadly it is easier to change the operational rules than either of the others. Rules are crucial because they set the context for

individual's strategic choices. They are the means to prescribe, permit and proscribe certain types of behaviour. Getting rules that are sustainable over a period of time is the essence of a successful governance institutional design.

No single institutional design works in all settings but Ostrom, along with other researchers, has identified a broad set of general principles that 'increase performance of an institution design' (Dolsak and Ostrom, 2003, 22). Eight rules are presented in a list below (see Dolsak and Ostrom, 2003, 22–23; in fact this list is very similar to that presented in Ostrom, 1990, 90–1).

Table 1: Design principles for the governance of common-pool resources

1. Rules are devised and managed by resource users.
2. Compliance with rules is easy to monitor.
3. Rules are enforceable.
4. Sanctions are graduated.
5. Adjudication is available at low cost.
6. Monitors and other officials are accountable to users.
7. Institutions to regulate a given common-pool resource may need to be devised at competing levels.
8. Procedures exist for revising rules.

Ostrom's work is impressive and provides a telling response to each one of Pierson's mission impossible claims. Although framed within a rational choice perspective its thin understanding of rationality allows for quite a complex mix of motivational perspectives on the part of individuals. It deals directly with the incentives to bring forth longer term considerations when building institutions and suggests a process of trial and error so that the problem of unintended consequences can be addressed. Moreover the general principles to guide governance institutions in contexts where the amount of authority exercised by anyone individual or organisation is restricted and where the aim is to increase capacity for co-operation are insightful and more widely relevant than simply their application to common pool resource settings.

Ostrom's thinking relies on her rational choice approach but is also on a sustained commitment to empirical analysis and testing. Indeed some have questioned whether the work in the end is a test of rational choice because the connection between the governance design principles and rational choice assumptions 'is tenuous' (Green and Shapiro, 1996, 243). This judgement is maybe a little harsh in that it is possible to see a connection between most of the principles and some rational choice insight. Indeed an attraction of

Ostrom's approach is the extensive interaction between research and theory development.

What is intriguing about Ostrom's work is that her inquiry is inspired by rational choice theory her search for solutions to the empirical puzzles that she finds begins to encourage her to push at the limits of the theory. In particular the emphasis on building trust and establishing a sense of community as central to developing the capacity for collective action take her into territory that is familiar ground to theorists outside of the rational choice approach. Indeed in her subsequent work (Ostrom, 1998) she has called for second-generation models of rationality that allow scope to extend her thin understanding of rationality. Individuals do not make fixed choices and are capable of more than short-term calculation of costs and benefits. Rather she views 'all humans as complex, fallible learners who seek to do as well as they can given the constraints that they face and who are able to learn heuristics, norms and rules, and how to craft rules to improve achieved outcomes' (Ostrom, 1998,9). This formulation is, as Ostrom argues, consistent with a rational choice approach but it does also lean towards other approaches to understanding institutions and individuals. It certainly suggests that humans are engaged in and motivated by something other than single, one-shot, utility maximisation.

A further interesting feature of Ostrom's work is the power given to institutions and their rules in explaining behaviour as opposed to the choices made by individuals. As the quotation in the preceding paragraph makes clear and as the earlier depiction of the approach established, a complex form of internal individual choice is a bedrock to the analysis but once established the slightly paradoxical conclusion (given the charge of excessive methodological individualism sometimes laid at the door of rational choice) is that it emerges that institutional rules and the governance principles that do all the work in the explanation. As Ostrom (1990, 38) notes by modelling the situations that individuals find themselves in rather than the individuals themselves in any more depth researchers can 'use observable variables to reject our theories, rather than internal, in-the-mind, subjective variables, which are much more difficult to measure'. Rather strangely we end up in a position where an approach puts individual choice at the heart of its project seeing individuals as giving similar responses to similar sets of rules, and regarding the rules rather than the individuals as key to explanation.

Towards a Social Institutionalism

Some new institutional theorists start from a different point to rational choice. Social institutionalists –as we can call them that given that they

emphasize how institutions socialize individuals– do not view people as simply or even primarily instrumentally calculative but rather they argue that people tend to act on the basis of their values and their beliefs (March and Olsen, 1989; Powell and DiMaggio). What people want and the way they behave are determined by whom they are think they are and where they are, where their life is embedded. At a minimum these theorists argue individuals are not rational egotists alone.

Rational choice assumes that preferences are exogenously given but for social institutionalists preferences are shaped by the institutions in which people are involved. They are endogenously formed. Elinor Ostrom's individuals have their choices shaped by rules and norms that they have come to share with others but what they wanted initially and what they might want in the future remains outside the analysis, beyond a general sense that they want the best for themselves. Moreover the concept of norms used in rational choice theorizing is thin; it is a kind of internalized sanction that controls the behaviour of egoists by making them feel guilty or fear social exclusion. The world of rational choice theorists sees individuals driven by only two incentives: economic gain and social acceptance.

For social institutionalists both social life and individuals are perceived of as a richer terrain than that allowed for by most rational choice theorists. Institutions mould individuals in a variety of complex ways. Different understandings and meanings inhabit the institution and provide an organic and subtle framework for individual decision-making. Moreover, individuals have a range of motivations beyond those of the rational egotist. They can see norms not as sanctions but as commitments (Taylor, 1996, 229–30). The norms reflect a way of understanding life. Action for individuals is not based on a weighing of costs and benefits but rather on their commitments (their beliefs and values) which imply that they could not act in any other way. In this sense they are expressive of their understanding of themselves. Certain actions may be motivated by this acting out of deeply held beliefs or values.

There are other motivations that could be seen as highly relevant to the study of cooperation and collective action that are also ignored by rational choice theory (Taylor, 1996,230–1) The first is people's sense of social identification; how and to what extent they define themselves as members of a group. People are, it might be argued, more likely to follow a rule if they regard themselves as members of a group from which the rule emanates. The second is intrinsic motivation; the reward for doing something is the

doing of it. This observation again challenges rational choice perspectives that assume people will need an incentive. Indeed it may be that incentives, providing extrinsic rewards, will undermine rather than bolster motivation. ' We should note that in passing the dangers of treating policy prescription and institutional design purely as exercises in manipulating incentives ... given that extrinsic rewards and penalties can undermine intrinsic motivation' (Taylor, 1996, 231).

In pouring doubt on the attempt of rational choice to manipulate people through selective incentives and or guiding rules many social institutionalists come close to seeing institutions as incapable of conscious design. A perspective that empathizes the complexity of motivation of individuals and see institutions as driven by historically embedded meanings and symbols is 'extremely weak', as Peters (1999, 38) puts it, when it comes to guiding institutional design. At best 'the value basis of institutions hypothesized within this perspective makes design more difficult and less certain' Peters, 1999, 38). While rational choice theorists see institutions as the products of human design, social institutionalists argue that institutions 'are certainly the result of human activity' but 'not necessarily the products of conscious design' (DiMaggio and Powell, 1991,8). Indeed non- rational choice institutionalists often argue that changing behaviour in institutions is very

hard in part because 'behaviors and structures that are institutionalized are ordinarily slower to change than those that are not' (DiMaggio and Powell, 1991, 10). Institutions tend to change only glacially or in the heat of some major disruption and in any case change occurs in ways that are not easily anticipated. Worse still institutions are potential obstacles rather than avenues for reform; they can complicate rather than facilitate the path of change. March and Olsen (1989) argues that most institutional reorganisations do not achieve the purposes of the instigators and designers. To be sure institutions do change but in usually in incremental steps and without a conscious sense of direction.

So are we back at the mission impossible position? The message of many social institutionalists to would-be reformers appears to be the equivalent of that offered in the apocryphal story by the rural resident to a passer-by looking for directions: 'I wouldn't start from here if I was you'. Without denying that there might be a profound truth in that advice it does lack something in helpfulness.

Cultural Institutional Theory and Governance Design Principles

There is one branch of social institutionalist school that may offer the prospect of incorporating insights neglected by rational choice but at the same time appears capable of offering sufficient 'analytical efficiency' (Grendstad and Per Selle, 1995,6) to provide a guide to institutional design. Cultural institutional theory, inspired by insights from Durkheim, could offer a way out of the impasse (see Douglas, 1982; 1987; Wildavsky, 1987; Thompson et al, 1990; Grendstad and Per Selle, 1995; Hood, 1998). The starting point of cultural institutional theory is to recognise, as rational choice theory does, that individuals are active, creative thinkers but it sees them as more deeply affected by their social context than rational choice allows. People are not only influenced by social relations that permit or constrain their choices but they adopt socially influenced principles to guide those choices; principles that can be 'used for judging others and justifying' themselves to others (Douglas, 1982, 190). Social relations and justifying cosmologies or world views are central to the context for individual decision-making. Social relations and world views combine together in ways of life or cultures.

From the perspective of cultural institutional theory people's interests are the product of social relations and the 'origins of their preferences may be found in the deepest desires of all: how we wish to live with other people and how we wish others to live with us' (Wildavsky, 1987, 4). As a result 'preference formation is much more like ordering prix fixe from a number of set dinners or voting the party ticket. Only those combinations that are socially viable, that can cohere because people are able to give them allegiance, to share their meanings, may be lived' (Wildavsky, 1987, 4). People's preferences and their management strategies to realise these preferences, are shaped by ways of life. Elinor Ostrom's work allows for the development of schemas and heuristics, tacit theories about the world and the way it works, which are used by individuals to ease decision-making in the context of a complex environment and a corresponding complex array of strategic responses. But cultural institution theory sees these decision-facilitating devices as not purely cognitive but also as socially influenced: 'mental activity is embedded in and justifies social relations' (Thompson et al, 1990, 58). People use cultural biases to help them to determine for people what they want, who to blame, when to take risks, when to be apathetic, all central concerns of the governance dynamic. As Thompson et al (1990, 59) comment:

These cultural biases—the shared meanings, the common convictions, the moral markers, the subtle rewards, penalties, and expectations common to a way of life—that become so much a part of us are constantly shaping our preferences in ways that even the brightest among us are only dimly aware.

To put it boldly: rational choice theorists such as Ostrom regard individuals as potentially free to choose any option subject only to a knowledge of rewards and sanctions established in rules or adopted norms; cultural institutionalists in contrast hold that an individual's choosing is shaped by their social context and an associated set of understandings connected with a way of life.

Crucial to delivering the analytical efficiency of this version of social institutionalism is the understanding that only certain cultures—combinations of social relations and world views— occur sufficiently regularly in human society to suggest that they are sustainable. 'What makes order possible is that only a few conjunctions of shared values and their corresponding social relations are viable in that they are socially liveable' (Wildavsky, 1987, 6). To specify what those combinations are cultural institutional theory, following the pioneering work of Mary Douglas (1982, 190), uses the concepts of group and grid to specify 'a full array of possible social structures'. The

question underlying the concept of group is: who am I? The question underlying the concept of grid: what shall I do? As Wildavsky (1987, 6) explains:

The question of identity may be answered by saying that individuals belong to a strong group, a collective, that makes decisions binding on all members or that their ties to others are weak in that their choices bind only themselves. The question of action is answered by responding that the individual is subject to many or few prescriptions, a free spirit or a spirit tightly constrained. The strength or weaknesses of group boundaries and the numerous or few, varied or similar, prescriptions binding or freeing individuals are the components of culture.

The implications of these insights are spelt in Table 2.

Table 2: Four Commonly Occurring Cultures in Institutions

	Grid/Constraints: STRONG		
	Social relations are conceived as if they were principally involuntary, driven by numerous rules and prescriptions.		
G r o u p B o n d s W E A K	Fatalist	Hierarchical	G r o u p B o n d s S T R O N G
	<i>Social structure:</i> isolate; casual, shallow ties, occasion-bound networks <i>Value stance:</i> personal withdrawal (from others, social order, institutions), life seen as beyond the control of the individual, the best that can be done is to cope, to find ways of surviving.	<i>Social structure:</i> centrally controlled and managed, roles and functions extensively classified <i>Value stance:</i> affirmation by rule-following and strong incorporation of individuals in social order with designated functions and roles.	
	Individualistic	Communitarian	
	<i>Social structure:</i> open, configurations characterised by weak ties; system emerges spontaneously from individual action <i>Value stance:</i> affirmation by personal entrepreneurial initiative, responsibility lies with the individual.	<i>Social structure:</i> enclave, strongly bonded and enclosed, built on fellowship, inward-looking, respect for all members <i>Value stance:</i> affirmation by peer group, shared criteria and procedures for knowing and deciding.	
	Grid/Constraints: WEAK		
	Social relations are conceived as if they were principally voluntary, less rule sand restrictions		

Social relations keep on being institutionalised in a small number of forms reflecting the limited positions available on the grid/group frame. You either experience a strong membership of a group or you do not. Your world is

either subject to a lot of rules and direct regulation or it is not. Grid-group is about you as an employee in a large organisation (a role holder in a hierarchy); you as a hospital patient (a fatalist in the hands of others); you as a shopper (an individual making choices) and you as a church member (you as a communitarian). As the above illustrations indicate an individual may have access to a variety of ways of life in different settings.

Your social position in turn favours certain world views. Your social situation becomes tied to explanations of the way that the world works, the way that you and others should be judged. In the ordered, role-bound world of hierarchy following the rules becomes both a depiction of what you do and what you should do. In a world of many rules and much imposition but where you do not have fixed position and social status fatalism guides your actions and becomes your motto: life is beyond your control. Where rules are thin on the ground and where your social connections are weak you are left with only your individualism to stand on, the only choices that matter are your own. Where rules and detailed regulation is thin on the ground but where your sense of group loyalty is high you understand the world through the eyes of your group: its norms, rules and views are what give your life meaning.

What provides the analytical efficiency of cultural institutional theory is its argument that certain ways of life are regularly to be observed and that those

ways of life in turn enable people to make decisions in the context of limited information and extensive complexity in a range of social settings. The ways of life provide people with a heuristic, a way of making sense and shaping a response. Crucially the social filters provide not just values but also decision rules. These social filters 'enable people who possess only inches of fact to generate miles of preferences' (Wildavsky, 1987, 8). People know what to do because they know who they are and where they are located. Rational people support their ways of life. But whereas for rational choice theory there is only one 'rationality' for cultural institutionalists there can be up to four. Table 3 provide an illustration.

What would seem right for someone located in a hierarchical, communitarian or fatalist culture would not necessarily seem right to someone coming from an individualist culture. Thinking back to Ostrom's discussion of environmental management it now becomes possible to see the rationality that she identified operating in a particular individualist social context. Both decision procedures and substantive value stances reflect a rationality associated with a way of life. For an individualist the perception of time is short-term; there is a limited sense of any responsibility to future generations; and only where a credible commitment to substantial future

benefits can be made does it makes sense to extend the cost/benefit calculation over environmental matters.

Table 3: Four Rationalities–Perspectives on Environmental Matters

Rationalities:	Individualistic	Hierarchical	Communitarian	Fatalistic
Time perception	Short-term: cost/benefit choice	Long-Term : institutional responsibility	Compressed: urgent need for action	Short-term: coping
Inter-generational responsibilities	Weak : Responsibility lies with each generation	Balanced : needs of current and future generation of equal concern	Strong : Needs of future generation and sense of responsibility high	None: no sense of long-term community responsibility
Discount Rate	Diverse: if substantial benefits in future can be guaranteed may defer, if not will discount	Technically calculated : rules and experts to make the judgement	Zero or Negative: future benefits may even be traded off against a short-term loss	High-future benefits will be discounted

Source: Adapted and Developed From Rayner (1999)

For a communitarian the decision rules and underlying values can be fundamentally different. The time frame when looking at environmental matters is not just short-term it is urgent; a strong sense of inter-generational responsibility exists and there may well be a willingness to take a short-term loss in order to deliver a long term gain. For each of the other two rationalities as Table 3 shows there are also distinctive paths to follow.

One of the most useful insights offered by cultural institutional theory is that it enables the analyst to be clearer about the variety of governance options available in any one setting. Table 4 provides an illustration. Hood (1998) explores in depth the art of governing or more particularly managing using the grid group typology. Moreover the grid-group framework can be given another twist, like a microscope in a laboratory, magnifying its focus to examine each of the quadrants in more depth (Hood, 1998,). Tables 5 and 6 provide an application of this technique to look at governance strategies in respectively the hierarchical and individualistic frames. The approach could also be extended to apply to fatalistic or communitarian quadrants. As a heuristic device it is valuable in suggesting ways of governance that might be appropriate in particular settings. In the overarching setting is hierarchical, that is policy is top down but the main recipients of the intervention operate in a professional setting then a governance that went with the grain of their

institutional way of working and thinking might be more effective. Thus rather than impose rigid rules or set about giving of professionals individual incentives to change you might instead seek to incorporate some members of the professional group in your project and then let their leadership create followers and adherents among the professional group. One illustration of this tactic might be the way that leading doctors have been appointed as for example anti-cancer ‘tsars’ in the UK’s NHS to promote best practice and certain more effective forms of treatment. In this way the inherent culture of an institution is turned to the advantage of top-level hierarchical decision makers and may aid them in achieving their over-arching goals.

Table 4: Governance responses: insights from cultural institutional theory

	Grid Constraints: STRONG		
Group Bonds: WEAK	Fatalist <i>Governance by Lottery: multiple overlapping initiatives and experiments, randomized to surprise</i>	Hierarchical <i>Top-Down Governance: contracts, inspection, regulation and oversight</i>	Group Bonds: STRONG
	Individualistic <i>Governance by Incentives: markets, information-sharing, trust, micro benefits and polycentric structures</i>	Communitarian <i>Governance by networks: power-dependency, shared values and micro closure</i>	
	Grid Constraints: WEAK		

Table 5: Hierarchical Governance Responses: a classification

	Grid Constraints: STRONG		
Group Bonds: WEAK	Fatalist	Hierarchy	Group Bonds: STRONG
	<i>Contrived randomness in inspection and regulation</i>	<i>Centrally-controlled rules, contracts, targets, plans and performance assessment</i>	
	Individualistic	Communitarian	
	<i>Rewards and sanctions, incentive-driven career progression, competition, and performance related pay</i>	<i>Charismatic Leadership: bosses that create loyal followers, champions and social entrepreneurs</i>	
	Grid Constraints: WEAK		

Table 6: Individualistic Governance Responses: a classification

	Grid/Constraints: STRONG		
Group Bonds: WEAK	Fatalistic	Hierarchical	Group Bonds: STRONG
	<i>Markets that gives strong options of exit and redress: only a near death experience can at least deliver positive coping responses</i>	<i>Quasi-Markets of surrogate purchasers</i>	
	Individualism	Communitarian	
	<i>Providing scope for entrepreneurship</i>	<i>Building polycentric structures</i>	
	Grid/ Group constraints: WEAK Grid/Constraints:		

But cultural institutional theory offers the designer more than a wider or fine grained selection of governance tools. As a design principle cultural institutional theory holds that a sustainable governance system needs to have a requisite variety of co-ordination mechanisms drawing on each of the solidarities or cultural forms outlined above. Thompson et al (1990, 96) comment that Aristotle was onto a profound truth when he concluded that a balance of political cultures was the key to good government'. More precisely an institution becomes sustainable when it allows for expression of each way of life. Sustainability, itself, requiring an element of robustness and flexibility, not an eternal sameness (Goodin, 1996,). For example it could be argued that an institution needs hierarchy to ensure that some basic rules are set and followed; individualism to give drive and initiative; communitarian spirit to give a sense of team and commitment and even fatalism to allow scope for cooling down and a limit to hyperactivity. Any one cultural form has certain pathologies built into it which need to be corrected and held in check by other forms. Hierarchy can degenerate into mindless rule setting and following. Too much individualism limits the ability of collective goals to be followed. The implication of the argument is to pour considerable doubt on whether 'institutional arrangements that are developed around a single set of self-consistent principles can be viable'. It suggests instead that what is required is a relationship between different

cultural forms that enables the 'disorganising positive feedbacks dynamics of each of the solidarities to be held in check by the negative feedback dynamics between them' (Perri 6, 2003, 37).

Cultural institutional theory also brings to the fore the role of ritual in building institutions. This is ritual not understood as the manipulation of sentiment or the fake production of symbols to dupe people. Rather it is recognition of ritual as a profound form of communication that reaches parts of individuals and institutions that standard written and oral communications cannot reach (Perri 6, 2003). It draws in the emotional, moral and normative motivations of individuals rather than the purely instrumentally calculative. Ritual can be incorporated in legal or constitutional forms and as such express long-term commitment. It can be about moving on, a right of passage. It can be commemorate an event that must not be forgotten because it expresses something that is highly valued or cherished. It can express a desire to break the mould and engage in new actions. Table 7 illustrates four types of ritual communication.

Table 7: Four Types of Ritual Communication

- Future binding e.g. signing an agreement
- Past perpetuating e.g. commemoration of key event
- Past correction demanding e.g. public inquiry

- Present opening e.g. emotional atmosphere perhaps created by a moral panic creating a demand for action

Source: Developed from Perri 6 (no date)

Rituals or what Meyer and Rowan (1991) refer to as organising myths play a considerable part in enabling institutions to sustain themselves by giving them legitimacy and binding people together. But Perri 6 (no date) suggests that that may also play a vital role in enabling adjustments to be made in institutions, mistakes to be corrected or new directions taken.

Conclusions

This paper has shown that far from being a mission impossible that the design of better institutions for governance is within the grasp of analysts using a variety of approaches. Normative theorising can offer a strong sense of direction but it perhaps lacks a grasp of detail. Rational choice theorists remain in pole position in terms of a track record of the application and the provision of logic and coherent and design advice. But that advice comes at a considerable price and appears to allow for only a limited range of motivations and even more importantly fails to fully appreciate the impact that institutions can have on human behaviour.

More socialised accounts of institutions and human behaviour within them run the danger of offering a more complex understanding but providing no useful design advice. Cultural institutional theory offers a way through that combines both a more socialised account of institutions and a set of conceptual tools and research strategies that enable the design challenge to be met. Reflecting on that theory it is possible to identify a set of design principles that can be contrasted with those offered early drawing on the rational choice theorising of Ostrom. The last two principles are the same as those offered by Ostrom and reflect not the theoretical insights of either approach but more the nature of the governance setting in a modern complex that calls for multi-level solutions and a general virtue of institutional design, namely 'revisability' (Goodin, 1996,40).

Table 8: Principles of governance design drawn from cultural institutional theory

- Match governance mechanisms to the social context
- Understand the variety of governance tools
- Be aware that feedback mechanisms can create a pathological version of any governance mechanism
- Requisite variety: match main governance tool by others to avoid destructive feedback
- Use ritual to reinforce and support governance mechanisms
- Recognise the role of ritual in creating the framework for exchange between governance approaches
- Build interlocking tiers of governance
- Allow scope for revision

Do these cultural institutional principles offer a better basis for design? That is a question for future work. For now it can be suggested that cultural institutional theory comes closer to honouring the general principles for design suggested by Goodin (1996, 39–43). In addition to revisability he suggests that institutions should have the robustness to bind and commitment individuals to appropriate constraints. Further in designing institutions Goodin argues we should be sensitive to motivational complexity and we should favour some variability in design in order to allow for trail-and-error learning. Finally whatever we design must be capable of being justified in public form of a public argumentation. Ultimately the choice may come down to whether we follow rational choice and design all institutions with knaves in mind or whether we can reasonably expect individuals to not always act in manner that involves the play of crass self-interest. ‘This is a matter of fact, in some sense; but it is in practice usually an empirically undecidable question... whether the principle of designing institutions for knaves is a good premise for institutional design depends fundamentally upon deeply contentious issues that admit only, in the final analysis, of political resolution (Goodin, 1996, 42).

References

- Bang, H.2003. eds. *Governance as Social and Political Communication*.
Manchester, Manchester University Press
- DiMaggio, P and W. Powell.1991. Introduction. In *The New Institutionalism in Organizational Analysis*, ed. W. Powell and P.DiMaggio,1–38. Chicago: University Press of Chicago
- Dolsak, N and Ostrom, E. 2003. *The Commons in the New Millennium*. Cambridge, Mass: MIT Press.
- Donahue, J. and J.Nye.2001.eds. *Governance amid Bigger, Better Markets*. Washington, DC: Brookings Institution Press
- Donahue, J. and J.Nye.2002.eds. *Market-Based Governance: Supply Side, Demand Side, Upside and Downside*. Washington, DC: Brookings Institution Press
- Douglas, M. 1982. Cultural bias. In *In the Active Voice*, 183–254. London: Routledge
- Douglas. M. 1987. *How Institutions Think*. London: Routledge
- Friedman, J.1996. Introduction: Economic Approaches to Politics. In *The Rational Choice Controversy*, ed. J. Freidman, 1–24. New Haven: Yale University Press
- Goodin, R. 1996. Institutions and Their Design. In *The Theory of Institutional Design*, ed. R. Goodin, 1–53. Cambridge: Cambridge University Press

- Green, D and I. Shapiro.1994. *Pathologies of Rational Choice Theory*. New Haven: Yale University Press
- Grendstad, G and Per Selle. 1995. Cultural Theory and The New Institutionalism. *Journal of Theoretical Politics* 7(1):5-27
- Hall, P and Taylor.1996.Political Science and the Three New Institutionalisms. *Political Studies*. 44(5):936-957
- Held, D.1995. *Democracy and the Global Order: From the Modern State to Cosmopolitan Governance*. Cambridge: Policy Press
- Hennessy, P. 1992. *Never Again*. London: Jonathan Cape
- Hirschman, A.1991. *The Rhetoric of Reaction*. Cambridge, Mass.: Harvard University Press
- Hood, C. 1998. *The Art of the State*. Oxford: OUP
- Kay, A. 2003 'Evaluating Devolution in Wales' *Political Studies*, 51(1):51-66
- Keasey, K. S. Thompson and M. Wright (ed) *Corporate Governance* Oxford: Oxford University Press
- Keynes. J. 1923. *A Tract on Monetary Reform*
- Laffont, J-J and D.Martimont. 2002. *The Theory of Incentives. The Principal-Agent Model*. Princeton: Princeton University Press
- Leftwich, A. 1993. 'Governance, Democracy and Development in the Third World' *Third World Quarterly*, 14:605-24
- Mallin, C. 2003. *Corporate Governance*. Oxford: OUP

- March, J and M. Olsen.1989. *Rediscovering Institutions*. New York: Free Press
- Mayntz, R.2003. ' New Challenges to governance theory' In *Governance as Social and Political Communication*. Ed. H.Bang, 27–40, Manchester, Manchester University Press
- Meyer, J and B. Rowan. 1991. ' Institutionalized Organizations: Formal Structure as Myth and Ceremony' in W.Powell and P.DiMaggio *The New Institutionalism in Organizational Analysis*. Chicago: Chicago University Press
- Mueller, D. 2003. *Public Choice 111*. Cambridge: CUP
- Newman, J.2001. *Modernising Governance. New Labour, Policy and Society*. London: Sage
- North, D and B. Weingast.1989. Constitutions an Commitment: the Evolution of Institutions Governing Public Choice in Seventeenth Century England. *Journal of Economic History*. 49: 803–832
- Ostrom, E. 1990. *Governing the Commons*. Cambridge: CUP
- Ostrom, E. 1998. A Behavioral Approach to the Rational Choice Theory of Collective Action. Presidential Address, American Political Science Association, 1997. *American Political Science Review*. 92(1), March, 1–22
- Perri 6. 2003. The Governance of Technology. Paper for Conference on Human Choice and Global Technological Change
- Perri 6. no date
- Peters, G. 1999. *Institutional Theory in Political Science*. London: Pinter

- Pierre, J. 2000.(ed) *Debating Governance*. Oxford : OUP
- Pierre, J. and G. Peters.2000. *Governance, Politics and the State*. Basingstoke: Palgrave
- Pierson, P. 2000. The limits of Design: Explaining Institutional Origins and Change. *Governance*.13(4).October, 475–499
- Powell, W and P. DiMaggio. 1991. *The New Institutionalism in Organizational Analysis*. Chicago: Chicago
- Prabhakar, R. 2003. Whatever Happened to Stakeholding. *Public Administration*
- Rayner, S. 1999. Mapping Institutional Diversity for implementing the Lisbon principles. *Ecological Economics*. 31.259–74
- Rhodes, R. 2000. ‘ Governance and Public Administration’ in *Debating Governance*, ed J.Pierre, 54–90 Oxford:OUP
- Schofield, N. 1996. ‘ Rational Choice and Political Economy’ In *The Rational Choice Controversy*, ed. J. Freidman, 189–212. New Haven: Yale University Press
- Shepsle, K. 1991
- Stoker, G. 1998. Governance as theory: five propositions. *International Social Science Journal*, No 155, March 17–28
- Taylor, M. 1996. ‘ When Rationality Fails’ in *The Rational Choice Controversy*, ed. J. Freidman, 223–234. New Haven: Yale University Press

Thompson, M. R. Ellis and A.Wildavsky.1990. *Cultural Theory*. Boulder:
Westview

Wildavsky, A.1987. Choosing Preferences by Constructing Institutions: A
Cultural Theory of Preference Formation. *American Political Science Review*,
81(1),3-22

Williams, D and Young, T . 1994. ' Governance, the World Bank and Liberal
Theory' *Political Studies*, 42: 84-100

Williamson, O. 1985. *The Economic Institutions of Capitalism*. New York:
Free Press