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Altered States: Explaining Domestic Institutional Change

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Existing explanations of domestic structural change focus on the role crises play in precipitating radical or episodic change. They largely ignore the sources and consequences of incremental change, even though this type of change also can have significant effects for policy processes and outcomes. We outline a framework for studying institutional transformation that accounts for both forms of change. The argument is a three part one. First, international and domestic events, including both crises and gradual pressures, open windows of opportunity that provide policy officials with the potential to transform existing institutions. Large-scale, system-wide changes open large windows, which allow radical change, while small-scale, issue-specific problems and changes create more limited opportunities for change. Secondly, whether an institutional change follows a window of opportunity depends on the actions and interests of state officials. Thirdly, state officials' ability to capitalize on a window of opportunity depends on their institutional position or capacity; the prevailing institutional arrangements create opportunities for, or place limits on, officials' ability to make change. Two case studies illustrate and probe the plausibility of the argument.

'New institutionalists' within the fields of comparative politics, political economy, and comparative public and foreign policy seek to identify relatively enduring structural constraints on human behaviour.[1] Recently, however, some institutionalists have also begun to investigate why, when and how institutions change.[2] The most developed explanation of institutional change to date is that

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[1] For an overview of schools of new institutionalism, see Peter A. Hall and Rosemary C. R. Taylor, 'Political Science and the Three New Institutionalisms', *Political Studies*, 44 (1996), 936–57; Junko Kato, 'Review Article: Institutions and Rationality in Politics: Three Varieties of Neo-Institutionalists', *British Journal of Political Science*, 26 (1996), 553–82; James March and Johan Olsen, *Rediscovering Institutions* (New York: Free Press, 1989); and Kathleen Thelen and Sven Steinmo, 'Historical Institutionalism in Comparative Politics', in Sven Steinmo, Kathleen Thelen and Frank Longstreth, eds, *Structuring Politics: Historical Institutionalism in Comparative Analysis* (Cambridge: Cambridge University Press, 1992).

[2] For example, see Deborah D. Avant, *Political Institutions and Military Change: Lessons from Peripheral Wars* (Ithaca, NY: Cornell University Press, 1994); Cynthia Hody, *The Politics of Trade: American Political Development and Foreign Economic Policy* (Hanover, NH: University Press of

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offered by the model of 'punctuated equilibrium' borrowed from evolutionary biology. This model contends that domestic institutions are 'sticky': they are characterized by long periods of stasis and only change in response to significant 'crises or critical junctures'. As Stephen D. Krasner argues, 'Change is difficult … Institutional change is episodic and dramatic rather than continuous and incremental. Crises are of central importance.'[3] G. John Ikenberry concurs: 'Institutional structures, once established, are difficult to change even when underlying social forces continue to evolve … Consequently, change is likely to be episodic and occur at moments of crisis (war or depression), when existing institutions break down or are discredited and when struggles over basic rules of the game emerge.'[4]

We contend that the punctuated equilibrium model offers an incomplete understanding of change for two reasons.[5] First, while providing a descriptively accurate explanation of the most visible episodes of state formation and transformation, this approach obscures the fact that incremental institutional adaptation, 'a gradual restructuring of the institutional framework',[6] is possible and, indeed, more likely than episodic change. As Douglass C. North concludes, 'the overwhelming majority of change is simply incremental and gradual. We take this for granted, but why do we take for granted something that is inconsistent with the theory [of punctuated equilibrium] we employ?'[7] Certainly, not all students of domestic structure ignore incremental change. To

(F'note continued)

New England for Dartmouth College, 1996); Jack Knight, *Institutions and Social Conflict* (Cambridge: Cambridge University Press, 1992); Stephen Skowronek, *Building a New American State: The Expansion of National Administrative Capacities 1877–1920* (Cambridge: Cambridge University Press, 1982); Kathleen Thelen, *Union of Parts: Labor Politics in Postwar Germany* (Ithaca, NY: Cornell University Press, 1991); and Steinmo, Thelen and Longstreth, *Structuring Politics*.

[3] 'Approaches to the State: Alternative Conceptions and Historical Dynamics', *Comparative Politics*, 16 (1984), 223–44, at p. 234.

[4] 'Conclusion: An Institutional Approach to American Foreign Economic Policy', in G. John Ikenberry, David A. Lake and Michael Mastanduno, eds, *The State and American Foreign Economic Policy* (Ithaca, NY: Cornell University Press, 1989), pp. 219–43, at pp. 223–4. Also see Scott C. Flanagan, 'Models and Methods of Analysis', in Gabriel Almond, Scott Flanagan and Robert Mundt, eds, *Crisis, Choice and Change: Historical Studies of Political Development* (Boston, Mass.: Little, Brown, 1973), pp. 43–102; and Sean Q. Kelly, 'Punctuated Change and the Era of Divided Government', in Lawrence C. Dodd and Calvin Jillson, eds, *New Perspectives on American Politics* (Washington, DC: Congressional Quarterly Press, 1994), pp. 162–90.

[5] For related criticisms of punctuated equilibrium, see Douglass C. North, 'Five Propositions about Institutional Change', in Jack Knight and Itai Sened, eds, *Explaining Social Institutions* (Ann Arbor: University of Michigan Press, 1995), pp. 15–26; Thelen, *Union of Parts*; and Thelen and Steinmo, 'Historical Institutionalism in Comparative Politics'.

[6] Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Press, 1990), p. 89. Also see Ezra Suleiman, *Private Power and Centralization in France: The Notaires and the State* (Princeton, NJ: Princeton University Press, 1987), p. 307.

[7] 'Five Propositions about Institutional Change', pp. 19–20.

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the extent that scholars focus on it, however, they either assume that incremental adaptation serves only to 'rigidify' existing institutions or simply note its occurrence without offering an explanation.[8] We argue, in contrast, that incremental change also can dismantle or alter institutional configurations. Like episodic change, moreover, incremental change must be understood and explained because it can have a significant impact on policy-making and coalition-building processes and, thus, on future policy choices.

Secondly, by focusing attention on periods of radical change precipitated by crisis, a model of punctuated equilibrium downplays the roles individuals play in affecting domestic structural change. This is unfortunate, since institutions 'do not change of their own accord; they are changed'.[9] As Kathleen Thelen notes, 'Groups and individuals are not merely spectators as conditions change to favor or penalize them in the political balance of power, but rather strategic actors capable of acting on "openings" provided by such shifting contextual conditions in order to defend or enhance their own positions.'[10] That is, state officials decide when and how to seek change in existing institutional configurations.

Our objective in this article is modest: we offer a general framework for understanding domestic structural change, whether episodic or incremental, in democratic states. The argument is a three-part one. First, international and domestic events, including both crises and gradual pressures, open windows of opportunity that provide policy officials with the potential to transform existing institutions. Large-scale, system-wide changes open large windows, which allow radical change, while small-scale, issue-specific problems create more limited opportunities for change. Secondly, whether an institutional change follows a window of opportunity depends on the actions and interests of state officials. Thirdly, state officials' ability to capitalize on a window of opportunity depends on their institutional position or capacity. That is, the prevailing institutional arrangements create opportunities for, or place limits on, officials' abilities to make change. In short, all three factors – triggers, change-oriented preferences and institutional capacity – must be present for institutional change to occur in a democratic state.

Our argument highlights a central issue in social thought, the agency-structure

[8] Krasner, 'Approaches to the State', p. 234. Also see Peter A. Hall, *Governing the Economy: The Politics of State Intervention in Britain and France* (New York: Oxford University Press, 1986), esp. p. 266; Desmond King, 'Political Centralization and State Interests in Britain: The 1986 Abolition of the GLC and MCCs', *Comparative Political Studies*, 21 (1989), 467–94; Theda Skocpol, 'Bringing the State Back In: Strategies of Analysis in Current Research', in Peter Evans, Dietrich Rueschemeyer and Theda Skocpol, eds, *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985), pp. 3–37, at p. 14; Skowronek, *Building a New American State*, esp. p. 11; and Suleiman, *Private Power and Centralization in France*. For important exceptions, see fn. 2.

[9] Michael McFaul, 'State Power, Institutional Change, and the Politics of Privatization in Russia', *World Politics*, 47 (1995), 210–43, at p. 216.

[10] Thelen and Steinmo, 'Historical Institutionalism in Comparative Politics', p. 17. The authors are summarizing Thelen, *Union of Parts*.

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problem. The institutional context creates opportunities and constraints for policy makers, but we contend that purposive actors decide whether to seek change in their structural environments. As Colin Hay notes, 'Strategic action is the dialectical interplay of intentional and knowledgeable, yet structurally-embedded actors and the preconstituted (structured) contexts they inhabit. Actions occur within structured settings, yet actors have the potential (at least partially) to transform those structures through their actions'.[11] We seek to explain when individuals attempt to alter their structural environments, when they succeed, and when they are thwarted by existing structures.

A related question asks whether our approach is ultimately incompatible with institutionalism. If institutions are constantly changing incrementally, some might argue, the institutions themselves may be epiphenomenal. We have three responses to such a charge. First, social and political institutions are only *relatively* enduring. Over time, human agents can alter structures in meaningful ways. Still, nearly two decades of research on domestic structures persuasively demonstrate the influence of domestic institutions on process and policy. Secondly, existing institutional configurations often inhibit actors' attempts to transform structures in response to environmental pressures. Because prevailing institutions set the limits for individual action, research on path dependency suggests, they determine what subsequent changes are possible.[12] While institutions are dynamic, then, their evolution does not necessarily mirror actors' preferences. Thirdly, an actor's ability to alter an institution does not mean she will accomplish her policy objectives. On the one hand, her capacity to change one institution does not mitigate the possibility that another institution will thwart her goals.[13] On the other hand, agents can neither determine nor control all the effects of a single institutional modification. In particular, an institutional change can have unintended consequences for other actors' influence in the process. In short, a dynamic, interactive relationship exists between actors and institutions. As Kathleen Thelen and Sven Steinmo conclude, 'institutions … can shape and constrain political strategies in important ways, but they are themselves also the outcome (conscious or unintended) of deliberate political strategies, of political conflict, and of

[11] Colin Hay, 'Structure and Agency', in David Marsh and Gerry Stoker, eds, *Theories and Methods in Political Science* (London: Macmillan, 1995), pp. 189–206, at pp. 200–1. On the agency–structure problem, generally, also see Walter Carlsnaes, 'The Agency–Structure Problem in Foreign Policy Analysis', *International Studies Quarterly*, 36 (1992), 245–70; Philip Cerny, *The Changing Architecture of Politics: Structure, Agency and the Future of the State* (London: Sage, 1990); and David Dessler, 'What's at Stake in the Agent–Structure Debate?' *International Organization*, 43 (1989), 441–73.

[12] Stephen D. Krasner, 'Sovereignty: An Institutional Perspective', in James Caporaso, ed., *The Elusive State* (London: Sage, 1989), pp. 69–96, at p. 55. A similar point is made in the literature on democratic transitions. For example, see Terry Lynn Karl and Philippe C. Schmitter, 'Dilemmas of Democratization in Latin America', *Comparative Politics*, 23 (1990), 1–21.

[13] As Stephen Skowronek notes, for example, 'change in one institution is unlikely to run parallel to changes that all other institutions undergo' ('Order and Change', *Polity*, 28 (1994), 91–6, p. 94).

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choice'.[14] Only by understanding the relationship between actors and their structural environments can we understand how institutional change occurs and the consequences of this change for policy.

This article proceeds in three stages. Part I examines the constitutive elements of domestic structure and the types of change these institutions undergo. Part II examines the causes of institutional change in democracies: the factors that trigger change in an existing institutional structure and the role of the policy official as the agent of change. Part III provides a plausibility probe of the argument in two historical cases of incremental change. The conclusion summarizes the argument and findings, revisits the questions of agency, structure and the institutionalist agenda, and suggests areas for future research.

I. INSTITUTIONAL STRUCTURES AND INSTITUTIONAL CHANGE

The term 'institution' refers to 'the formal rules, compliance procedures, and standard operating procedures that structure the relationship between individuals in various units of the polity'.[15] We are concerned with the two types of political institutions that comprise the state.[16] First, institutionalists study the organization of decision-making authority, the degree of centralization or fragmentation of power within the state. Originally conceived at the national level, recent research shows that these institutions vary across issue areas.[17] This institutional component is determined by the number and relative strength of different arms of the government that can exercise jurisdiction over any given issue. It includes: whether the state is unitary or federal; the extent to which bureaucratic jurisdiction is dispersed or concentrated; the extent to which electoral systems allow one party to dominate; the organization of the executive branch, including the civil service; and the relationship between the legislative and executive elements of government.[18]

[14] 'Historical Institutionalism in Comparative Politics', p. 10.

[15] Hall, *Governing the Economy*, p. 19.

[16] Here, we draw on two elements of structure in Peter J. Katzenstein's path-breaking works ('Conclusion: Domestic Structures and Strategies of Foreign Economic Policies', in Peter J. Katzenstein, ed., *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States* (Madison: University of Wisconsin Press, 1978), pp. 295–336; 'International Relations and Domestic Structures: Foreign Policies of the Advanced Industrial States', *International Organization*, 30 (1976), 1–46). Since we are interested in the structure of the state, however, we omit Katzenstein's third structural element, the organization of society.

[17] See especially the essays in Ikenberry, Lake and Mastanduno, *The State and American Foreign Economic Policy*; and R. Kent Weaver and Bert A. Rockman, eds, *Do Institutions Matter? Government Capabilities in the United States and Abroad* (Washington, DC: Brookings Institution, 1993).

[18] See Katzenstein, 'Conclusion'; Susan Peterson, *Crisis Bargaining and the State: The Domestic Politics of International Conflict* (Ann Arbor: University of Michigan Press, 1996); Sven Steinmo, 'Political Institutions: Tax Policy in the United States, Sweden, and Britain', *World Politics*, 41 (1989), 500–35; Weaver and Rockman, *Do Institutions Matter?*; and John Zysman, *Governments, Markets and Growth: Financial Systems and the Politics of Industrial Change* (Ithaca, NY: Cornell University Press, 1983).

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Secondly, institutions structure the relationship between state officials and societal actors in the policy process. These formal and informal 'policy networks' determine the nature of coalition-building processes within states by granting societal representatives access to, and participation in, policy formulation in a particular area.[19] Networks include those electoral, legislative, administrative, regulatory or customary rules that provide private actors with a legal avenue to transmit their interests to the policy process.[20]

A careful reading of the institutionalist literature identifies two distinct ways these state structures change – episodically and incrementally. These types of change differ in both degree and scope. Degree refers to the amount of change, whether change builds on or streamlines existing institutions, on the one hand, or radically restructures them, on the other. Scope refers to the extent of change, whether institutional innovation occurs within one or many task environments. *Episodic change* reinvents institutional patterns so as to break with prevailing customs and procedures. In general, episodic change affects institutions across different areas of the government. The domestic changes begun by Mikhail Gorbachev in the mid-1980s, for instance, built on some existing structures, but they also radically restructured many others and ultimately reorganized Soviet political institutions across a broad range of issues. *Incremental change*, in contrast, is generally confined to a specific issue area or task environment. This form of change also differs in degree. On the one hand, it may build on existing institutional patterns. As legislatures mature, for example, they tend to become increasingly autonomous and internally complex and to develop more universal, less discretionary rules. The evolution of the seniority and committee system in the US Congress provides an example of such institutionalization.[21] On the other hand, incremental change may streamline existing structures, a process that can involve dismantling or integrating institutions. In 1970, for example, the new Conservative government in Britain combined the Board of Trade and the Ministry of Technology to create the Department of Trade and Industry. While the first example describes change that builds on and

[19] Thomas Risse-Kappen, 'Public Opinion, Domestic Structure, and Foreign Policy in Liberal Democracies', *World Politics*, 43 (1991), 479–512. Also see Katzenstein, 'Conclusion'.

[20] On policy networks generally, see Ellen M. Immergut, 'The Rules of the Game: The Logic of Health Policy-Making in France, Switzerland, and Sweden', in Steinmo, Thelen and Longstreth, *Structuring Politics*, pp. 188–216; Daniel Okimoto, *Between MITI and the Market: Japanese Industrial Policy for High Technology* (Stanford, Calif.: Stanford University Press, 1989); and Martin Smith, *Pressure, Power and Policy: State Autonomy and Policy Networks in Britain and the United States* (Pittsburgh, Pa: The University of Pittsburgh Press, 1993).

[21] See S. N. Eisenstadt, 'Institutionalization and Change', *American Sociology Journal*, 29 (1964), 235–47; John R. Hibbing, 'Legislative Institutionalization with Illustrations from the British House of Commons', *American Journal of Political Science*, 32 (1988), 681–712; Nelson Polsby, 'The Institutionalization of the US House of Representatives', *American Political Science Review*, 62 (1968), 144–68; and Samuel P. Huntington, 'Political Development and Political Decay', *World Politics*, 17 (1965), 386–430.

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the second describes innovation that curtails existing institutions, both changes are examples of incremental adaptation.

II. CAUSES AND MECHANISMS OF INSTITUTIONAL CHANGE

This section outlines our three-part framework for studying structural change in democratic states. First, we briefly consider *the international and domestic events that trigger change*. We build on existing work on policy change to argue that such events, alone or in combination, make structural change possible by opening a window of opportunity for state officials. Next, we look at the role of policy officials as the agents of change. That a window of opportunity exists is insufficient to guarantee institutional transformation; policy makers also must want change and must move to exploit the opening. Their *preferences* result from their perceptions of the external pressures that open the policy window but also from ideology, domestic political calculations and institutional position. Finally, we argue, policy makers' *ability to implement their preferences* depends on existing institutional configurations. In democratic states, all three factors – triggers, change-oriented preferences and institutional opportunity – must exist if institutional change is to occur.

Two caveats are in order before proceeding. First, we identify elected or appointed state officials as the central agents in the process by which institutional reform occurs.[22] Structural change – whether episodic or incremental – results from the actions of agents in response to changes in their domestic and international environments. As David Marsh and R. A. W. Rhodes note, 'Actors shape and construct their world, choosing whether or not and how to respond.'[23] Both state officials and societal actors may be conceptualized as the agents of change. Whether measured in the aggregate in terms of the national mood reflected in an election or individually in terms of specific performance or demands, societal pressures are likely to provide the catalyst for institutional change. That is, societal groups' preferences place the need for change on the policy agenda. Nevertheless, state officials control the reins of power within the state. As a result, policy officials must choose whether and how to respond to societal demands. Moreover, as we argue below, the structure of the state sometimes inhibits officials' ability to respond to these demands. It is for this reason that we focus on the initiatives, interests and capacity of state officials as the central agents of institutional change.

Secondly, we limit this argument to democracies because, in some non-democratic states, autonomous state officials have the ability to effect

[22] Clearly, politicians and civil servants differ markedly in terms of ability to make change and institutional capacity. Nevertheless, we maintain that both groups can be studied within a common framework that examines individuals' ability and willingness to act given their unique institutional contexts.

[23] 'Policy Communities and Issue Networks: Beyond Typology', in David Marsh and R. A. W. Rhodes, eds, *Policy Networks in British Government* (Oxford: Clarendon Press, 1992), pp. 249–68, at p. 259.

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changes regardless of whether environmental pressures exist. Except in times of *coup* or revolution, moreover, autonomous leaders of non-democratic states can expect to face only minimal institutional or political obstacles to implementing their preferences.[24] In democracies, in contrast, even institutionally autonomous officials face electoral concerns that tend to limit their ability to advance institutional reform.

Triggering Institutional Change

State officials attempt to modify institutions when international or domestic factors 'call into question existing rules of the game and repertoires of state action'.[25] Traditionally, students of institutional change focus on the importance of 'crises or critical junctures', 'situation[s] of large-scale public dissatisfaction or even fear stemming from wide-ranging economic problems and/ or an unusual degree of social unrest and/ or threats to national security'.[26] Such unanticipated events, most often war or economic depression, discredit existing institutions and policies, triggering change.[27] Electoral landslides may create such critical junctures by producing an overwhelming mandate for policy and/ or structural change.[28]

We maintain that this view of change is unnecessarily restrictive; crises are not the only source of innovation. Less dramatic shifts in the international economy and more gradual demographic or domestic economic developments also can produce pressure for structural reform. Similarly, international norms, organizations, or treaties sometimes create the need for new domestic bureaucracies without creating a large political or social disturbance.[29] Additionally, elections and changes in administration often bring institutional

[24] However, not all leaders of non-democratic states are fully autonomous. For example, Soviet leaders after Stalin enjoyed significant autonomy from public opinion and the national legislature, but they were constrained by elite politics within the Politburo. For this argument, see Peterson, *Crisis Bargaining and the State*, chap. 5.

[25] Ikenberry, 'Conclusion', p. 234.

[26] John T. S. Keeler, 'Opening the Window for Reform: Mandates, Crises and Extraordinary Policy-Making', *Comparative Political Studies*, 25 (1993), 433–86, at p. 440. Also see the works cited in fnn. 3 and 4.

[27] On war and threat, for example, see Daniel Deudney and G. John Ikenberry, 'The International Sources of Soviet Change', *International Security*, 16 (1991/92), 74–118; Jack Snyder, 'International Leverage on Soviet Domestic Change', *World Politics*, 42 (1989), 1–30; and Charles Tilly, *The Formation of National States in Western Europe* (Princeton, NJ: Princeton University Press, 1975). On economic depression, see Stephan Haggard, 'Institutional Foundations of Hegemony: Explaining the Reciprocal Trade Agreements Act of 1934', *International Organization*, 42 (1988), 91–119.

[28] See Geoffrey Garrett, 'The Politics of Structural Change: Swedish Social Democracy and Thatcherism in Comparative Perspective', *Comparative Political Studies*, 25 (1993), 521–47; Geoffrey Garrett and Peter Lange, 'Internationalization, Institutions, and Political Change', *International Organization*, 49 (1995), 627–55; Keeler, 'Opening the Window for Reform'; and John W. Kingdon, *Agendas, Alternatives, and Public Policies* (New York: Harper Collins, 1984), chap. 8.

[29] Martha Finnemore, 'International Organizations as Teachers of Norms: The United Nations Educational, Scientific, and Cultural Organization and Science Policy', *International Organization*, 47 (1993), 565–97.

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innovation.[30] True, electoral landslides create critical junctures where episodic change is possible, but even indecisive elections – those that produce narrow electoral victories and limited mandates – nearly always are followed by modest alterations in the role and function of cabinet officers and agencies and in the organization of the executive. Figure 1 summarizes some possible domestic and international triggers of institutional change.

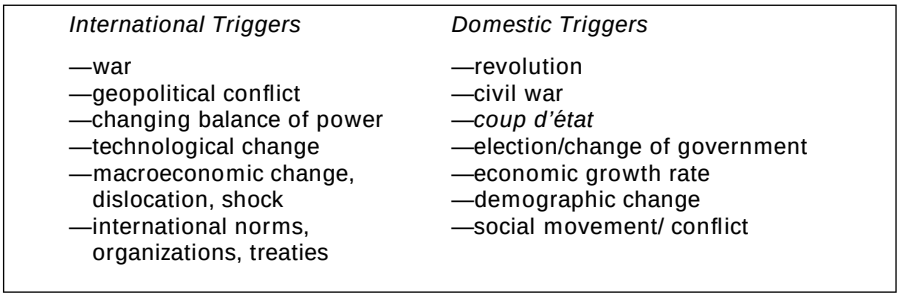


Fig. 1. Triggers of institutional change

Every environmental trigger – whether a crisis or non-crisis – creates the opportunity for structural change if it discredits existing institutions or raises concerns about the adequacy of current policy-making processes. The triggers listed in Figure 1 can create what John W. Kingdon terms 'windows of opportunity'.[31] Kingdon introduces this concept to refer to opportunities for advocates of change ('policy entrepreneurs') to advance their particular initiatives. He uses the example of the opportunity created by weather and other factors to launch a space flight: the presence or absence of a window is an objective condition, whether or not officials choose to act on it. We adopt this concept of a window of opportunity – widely used to explain *policy* change – to explain *structural* change. The domestic and international triggers outlined above can open windows and create possibilities for domestic structural change.

The type and scope of the environmental trigger determines whether and how widely a window opens and, therefore, the extent of the opportunity for change. John T. S. Keeler refines Kingdon's concept by suggesting there are different sized windows of opportunity.[32] Indecisive elections or undramatic, non-crisis events confined to one sector of the economy or polity, such as an international

[30] For the argument that elections open windows of opportunity for *policy* change, see Nikolaos Zahariadis, 'Selling British Rail: An Idea Whose Time Has Come?' *Comparative Political Studies*, 29 (1996), 400–22.

[31] The following draws on Kingdon, *Agendas, Alternatives, and Public Policies.*

[32] Keeler, 'Opening the Window for Reform'.

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treaty, open 'micro-windows'. 'Macro-windows', in contrast, open in response to events with widespread implications for many facets of society, such as war, depression or a landslide electoral victory. Keeler distinguishes between macro-and micro-windows to identify when a government possesses the capacity to advance extra-ordinary policy reforms. He posits that a macro-window, by profoundly reducing political and institutional opposition, makes possible far-reaching or extra-ordinary policy change. A micro-window, in contrast, creates the possibility for only incremental change, because officials' writs are limited and are confined to a specific policy area.

To measure the size of the windows of opportunity opened by environmental stimuli, we focus on two effects: (1) *the degree and scope of demanded institutional changes*; and (2) *the degree and scope of autonomy the trigger affords state officials from short-term political constraints*. When external events produce neither significant costs nor substantial political autonomy for elites, no window opens. When either or both factors are present, however, a window opens.

First, some environmental stimuli generate costs to national actors. These costs may be measured in terms of political, social or economic dislocations. A health crisis generates costs in terms of loss of life, for example, while a trade deficit generates costs in terms of a loss of domestic profits and jobs. In response to such costs, national actors demand policy and institutional changes. A health crisis might lead to demands for changes in the way the government provides vaccines or approves drugs. Similarly, a peaceful demonstration followed by violence may lead to demands for changes in police practices. In both examples, the environmental stimuli produces costs to national constituents who demand policy and institutional change. These demands create a window of opportunity for state officials to innovate by suggesting that prevailing policies and policy-making institutions are inadequate to deal with new challenges.

Secondly, some environmental pressures grant policy makers autonomy from short-term political constraints. Even when officials' institutional capacity remains unchanged, they may enjoy greater freedom of action due to an increase in their government's political status, prestige, or security in office. In a democracy, such autonomy derives from either or both of two sources: threat or electoral victory. National actors tend to respond to military and other threats by granting governments greater freedom from democratic constraints. In such situations societal actors often 'rally round the flag' and acquiesce in a concentration of executive authority.[33] Additionally, a government's electoral

[33] On the 'rally round the flag' phenomenon, see John E. Mueller, *War, Presidents, and Public Opinion* (New York: Wiley, 1973). For the argument that foreign threat has led historically to executive dominance on foreign policy, see especially Daniel S. Cheever and H. Field Haviland Jr, *American Foreign Policy and the Separation of Powers* (Cambridge, Mass.: Harvard University Press, 1952), esp. p. 39; and Marc E. Smyrl, *Conflict or Codetermination? Congress, the President, and the Power to Make War* (Cambridge, Mass.: Ballinger, 1988).

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success creates political space for institutional reform by producing a public mandate.[34] In both cases – national threat and electoral victory – environmental stimuli create a window of opportunity for policy makers to innovate by shifting national mood and increasing elite autonomy from short-term political constraints.

The size of the window of opportunity depends on the degree and scope of societal demands and/ or elite autonomy. In the first instance, a macro-window opens when extensive costs result from, and demands are levelled against, a wide range of policies and institutions across differing task environments. A micro-window opens, in contrast, when costs are thought to be limited and to result from specific policies.[35] An economic depression is likely to produce significant and wide-spread costs and lead to calls for large-scale reforms, for example, while an energy crisis will be likely to lead to proposals for reforming energy policy. In the second instance, elite autonomy depends on the size of the electoral victory or the magnitude of the threat facing state officials. A macro-window opens when policy makers obtain significant political autonomy across a wide range of different issue areas or task environments. A micro-window opens, in contrast, when state officials are granted only limited autonomy and/or autonomy in a specific task environment. For example, a major war or an electoral landslide creates wide-ranging autonomy, but an exchange-rate crisis, an indecisive election, or an election fought on a single issue is likely to produce only a narrow political space for innovation and therefore allow only incremental change.

The foregoing suggests one reason for the prevalence of incremental institutional change. Despite the institutionalist literature's focus on episodic change, the hurdles for a macro-window are quite high: international or domestic events must generate significant and system-wide costs to state and societal actors or leaders must experience significant political autonomy across a wide range of issues. Neither condition is common, but the latter in particular is rare in a democracy.[36]

Policy Officials as the Agents of Change

Windows of opportunity created by international and domestic triggers create a necessary or permissive condition for change, but even the largest open window does not automatically lead to change. 'Analysis of great reforms, therefore, must go beyond study of the objective conditions and illuminate the

[34] According to Keeler, an electoral victory authorizes the government to implement its programme and may empower it to do so by creating a legislative majority ('Opening the Window for Reform', pp. 437–8).

[35] Kingdon uses the term 'focusing event' to describe how an environmental stimulus can open windows of opportunity for advocates of solutions to specific problems (*Agendas, Alternatives, and Public Policies*), p. 177.

[36] For the argument that extra-ordinary policy making is rare in twentieth-century democracies because of the number of veto points, see Keeler, 'Opening the Window for Reform'.

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understanding that the reformers … have of societal conditions and of their political opportunities to alter those conditions.'[37] Agents' perceptions, preferences and calculations mediate between a window of opportunity and structural change. Political science lacks a unified theory of preference formation, but recent institutionalist literature – including both rational choice and historical approaches – highlights various factors that influence actors' preferences. Building on this work, we identify four factors that can lead officials to exploit environmental changes and actively work for domestic structural change. Each factor influences officials' perceptions of the efficacy of existing institutions and, therefore, of the desirability, feasibility and scope of change.

First, environmental conditions – the triggers themselves – influence state officials' perceptions. That is, the triggers raise concerns about the costs that state or national actors will assume if an existing institution or institutions are not altered. External pressures may lead societal actors to demand change, but more important, they prompt some officials to believe that inaction might worsen the original problem. By the early 1970s, for example, the US war in Vietnam had seriously eroded the credibility of an executive-dominated foreign policy organization and led to calls for congressional assertiveness to prevent future foreign policy fiascos. In extreme cases, where the costs are perceived to be especially high, external pressures generate fear that inaction risks loss of lives or property and even a revolution or coup.[38]

Secondly, domestic political calculations influence actors' decisions to exploit windows of opportunity. All politicians seek to obtain or maintain office. Accordingly, officials make political calculations about how their reform efforts will affect their ability to maintain or improve their power and position. This reasoning identifies two divergent conditions under which policy makers pursue institutional change. Elites may be more likely to seek structural reform the more secure they are in their positions and the longer the time horizon before they will be held accountable for their actions.[39] Alternatively, political reform may be a tool for threatened elites to retain power. As Christopher Young notes, for instance, conservative officials ideologically opposed to liberalization none the

[37] Michel Oksenberg and Bruce J. Dickson, 'The Origins, Processes, and Outcomes of Great Political Reform', in Dankwart A. Rustow and Kenneth Paul Erikson, eds, *Comparative Political Dynamics: Global Research Perspectives* (New York: Harper Collins, 1991), pp. 235–61, at p. 242. Also see Miriam Fendius Elman, 'The Foreign Policies of Small States: Challenging Neorealism in Its Own Backyard', *British Journal of Political Science*, 25 (1995), 171–217, p. 189; and Kingdon, *Agendas, Alternatives, and Public Policies*, pp. 179–80. The importance of elites and political leadership is also suggested by the literature on transitions, especially democratization. For example, see Larry Diamond, Juan J. Linz and Seymour Martin Lipset, eds, *Politics in Developing Countries: Comparing Experiences with Democracy* (Boulder, Colo.: Lynne Rienner, 1995); and Juan J. Linz and Alfred Stepan, eds, *The Breakdown of Democratic Regimes*, 4 vols. (Baltimore, Md: Johns Hopkins University Press, 1978).

[38] On both points, see Keeler, 'Opening the Window for Reform', esp. pp. 436, 440–1.

[39] Garrett and Lange, 'Internationalization, Institutions, and Political Change'.

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less may pursue democratization to defeat their political opponents.[40] At the same time that domestic political factors press actors to seek change, officials' desire to maintain office also constrains them from over-reacting. To seek radical change in response to an open micro-window, for example, could provoke opposition and electoral punishment. For this reason, a mandate poses a particularly powerful constraint in parliamentary democracies, where a government can be brought down if it oversteps what other members of parliament perceive to be its mandate.

Thirdly, ideology is an important source of actors' preferences and of their decisions to exploit windows of opportunity. Whether policy makers have well-formed views on the needed reform strongly influences their willingness to seek change. It is impossible, for example, to discuss Thatcher's privatization programme or President Reagan's deregulation plans without recourse to their ideological incentives to remodel the state.[41] Electoral mandates often make change possible, but a mandate is more than the size of an electoral majority or security in office; it is also about the ideas that propel a particular administration into office. These ideas motivate the victorious government's initial actions, but they also often limit it to specific structural changes.[42]

Fourthly, a policy maker's position within the institutional structure can affect her perceptions of the desirable response to an open window. That is, existing institutions help define actors' preferences for change. As Theda Skocpol and Margaret Weir note, 'the administrative, fiscal, coercive, and judicial arrangements of given states, as well as the policies that states are already pursuing, influence the conceptions that groups or their representatives are likely to develop about what is desirable, or possible at all, in the realm of governmental action'.[43] As such, an actor's institutional position can facilitate or hinder her willingness to act on a window of opportunity. A policy maker seeks change, according to this argument, primarily to enhance her organization's authority.

[40] 'The Strategy of Political Liberalization: A Comparative View of Gorbachev's Reforms', *World Politics*, 45 (1992), 47–65.

[41] See Peter A. Hall, 'Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain', *Comparative Politics*, 25 (1993), 275–98; Allen D. Hertzke and Ronald M. Peters Jr, 'Introduction: Interpreting the Atomistic Congress', in Hertzke and Peters, eds, *The Atomistic Congress: An Interpretation of Congressional Change* (Armonk, NY: M. E. Sharpe, 1992), pp. 3–45, esp. p. 21; and Joel Wolfe, 'State Power and Ideology in Britain: Mrs Thatcher's Privatization Programme', *Political Studies*, 39 (1991), 237–52.

[42] On a related note, Daniel Verdier argues that only issues with high salience and high divisiveness lead to decisive mandates (*Democracy and International Trade: Britain, France, and the United States, 1860–1990* (Princeton, NJ: Princeton University Press, 1994), esp. p. 24).

[43] 'State Structures and the Possibilities for "Keynesian" Responses', in Evans, Rueschemeyer and Skocpol, *Bringing the State Back In*, pp. 107–63, at p. 118. Also see Hall, *Governing the Economy*, chap. 10.

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Institutional Capacity

Even when state officials desire institutional change, their ability to transform state structures may be thwarted by prevailing structural conditions. In some cases, institutional change may prove difficult because it cannot be placed on the agenda or because those promoting change do not have the independent authority to make such reforms. That is, the prevailing institutional context can affect the influence any single official wields. A decision maker's ability to alter prevailing institutions, then, is contingent on her position within those structures. We use the term 'institutional capacity' to capture how institutional arrangements create opportunities for, or place limits on, an official's ability to translate her desire for structural change into policy. Agents may alter their structural context only when they find the context less, rather than more, constraining, that is, when the institutions themselves enable the actors to advance such change.[44]

Institutional capacity is affected by both the organization of decision-making authority and policy networks. These structural components can limit officials' ability to implement reform strategies, or even to place these strategies on the government's decision-making agenda. Executive or legislative actors frequently face structural obstacles in states where power is widely dispersed among various elements of government. In general, the greater the number of veto points in the political system – defined as the number of offices and branches whose acquiescence is required for a policy or institutional change – the greater the likelihood that attempted reforms will be foiled.[45] The rules and norms that demarcate relations between state officials, and between these officials and societal groups, also can work against structural reform. In many cases, these rules can limit decision makers' autonomy not only by establishing other levels of bureaucratic oversight, but also in some cases by mandating societal groups' approval of structural change.[46]

Officials' institutional capacity plays a significant role in determining whether structural change follows a window of opportunity. In particular, officials who lack capacity may be unable to capitalize on windows opened by triggers producing societal costs and demands for change. Such triggers create the demand, but the opportunity for innovation still may be blocked by others accorded a role in the policy process. Under such conditions, an additional window may be required to provide these officials with the autonomy to overcome their institutional obstacles. Such triggers as a national threat or

[44] See Hall, *Governing the Economy*; Skowronek, *Building a New American State*; and Steinmo, Thelen and Longstreth, *Structuring Politics*. In the agency–structure literature, also see Cerny, *Changing Architecture of Politics*; and Hay, 'Structure and Agency'.

[45] See Rockman and Weaver, *Do Institutions Matter?*; Skowronek, *Building a New American State*; and George Tsebelis, 'Decision Making in Political Systems: Veto Players in Presidentialism, Parliamentarism, Multicameralism, and Multipartyism', *British Journal of Political Science*, 25 (1995), 289–325.

[46] Immergut, 'Rules of the Game'.

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election assume an important role in this regard, since they can offer officials the mandate or autonomy they need to act on their preferences for structural change.

Our argument, in sum, suggests that international and domestic triggers create the possibility for structural change by opening windows of varying size. Non-crisis events – environmental pressures that create localized costs or offer elites only minimal autonomy from political concerns – open micro-windows. They therefore confine the scope of structural change to a specific task environment and limit the extent of institutional change. In contrast, crises – environmental pressures that highlight wide-spread inefficiencies in extant domestic institutions or afford elites wide-ranging autonomy from short-term political constraints – open macro-windows. They therefore create the possibility for wide-scale structural modifications that seek to break with prevailing customs and procedures. Change does not occur automatically, however. Whether policy entrepreneurs seek to exploit open windows depends on their preferences. Finally, even when international and domestic events open a window of opportunity and officials actively seek institutional change, structure – particularly officials' position within it – limits their ability to exploit windows and transform domestic institutions.

III. CASES OF INSTITUTIONAL CHANGE

The most detailed treatments of institutional change to date have focused largely on examples of episodic change. For this reason, we examine two cases of incremental change: in Britain the Reform Act of 1832 and in the United States the Omnibus Trade and Competitiveness Act of 1988. In focusing on these cases, we seek to demonstrate the validity of those aspects of our argument that run counter to and move beyond the conventional wisdom: that structural change can be modest, not simply episodic, and that structural change depends not only on the emergence of environmental triggers, but also on state officials' preferences and institutional capacity.

Because our empirical evidence is drawn from just two cases, this study is not designed to be a definitive or systematic test. Instead, it is intended to illustrate our argument's plausibility.[47] Nevertheless, the British and US case studies actually comprise several longitudinal tests of the argument. In the British case, environmental triggers opened several discrete windows prior to 1832. Those who sought to exploit early macro-windows were institutionally incapable of doing so, and institutional barriers again prevented reform after the first of two micro-windows opened in 1831. Only the third window produced structural innovation. In the US case, an initial micro-window produced demands for reform in the early and mid-1980s, but proponents of structural

[47] On heuristic case studies, see Alexander L. George, 'Case Studies and Theory Development: The Method of Structured Focused Comparison', in Paul Lauren, ed., *Diplomacy: New Approaches in History, Theory, and Policy* (New York: Free Press, 1979), pp. 43–68, esp. pp. 51–2.

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change did not gain the institutional capacity to advance their preferences until the Democratic victory in the 1986 mid-term election. In short, the longitudinal cases provide additional variation across the causal and dependent variables that strengthens the validity of our findings.[48]

We selected the two cases with several criteria in mind. First, both the United States and Britain are generally seen as 'weak states' where policy makers are assumed to respond automatically to societal pressures.[49] Hence, an examination of Britain and the United States offers 'hard tests' not only of the argument that state officials act as the agents of structural change, but also of the claim that the state's institutional structure may limit these officials' ability to make such changes even when there is societal demand for them.

Secondly, we selected cases involving different types of agents and structures. On the one hand, the agents of structural change varied. In the British case, the prime minister and his party played the pivotal role in advancing the need for institutional innovation. In the US case, by contrast, private commercial interests and members of Congress were the central exponents of change. On the other hand, the cases examine different types of institutions in different policy areas. The British case focuses on electoral laws, whereas the US case concerns the organization of economic decision-making authority. This variation also strengthens the potential external validity of the argument.

Thirdly, we chose cases that focus on different environmental triggers and window-opening mechanisms. In the British case, a single-issue election opened a micro-window by granting Lord Grey's government limited autonomy to engineer electoral reform. In the US case, in contrast, the initial window opened because declining competitiveness generated costs to national constituents who pressed their demands for change in trade and exchange-rate policy and institutions.

Finally, incremental changes in the institutions studied here had significant consequences for subsequent policies in both countries. That is, these cases are interesting not just from a theoretical standpoint, but also because they have substantive historical and policy importance.[50]

The 1832 British Reform Act

International events and socio-economic changes periodically opened macro-windows of opportunity for those seeking political and socio-economic reform in early nineteenth-century England. Demobilization, unemployment and unrest

[48] See Gary King, Robert O. Keohane and Sidney Verba, *Designing Social Inquiry: Scientific Inference in Qualitative Research* (Princeton, NJ: Princeton University Press, 1994), chap. 6; and Arend Ljiphart, 'Comparative Politics and the Comparative Method', *American Political Science Review*, 65 (1971), 682–93.

[49] Katzenstein, 'Conclusion'.

[50] On the importance of this criterion, see King, Keohane and Verba, *Designing Social Inquiry*, p. 15.

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following the Napoleonic Wars exacerbated the effects of the great population growth, urbanization and industrialization begun in the late eighteenth century. For the first time, major industrial centres sprang up outside London, and these cities and their commercial wealth were not represented in a political system that favoured the interests of the old landed gentry. While the industrialist class – and with it, society as a whole – grew in size and wealth, a new and expanding proletariat class bore the costs of the cycles of depression and prosperity driven by international trade.[51] Severe economic distress in 1817–19 led to unrest that culminated in the August 1819 'massacre at Peterloo', where eleven workers were killed and more than 400 injured. Declining trade and rising grain prices in the late 1820s and early 1830s further distressed workers.[52]

Despite these pressures, significant reforms did not occur before 1832 for two reasons. First, the opportunities for altering extant institutions were fleeting; societal demands for change generally rose and fell with cycles of prosperity and decline.[53] Calls for radical social reform – or even moderate political change – and attempts to organize workers especially faltered with the economic boom of the 1820s.

Secondly, the existing institutional context inhibited change. In particular, it prevented the representatives of the working class from even placing the radical change they sought on the agenda. As David Thomson notes, the Radicals wanted people – not property – represented, and they sought more fundamental social and economic reforms, as well.[54] Yet they were institutionally incapable of bringing about change. Middle-class Radical leaders rallied workers and public opinion, but only about thirty Radicals held seats in a 660 member parliament.[55] Poor working-class representation persisted in large part because of existing electoral laws. In the counties, Members of Parliament were elected by 'forty shilling freeholders', male landowners whose property generated an annual income of forty shillings or more, while in the boroughs there was no uniform suffrage. 'In one borough the electorate might comprise all the taxpayers, in another, only the inhabitants of certain houses; in a third, only the mayor and his corporation.'[56] Moreover, numerous 'closed' boroughs (those

[51] See Asa Briggs, *The Making of Modern England 1783–1867: The Age of Improvement* (New York: David McKay, 1959; reprinted by Harper & Row, 1965), pp. 207–8; G. Bingham Powell Jr, 'Incremental Democratization: The British Reform Act of 1832', in Almond, Flanagan and Mundt, *Crisis, Choice, and Change*, pp. 103–51, at pp. 110–23; David Thomson, *England in the Nineteenth Century 1815–1914* (Baltimore: Penguin, 1950), pp. 11–19; and George Woodbridge, *The Reform Bill of 1832* (New York: Thomas Y. Crowell, 1970), pp. 12–14.

[52] Briggs, *Making of Modern England*, pp. 207–11; Powell, 'Incremental Democratization', pp. 131–2; Woodbridge, *Reform Bill*, pp. 13–14.

[53] Briggs, *Making of Modern England*, pp. 211–12; Powell, 'Incremental Democratization', pp. 132–4.

[54] *England in the Nineteenth Century*, pp. 57–8. Also see Asa Briggs, 'The Background of the Parliamentary Reform Movement in Three English Cities (1830–2)', *Cambridge Historical Journal*, 10 (1952), 293–317; and Woodbridge, *Reform Bill*, pp. 14–16.

[55] Powell, 'Incremental Democratization', pp. 126–7.

[56] Gordon A. Craig, *Europe, 1815–1914*, 3rd edn (Hinsdale, Ill: Dryden Press, 1972), p. 101.

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belonging to particular proprietors) and 'rotten' boroughs (those available for purchase) were represented in Parliament.[57] More significant still was the unequal representation of the population: many industrial towns like Birmingham, Bradford, Halifax, Leeds, Manchester and Sheffield had no representation. Moreover, the British government actively sought to suppress the Radical reform movement, legally prohibiting organizing beyond the local level.[58] Early nineteenth-century Radicals simply had little access to the reins of power.

Still, the Radicals' were not the only voices for change; the more moderate Whigs and especially their leader Lord Grey pushed careful, limited electoral reform. Sharing the views of many of his colleagues, in 1819 Grey professed his 'equal hostility to the [Tory] Government on the one hand and to the Radicals on the other'.[59] He embraced reform for a number of closely related ideological and political reasons. Grey's earlier advocacy of more radical reforms – like universal suffrage – cooled in the early nineteenth century. None the less, he remained committed to moderate reform of the electoral system – including an expanded but still landed electorate – and refused to join any Tory government because of the Tories' opposition to reform.[60]

Grey promoted modest reform both because he believed in it and because he was an astute politician. 'The Whigs, like any political group, wanted to achieve power and, having achieved it, to retain it. As early as 1827, … 203 members of rotten boroughs were returned by Tories and only 73 by Whigs.'[61] For Grey and other Whigs, political reform was in part a tool to regain office. Grey also believed that moderate change was necessary to stave off more radical reform. As he wrote to a Radical friend in 1819, 'if a convulsion follows their [Radicals'] attempts to work upon the minds of the people, inflamed as they are by distress, for which your Reform would afford a very inadequate remedy, I shall not precede you many months on the scaffold'.[62] In 1830, Grey told King George IV, 'I am myself convinced that public opinion is so strongly directed to this question, and so general, that it cannot be resisted without the greatest danger of leaving the Government in a situation in which it would be deprived of all authority and strength.'[63] Grey was a policy entrepreneur awaiting the opportunity to implement his plan to rewrite Britain's electoral rules in order to advance his ideological agenda and political position.

Like the Radicals, however, the Whigs initially lacked the institutional

[57] On political corruption, see J. R. M. Butler, *The Passing of the Great Reform Bill* (London: Frank Cass, 1964), p. 16; D. F. Christie, *The Transition from Aristocracy 1832–1867* (New York: G. P. Putnam's Sons, 1928), pp. 18–27; and Woodbridge, *The Reform Bill of 1832*.

[58] Powell, 'Incremental Democratization', p. 127. On the representation of industrial towns, see Craig, *Europe*, p. 101.

[59] Quoted in Butler, *Passing of the Great Reform Bill*, p. 34.

[60] On Grey's beliefs, see Butler, *Passing of the Great Reform Bill*, p. 54; Woodbridge, *Reform Bill*, p. 32; and D. G. Wright, *Democracy and Reform 1815–1885* (London: Longman, 1970), p. 32.

[61] Woodbridge, *Reform Bill*, p. 44.

[62] Quoted in Butler, *Passing of the Great Reform Bill*, pp. 34–5.

[63] Quoted in Briggs, *Making of Modern England*, p. 239.

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capacity to enact structural reforms. Even before 1800, Grey gave notice on several occasions of his intention to introduce reform bills.[64] None was ever passed, however, because existing institutions prevented Whig leaders from effectively implementing their preferences. Decision-making authority in early nineteenth-century England was concentrated in the cabinet. However, the government's freedom of action was constrained, on the one hand, by a declining but still powerful crown and, on the other, by the need to maintain majority support in parliament. After 1760 the Whigs were consistently in opposition and lacked the majority necessary to pass major legislation or defeat a government. Had they possessed a majority sufficient to pass reform, they still would have faced opposition within the more conservative and propertied House of Lords, which while declining in relative power could still block legislation.[65]

The situation changed in 1830 when a Whig electoral victory opened a second window of opportunity for political reform and structural change. This window was a narrow one, however, since a slim margin of victory granted Whig leaders only limited political autonomy on the single issue of electoral reform. Grey formed a Whig government committed to reform. Immediately after assuming office, he created a committee to frame a moderate reform bill: 'Grey's instructions to this committee were to prepare a measure based on property, existing territorial divisions, and fundamental forms, yet inclusive enough to satisfy public opinion and to forestall further demands.'[66]

Despite Grey's preference for change, however, the Whig government's majority was too precarious to carry reform. In 1831, the first Reform Bill – which was nearly identical to the one that was to become law in 1832 – passed the House of Commons on the second reading by one vote. It failed in the subsequent committee stage, however, and the government was defeated.

A subsequent Whig victory in the 1831 election gave Grey another micro-window of opportunity, since the election was fought on the reform issue. 'The cry of "the bill, the whole bill [and] nothing but the bill" rang from one end of the country to the other. As a result, the Whigs got the mandate they demanded,'[67] but the single-issue nature of the election limited the victor's mandate to making incremental changes in British electoral laws. Soon after the election, not surprisingly, the Whigs introduced a second electoral reform bill, which passed by a large margin in the Commons.

Yet reform still did not become law. One institutional hurdle remained: the bill was defeated in the House of Lords. A third bill, introduced in early 1832,

[64] Woodbridge, *Reform Bill*, p. 25.

[65] On British political institutions, see H. J. Hanham, *The Nineteenth Century Constitution* (Cambridge: Cambridge University Press, 1969); John P. Mackintosh, *The British Cabinet* (Toronto: University of Toronto Press, 1962), chap. 2; Powell, 'Incremental Democratization', pp. 109–10; and Thomson, *England in the Nineteenth Century*, pp. 20–5.

[66] This is Sir James Graham's record of Grey's instructions, as quoted in Woodbridge, *Reform Bill*, p. 34.

[67] Briggs, *Making of Modern England*, p. 244. Also see Powell, 'Incremental Democratization', p. 141; and Woodbridge, *Reform Bill*, p. 50.

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appeared ready to suffer the same fate when Grey successfully bypassed this institutional barrier. Exploiting available administrative procedures, the prime minister offered the king two alternatives: the resignation of Grey's government or the creation of sufficient new peers to carry reform. The king initially chose the former. In the process, however, he requested a new government committed to reform, since domestic pressures had convinced him that incremental change was necessary. When the Tories could not form a government pledged to reform, the king asked Grey to continue his government. Under the Crown's threat to diminish the Lords' power by creating new peers, the upper House passed the 1832 Reform Act.[68]

In its substance, the act was far from revolutionary. It has, in fact, been called an example of 'incremental democratization', 'a largely peaceful adaptation of a political system to basic changes in economy and social structure'.[69] The 1832 Reform Act eliminated most rotten boroughs, enfranchised new industrial cities, and nearly doubled the size of the electorate, but the vote was still based on strict property requirements and there was no secret ballot. As D. C. Moore concludes, 'on balance the landed interest came out ahead'.[70] Several students of the reform also argue that it had effects entirely unintended by its creators. Rather than pre-empting further change, the bill actually facilitated it by further weakening the Crown and Lords and increasing party and cabinet discipline. 'It offered a taste of reform and whetted the appetite for more.'[71]

In sum, the 1831 election opened a micro-window, allowing incremental change in existing political institutions. Even the election would not have produced institutional change, however, had it not been fought over the *idea* of *moderate electoral* reform framed by the Whigs and embodied by Grey. The prime minister's personal and political commitment to the cause explain his decision to take advantage of the window of opportunity, while his shrewd leadership in exploiting existing institutional arrangements helped overcome a potentially serious institutional obstacle to change.

The Omnibus Trade and Competitiveness Act of 1988

During the mid-1980s, trade-exposed sectors of the American economy attributed their increasing competitive difficulties to the Reagan administration's exchange-rate policy and actively sought a change in this policy. Congressional opponents of the president's strategy exploited the window of opportunity created by this domestic distress not only to force several policy

[68] See Woodbridge, *Reform Bill*, pp. 58–64.

[69] The term comes from Powell, 'Incremental Democratization'. The quote is from Almond, 'Approaches to Developmental Causation', p. 23.

[70] 'Other Face of Reform', p. 32. On the content of the bill, also see Briggs, *Making of Modern England*, pp. 261–8; Thomson, *England in the Nineteenth Century*, pp. 74–5.

[71] Thomson, *England in the Nineteenth Century*, p. 75. Also see Powell, 'Incremental Democratization', pp. 147–8.

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shifts, but also to produce small-scale institutional change with the passage of the 1988 Omnibus Trade and Competitiveness Act. As in the previous case, the president's opponents achieved their objectives only after electoral success increased their decision-making power. In this case, the proponents of institutional change became empowered following the Democrats' capture of the Senate in the 1986 mid-term election.

The Reagan administration's domestic macroeconomic policy led to a rapid rise in the dollar's exchange rate. By the spring of 1985, the dollar reached an unprecedented high, 67 per cent above its 1980 value,[72] causing severe dislocations for many trade-exposed sectors of the US economy. Beginning in 1983, the country experienced annual record-breaking trade deficits; by the summer of 1985 the deficit neared an unprecedented $150 billion. These deficits proved to many US industrialists and workers that the soaring dollar was putting American firms at a competitive disadvantage in both foreign and domestic markets and resulting in many plant closures and job losses in some industries. As far as the Reagan administration was concerned, the dollar's rise was a positive development that led to a much needed inflow of capital. Accordingly, the administration 'adopted a defiant hands-off posture that, in effect, refused to second-guess the market mechanism in determining either the dollar's value or the flow of goods into and out of the United States'.[73]

The negative economic consequences of the high dollar led trade-embattled industries to take their case to Congress in an effort to pressure the administration to alter its exchange-rate policy. Consequently, the overvalued dollar created a micro-window of opportunity for what turned out to be a bipartisan coalition that believed the administration had to reduce the dollar's value.[74] Even with this open window, those advocating a dollar revaluation found it difficult to achieve their preferences due to the institutional weakness of their congressional allies on foreign economic policy. The US Constitution identifies Congress as the central policy-making institution for foreign economic policy. Over time, nevertheless, Congress has delegated much of its authority to the executive branch. In the Gold Reserve Act of 1934 Congress ceded responsibility to oversee the exchange rate to the Treasury Secretary.[75] In the trade realm, Congress granted the executive authority to negotiate tariffs in the 1934 Reciprocal Trade Agreements Act. Additionally, the 1962 Trade Expansion Act created the Special Representative for Trade Negotiations (changed in 1979 to the United States Trade Representative or USTR) to centralize management of the country's trade strategy. These and other acts

[72] C. Randall Henning, *Currencies and Politics in the United States, Germany, and Japan* (Washington, DC: Institute for International Economics), p. 275.

[73] Stephen D. Cohen, *The Making of United States International Economic Policy*, 4th edn (Westport, Conn.: Praeger, 1994), p. 230.

[74] For the most detailed discussion of this episode, see I. M. Destler and C. Randall Henning, *Dollar Politics: Exchange Rate Policymaking in the United States* (Washington, DC: Institute for International Economics, 1989).

[75] Destler and Henning, *Dollar Politics*, chap. 5; Henning, *Currencies and Politics*, p. 111.

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notwithstanding, Congress retains the ability to pass trade and exchange-rate legislation, subject of course to a presidential veto that can be overridden only by a two-thirds majority of both houses.

As the dollar and trade deficit continued to climb in 1985, I. M. Destler writes, 'the administration seemed to do nothing, and seemed not even to recognize that there was any problem to address'.[76] Congressional critics took matters into their own hands: they identified trade policy as one way to offset the high dollar's negative impact for trade-exposed sectors of the economy and proposed numerous bills to slow imports or increase US exports to certain countries.[77] Several proposals to restructure both trade and exchange-rate policy making also circulated in Congress. The purpose of such proposals was two-fold. First, members of Congress sought to help trade-exposed sectors of the economy by forcing a modification in the administration's policy. Republican Senator John Danforth summed up the policy changes Congress desired when he stated, 'Congress should insist on clear plans for rectifying the exchange rate problem and for enforcing our rights under existing trade agreements'.[78] Secondly, the proposals sought to increase legislative authority over future administrations' exchange-rate and trade policies. These proposals included an enhanced, yet congressionally directed USTR and an effort to provide Congress with greater oversight over the Treasury's decisions regarding the dollar.

To counteract growing domestic criticism of the administration's strategies, Treasury Secretary James Baker announced the secret Plaza Agreement in September 1985, signalling the administration's willingness to lower the dollar's value.[79] Coupled with other actions by the Group of Five industrialized nations, the Plaza Agreement led to dollar depreciation throughout the rest of 1985 and 1986; nevertheless, this decline had no appreciable impact on the country's trade deficit in 1986 or 1987. In September 1985, the administration also reversed course by adopting a more aggressive trade strategy; it pursued market opening initiatives against Japan, South Korea and Brazil.[80]

Many in Congress saw these measures as being too little and too late. Moreover, this belief confirmed to many that the institutions underpinning the

[76] I. M. Destler, *American Trade Politics*, 2nd edn (Washington, DC: Institute for International Economics, 1992), p. 122.

[77] Destler and Henning, *Dollar Politics*, pp. 104–6.

[78] Quoted in Destler and Henning, *Dollar Politics*, p. 105.

[79] On the role of congressional pressure as the catalyst for this action, see I. M. Destler and C. Randall Henning, 'From Neglect to Activism: American Politics and the 1985 Plaza Accord', *Journal of Public Policy*, 8 (1988), 317–34.

[80] For information on these actions, see Peter Evans, 'Declining Hegemony and Assertive Industrialization: US–Brazil Conflicts in the Computer Industry', *International Organization*, 43 (1989), 207–38, p. 220; and David Yoffie, 'American Trade Policy: An Obsolete Bargain?' in John Chubb and Paul Peterson, eds, *Can the Government Govern?* (Washington, DC: Brookings Institution, 1989), pp. 100–38, at p. 128.

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executive's trade and exchange-rate policies needed repair.[81] Initially, the decentralization of decision-making authority, especially the separation-of-powers system, reduced the capacity of the administration's opponents to capitalize on the window of opportunity and advance institutional innovations. On exchange-rate institutions, several different bills made their way through the House and Senate.[82] These bills each sought, to varying degrees, to reduce the Treasury's control over the country's exchange rate by making the Treasury more accountable to Congress. One bill required the Treasury secretary to make semi-annual reports to Congress concerning exchange rates. Change in exchange-rate institutions was soon delayed as it became linked to efforts to modify trade institutions. In early 1986, the House Democratic leadership sponsored trade legislation that would have 'curbed presidential discretion in trade-remedy cases, mandated retaliation when other nations did not open their markets, and provided (the Gephardt amendment) for quotas in cases of countries – at the time, Japan, Taiwan and Germany – running large bilateral surpluses with the United States'.[83] The House overwhelmingly passed this bill (HR 4800), but Reagan promised to veto it. In the Senate a bipartisan coalition supported a proposal to limit presidential discretion in implementing trade laws.[84] Nevertheless, the Senate failed to pass a bill before the close of the 99th Congress in October 1986. One significant obstacle to passage was the lack of support for these changes from President Reagan and the Republican chairman of the Senate Finance Committee, the main committee for trade issues.[85]

In the November 1986 elections, the Democrats recaptured the Senate and gained control of the Finance Committee. This victory increased the decision-making power of those legislators who wanted to revise the country's trade and exchange-rate institutions.[86] That is, the 1986 election gave proponents of change a second micro-window. Whereas the first window had created the demand for institutional change, the second offered proponents the autonomy necessary to advance their preferences. Nevertheless, the election did not grant them a veto-proof majority; proponents of change had to temper their initiatives if they hoped to pass a bill that the president would support, or failing

[81] Steven Pressman, 'Coming to Grips with the Volatile Dollar', *Congressional Quarterly Weekly Report*, 44 (1986), pp. 460–4; Paula Stern, 'Commentary', in Jagdish Bhagwati and Hugh Patrick, eds, *Aggressive Unilateralism: America's 301 Trade Policy and the World Trading System* (Ann Arbor: University of Michigan Press, 1990), pp. 191–201, at p. 196.

[82] This discussion draws on Destler and Henning, *Dollar Politics*, pp. 107–11.

[83] Destler, *American Trade Politics*, p. 90.

[84] Steven Pressman, 'Senate Panel Begins Work on Trade Measure', *Congressional Quarterly Weekly Report*, 44 (1986), p. 2223.

[85] Cohen, *The Making of United States International Economic Policy*, p. 218; Bruce Stokes, 'Hot and Cold on New Trade Bill', *National Journal*, 18 (1986), pp. 709–10; Steven Pressman, 'Senators Pressing for Action: Reagan Stance, Time Crunch Pose Hurdles to Trade Bill', *Congressional Quarterly Weekly Report*, 44 (1986), pp. 2147–48.

[86] Steven Pressman, 'Beyond the Trade Hoopla, Looking for Options', *Congressional Quarterly Weekly Report*, 44 (1986), pp. 2936–40.

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that, gain sufficient legislative support to override a presidential veto. In early 1987, the Finance Committee drafted and the Senate passed a bill including changes to both trade and exchange-rate processes designed to limit executive discretion.[87] The House bill that passed in the fall of 1986 was reintroduced and also passed in early 1987. By April 1988 the House and Senate reconciled the differences in their two bills, in many cases opting for more executive discretion than had appeared in the individual bills. The president, however, vetoed the bill. After eliminating two provisions unrelated to institutional change, both houses passed an otherwise unaltered trade bill by veto-proof margins. In August, Reagan signed into law the Omnibus Trade and Competitiveness Act of 1988.

This act altered the trade and exchange-rate policy-making processes. In the trade realm, several authorities were transferred from the president to the USTR. Of greatest significance was a revision of Section 301 referred to as Super 301; this statute required the USTR during 1989 and 1990 to investigate the fairness of foreign government practices as they affected US exports, to identify priority practices for removal, and to take all appropriate action to halt unfair foreign trade practices within a certain period of time.[88] If the foreign government does not curtail its offending practices, the president is required to retaliate. In the exchange-rate area, the act requires the Treasury to identify countries that manipulate their currencies for trade advantage and to initiate bilateral negotiations to correct such unfair rates.[89] It also establishes an exchange-rate reporting requirement that subjects the Treasury to public review of its activities every six months.

The passage of the Omnibus Trade and Competitiveness Act of 1988 modified several procedures affecting the formulation of US trade and exchange-rate policy. These institutional changes were not radical; instead, they built on existing structures by imposing new constraints on executive autonomy. I. M. Destler writes that the 1988 law 'did not impose direct congressional control over trade. Rather it … statutorily enhanced [the] USTR with multiple provisions aimed at setting the USTR's agenda and stiffening its spine'.[90] C. Randall Henning draws a similar conclusion about the law's impact on exchange-rate policy: 'The biannual reports by the Treasury to the Congress offer an additional venue for the Banking Committees to weigh in on exchange rate policy … [Nonetheless,] these alterations are primarily changes on the margin.'[91] While the exchange-rate changes increased congressional partici-

[87] For the legislative history of what would become the 1988 Trade Act, see Judith Hippler Bello and Alan Holmer, 'The Heart of the 1988 Trade Act: A Legislative History of the Amendments to Section 301', in Bhagwati and Patrick, *Aggressive Unilateralism*, pp. 49–89.

[88] The statute did contain some exceptions to when retaliation must occur. On this point, see Bello and Holmer, 'Heart of the 1988 Trade Act', p. 64; and Helen Milner, 'The Political Economy of US Trade Policy: A Study of the Section 301 Provision', in Bhagwati and Patrick, *Aggressive Unilateralism*, pp. 163–80, at p. 168.

[89] Destler and Henning, *Dollar Politics*, p. 112.

[90] *American Trade Politics*, p. 95.

[91] *Currencies and Politics*, pp. 295, 307.

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pation in this realm of foreign economic policy, it is unclear whether they have yet had a substantive policy impact. In contrast, Super 301 directly shaped the Bush administration's trade policies. Following the statute's mandate, Carla Hills – the USTR at that time – identified for removal six priority trade practices in three priority countries.[92]

In sum, Congress altered US trade and exchange-rate institutions in response to a micro-window of opportunity. Domestic economic dislocations and demands unleashed as a consequence of the Reagan administration's exchange-rate strategy opened this window. Yet the US trade case resembles the British electoral reform case in an important regard: despite the presence of an open window, structural changes remained difficult and might not have materialized if the 1986 election had not improved the decision-making power of the advocates of change. Figure 2 summarizes the findings of the two case studies.

	British electoral reform	US economic reform
Environmental triggers	Socio-economic changes; economic depression; 1831 parliamentary election	Rising US dollar and trade deficit; November 1986 mid-term election
Policy entrepreneurs	Whig party, especially Lord Grey	Bipartisan congressional coalition
Institutional obstacles	Lack of a parliamentary majority; bicameralism	Lack of Senate majority; separation of powers

Fig. 2. Case study summary

IV. CONCLUSIONS

When domestic structural approaches consider the question of institutional change, they usually assume structure changes suddenly and massively. We argue, in contrast, that institutional change may be incremental, as well as episodic, and we outline a framework that accounts for both forms of change. In general, international and domestic events trigger change by opening windows of opportunity that can reduce the institutional and political constraints that normally confront policy makers. These windows vary in size depending on the nature and effect of the trigger, principally the degree and scope of societal demands and/or of state officials' political autonomy. Limited, localized demands and autonomy open micro-windows that can produce modest structural change, while significant, widespread demands and autonomy open macro-windows that can bring radical change. At the same time, however, a window of opportunity does not guarantee institutional innovation. Whether and

[92] For details, see Thomas Bayard and Kimberly Ann Elliott, *Reciprocity and Retaliation in US Trade Policy* (Washington, DC: Institute for International Economics, 1994), pp. 38–42.

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how change actually occurs depends on state officials' preferences and institutional capacity. In effect, policy makers must be both willing and able to refashion existing institutions.

Our argument suggests two avenues for future research. First, the argument needs more systematic testing across a wider range of cases. We focus in this article on incremental change, but our framework also sheds light on cases of episodic change. In the 1980s, for example, international pressures created by the Cold War and fighting in Afghanistan combined with severe economic distress to open a macro-window for structural change in the Soviet Union. The reform-minded Mikhail Gorbachev took advantage of this window to reconstruct Soviet political institutions, society and state–society relations: 'Russia was transformed from a highly centralized, authoritarian state dominated by the Communist party into a state with weakened central control, quasi-corporatist policy networks, and an active civil society.'[93]

Secondly, our research underscores others' findings about the relationship between agents and their structures.[94] In particular, the institutional context does not simply restrain actors; it can also enable them. The majority of research on institutions to date has focused on their constraining attributes. The agency–structure literature needs instead to focus less on the notion that agents can affect their structures, and more on *when* agents can effectively alter those structures.[95] This study identifies two factors that affect whether institutions are more enabling or constraining: the agent's position within the prevailing institutional context and the agent's ability to gain autonomy from short-term political constraints. Further specification of these and other conditions is required if we are to identify when agents are able to alter institutions.

Our research highlights several paths by which to study this question. First, some types of institutions are more likely than others to constrain policy entrepreneurs. The case studies suggest that decentralized institutions, because they contain more potential veto points, make it difficult for actors to achieve their preferences.[96] Thus, state officials seeking institutional change are likely to be most successful in political systems that concentrate decision-making authority. Secondly, future research should investigate the influence of agents' perceptions of their structural environments on their actions. Although we expect policy makers to recognize the constraints posed by window size, it is possible they might misunderstand or misperceive their options. Kingdon highlights this problem when he states,

[93] Matthew Evangelista, 'The Paradox of State Strength: Transnational Relations, Domestic Structures, and Security Policy in Russia and the Soviet Union', *International Organization*, 49 (1995), 1–38, p. 9.

[94] For example, see Carlsnaes, 'Agency–Structure Problem in Foreign Policy Analysis'; Dessler, 'What's at Stake in the Agent–Structure Debate?'; Hay, 'Structure and Agency'; Alexander Wendt, 'The Agent–Structure Problem in International Relations Theory', *International Organization* 41 (1987), 335–70.

[95] For recent efforts to do this, see Hay, 'Structure and Agency'.

[96] On the importance of this dynamic, see Rockman and Weaver, *Do Institutions Matter?*

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Some objective features define a policy window … But the window exists in the perceptions of the participants as well. They perceive its presence or absence, they estimate the likelihood of its future occurrence, and they sometimes misestimate or misperceive. Beyond misperceiving, even highly skilled and knowledgeable people may disagree on whether a window is or will be open because the nature of the beast is complex and a bit opaque.[97]

Finally, our research indicates the need to examine the connection between domestic institutional – particularly incremental – change and subsequent policy choice. Again, this raises questions about the extent to which structures constrain human agency. In some instances, institutional restructuring has its intended effects on policy. In other cases, however, the problem of unintended consequences complicates the link between structural change and policy choice. As James March and Johan Olsen note, 'the contemporary record with respect to intentional change does not encourage boundless confidence in the possibilities for deliberate, controlled change'.[98] Unintended consequences may emerge for at least three reasons, each of which merits additional attention. First, existing institutions may sidetrack change if they do not include effective implementation mechanisms, especially monitoring and enforcement powers over those affected by the new structures.[99] Secondly, unintended consequences may result because would-be transformers of domestic institutions lack adequate information about, or knowledge of, the consequences of their actions.[100] This imperfect information often arises because the institution in question is just one component of the country's domestic structure; there exist larger, systemic institutional obstacles to achieving one's goal. Thirdly, as the aftermath of the 1832 Reform Act suggests, institutional modifications may empower new state and societal actors who then utilize the altered institutional context to seek policies unforeseen or undesired by those who originally changed the institutions.

The possibilities that actors may misperceive their structural contexts and that institutional change may have unintended consequences illustrate the complex and dynamic nature of the relationship between actors and their structural environments. For this reason, understanding the causes and mechanisms of institutional change is just a first step in grasping the relationship between the institutional innovation described in this article and domestic and foreign policy change.

[97] *Agendas, Alternatives, and Public Policies*, p. 179.

[98] *Rediscovering Institutions* (New York: The Free Press, 1989), p. 58. Also see Oksenberg and Dickson, 'Origins, Processes, and Outcomes', p. 251.

[99] James Lindsay, 'Congress, Foreign Policy, and the New Institutionalism', *International Studies Quarterly*, 38 (1994), 281–304.

[100] For example, see North, *Institutions and Institutional Change*, p. 100.

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