No attempt is made here to provide a comprehensive or thorough review of early institutional theory, but to completely neglect these ideas and arguments would be inexcusable. Although much of this work differs from today’s institutional agenda, all contemporary scholars draw inspiration from the efforts of the pioneers. In examining this early work, it is important to recognize that contemporary students bring their own interests and concerns to the reading of these texts. As Alexander (1983: vol. 1, 119) observes: “‘Reading’ is an important part of any theoretical strategy, and if the work in question is in any way open to varied interpretation then it certainly will be so interpreted.” Conflicting interpretations are even more likely when the theorists in question change their views over time—so that, for example, there appears to be an “early” Durkheim and a “late” one—or when, like Weber, they simultaneously express contradictory or ambivalent views.

Somewhat arbitrarily, I sort the work into disciplinary categories—although, as soon becomes apparent, greater divisions often exist within than between disciplinary camps—and briefly review leading contributors to institutional thought from the late 19th to the mid-20th centuries in economics, political science, and sociology.
It is well at the outset to acknowledge the lack of logical coherence in the strands of work to be examined. In many respects, the “old” institutional economics bears a stronger intellectual kinship with the “new” institutional approaches advanced by sociologists and organizational scholars than to the “new” institutional economics. Conversely, the new institutional economics is more indebted to the critics of old institutional economics than to their early namesakes. The earliest institutional arguments arose in Germany and Austria in the late 19th century as one by-product of the famous Methodenstreit: the debate over scientific method in the social sciences. Drawing energy and inspiration from the earlier Romantic Movement as well as from the ideas of Kant and Hegel, a collection of economists challenged the conventional cannon that economics could be reduced to a set of universal laws. Led by Gustav Schmoller (1900–1904), this Historical School insisted that economic processes operated within a social framework that was in turn shaped by a set of cultural and historical forces. Historical and comparative research was required to discern the distinctive properties of particular economic systems. Moreover, Schmoller and his associates called for economics to eschew its simplistic assumptions regarding “economic man” and embrace more realistic models of human behavior.

The principal defender of the classical approach in this debate was Carl Menger (1883/1981), the Viennese economist who insisted on the utility of simplifying assumptions and the value of developing economic principles that were both abstract and timeless. Rather than denying the importance of broader societal institutional forces, Menger argued that institutions were themselves social phenomena in need of theoretical explanation. It is for this reason that Langlois (1986a: 5) suggested that Menger “has perhaps more claim to be the patron saint of the new institutional economics than has any of the original institutionalists.”

As with many intellectual debates, the warring factions sharpened and perfected their arguments, but neither succeeded in convincing the other. Attempts at reconciliation and synthesis occurred only among scholars of a later generation—principally in the work of Weber, to be discussed later.

Many of the ideas of the Historical School were embraced and further developed by American institutional economists, a number of whom were trained in Germany. An earlier cohort working in the mid-19th century did not receive much attention. However, by the
turn of the century, three institutional economists had become quite influential: Thorstein Veblen, John Commons, and Westley Mitchell. Although there were important differences in their views, all three criticized conventional economic models for their unrealistic assumptions and inattention to historical change.

Veblen was highly critical of the underlying economic assumptions regarding individual behavior: He ridiculed “the hedonistic conception of man as that of a lightning calculator of pleasures and pain” (Veblen 1898: 389). Instead, Veblen insisted that much behavior was governed by habit and convention. “Not only is the individual’s conduct edged about and directed by his habitual relations to his fellows in the group, but these relations, being of an institutional character, vary as the institutional scene varies” (Veblen 1909: 245). Indeed, Veblen (1919: 239) defined institutions as “settled habits of thought common to the generality of man.”

Commons (1924: 7) similarly challenged the conventional emphasis on individual choice behavior, suggesting that a more appropriate unit of economic analysis was the “transaction,” a concept borrowed from legal analysis. “The transaction is two or more wills giving, taking, persuading, coercing, defrauding, commanding, obeying, competing, governing, in a world of scarcity, mechanisms and rules of conduct” (italics added). The “rules of conduct” to which Commons alluded are social institutions. Institutional rules were necessary to define the limits within which individuals and firms could pursue their objectives (Commons 1950/1970).

To Commons, the institutions existing at a specific time represent nothing more than imperfect and pragmatic solutions to reconcile past conflicts; they are solutions that consist of a set of rights and duties, an authority for enforcing them, and some degree of adherence to collective norms of prudent reasonable behavior. (Van de Ven 1993: 142)

All three institutional economists emphasized the importance of change and were critical of their colleagues for not making its examination central to their work. Veblen embraced an evolutionary perspective and insisted that a valid economics would emphasize the role of technological change and trace the changing phases of the economy. Commons likewise stressed the centrality of change, viewing the economy as “a moving, changing process” (Commons 1924: 376). Mitchell believed that conventional economics was a hindrance to understanding the nature of the business cycle, and he devoted much energy to
studying economic change. Like most institutionalists (except for some varieties of rational choice scholars), he was reluctant to embrace an assumption of economic equilibrium. As one of the founders of the National Bureau of Economic Research and chair of the committee that published the voluminous report, *Recent Social Trends* (President’s Research Committee on Social Trends 1934), Mitchell pioneered in the collection of empirical data on the operation of the economy, insisting that economic principles should be grounded in facts as opposed to abstract, deductive theories.

The American institutionalists were influenced not only by the German Historical School, but also by the home-grown philosophy of pragmatism as espoused by Dewey, James, and others. Their work reflected a suspicion of abstract, universal principles; an interest in solving practical problems; and an awareness of the role of chance events and historical contingencies (see chap. 3).

Jacoby (1990) argues that the approaches offered by the early institutionalists departed from those adopted by their mainstream, neoclassical colleagues in four important respects:

- **Indeterminancy vs. determinancy.** Although the orthodox model assumed “perfect competition and unique equilibria, the institutionalists pointed to pervasive market power and to indeterminacy even under competition” (Jacoby 1990: 318).
- **Endogenous vs. exogenous determination of preferences.** Neoclassical theorists posited individual preferences or wants, whereas institutionalists argued that such preferences were shaped by social institutions whose operation should be the subject of economic analysis.
- **Behavioral realism vs. simplifying assumptions.** Institutional theorists argued that economists should utilize more pragmatic and psychologically realistic models of economic motivation rather than subscribe to naive utilitarian assumptions.
- **Diachronic vs. synchronic analysis.** Rather than assuming the “timeless and placeless” assumptions of the neoclassical theorists, institutionalists insisted that economists should ascertain “how the economy acquired its features and the conditions that cause these features to vary over time and place” (Jacoby 1990: 320).

Regardless of whether they were correct in their accusations and assertions, the early institutional economists did not prevail: Neoclassical theory was victorious and continues its dominance up to
the present time. Prior to the rise of the new institutional economics in the 1970s, only a few economists attempted to carry forward the institutionalists’ agenda, the best known of whom are J. A. Schumpeter, Karl Polanyi, John Kenneth Galbraith, and Gunnar Myrdal (see Swedberg 1991). Arguably, the subfields of economics most affected by the legacy of the institutional theorists are those of labor economics, the field in which Commons specialized; industrial relations, which focuses on broader social and political factors affecting economic structures and processes; and the economics of industry, which examines the varying configurations of industrial structures and their effects on the strategies and performance of individual firms.

Why was the impact of the early institutionalists blunted? Modern-day commentators offer several explanations. The German Historical School no doubt overemphasized the uniqueness of different economic systems and underemphasized the value of analytic theory. Even sympathetic critics acknowledge that Veblen exhibited “an explicit hostility to intellectual ‘symmetry and system-building’” (Hodgson 1996: 211) and that Commons’ arguments were hampered by his “idiosyncratic terminology and unsystematic style of reasoning” (Vanberg 1989: 343). But a more serious shortcoming was the tendency for the work to degenerate into naive empiricism and historicism. Emphasizing the importance of the particular, of time, place, and historical circumstance, institutional analysis came more and more to underline “the value of largely descriptive work on the nature and function of politico-economic institutions” (Hodgson 1991: 211).

Here then we have the principal reason that the godfather of the “new” institutional economics, Ronald Coase (1983: 230), so cavalierly dismissed the “old” institutional economics: “Without a theory they had nothing to pass on except a mass of descriptive material waiting for a theory, or a fire.”

The battle between the particular and the general, between the temporal and the timeless, is one that contemporary institutional theorists continue to confront.

**EARLY INSTITUTIONAL THEORY IN POLITICAL SCIENCE**

Institutional approaches dominated political science in both Europe and America during the latter half of the 19th and the first two decades of the 20th centuries. I concentrate on the American scene. As carried out by such leading practitioners as J. W. Burgess (1902), Woodrow Wilson (1889), and W. W. Willoughby (1896, 1904), institutional analysis
was grounded in constitutional law and moral philosophy. In the heavy tomes produced by these scholars, careful attention was given to the legal framework and administrative arrangements characterizing particular governance (primarily nation-state) structures. Much of the work involved painstaking historical examination of the origins, controversies, and compromises producing specific regimes; some analyses were explicitly comparative, detailing how central problems or functions were variously managed by diverse governance mechanisms. But the underlying tone of the work was normative: “in the mainstream of political science, description was overshadowed by moral philosophy” (Simon 1991: 57).

As depicted by Bill and Hardgrave (1981; see also Peters 1999), the institutional school that developed at the turn of the century exhibited several defining features. First, it was preoccupied with formal structures and legal systems. “Emphasis was placed upon the organized and evident institutions of government, and studies concentrated almost exclusively upon constitutions, cabinets, parliaments, courts, and bureaucracies” (Bill and Hardgrave 1981: 3).

Second, the approach emphasized detailed accounts of particular political systems, resulting in “configurative description”—intricate descriptive accounts of interlinked rules, rights, and procedures (Bill and Hardgrave 1981: 3). Third, the approach was conservative in the sense that it emphasized origins but not ongoing change. “Political institutions were examined in terms of an evolutionary development which found fulfillment in the immediate present. But while these institutions had a past, they apparently had no future” (Bill and Hardgrave 1981: 6). They were regarded as completed products. Fourth, the work was largely nontheoretical, primary attention being given to historical reconstruction of specific institutional forms. Finally, the tone of these studies was more that associated with moral philosophy and less that of empirical science. These scholars devoted more attention to the explication of normative principles than to the formulation of testable propositions.

Although he acknowledged many of the same characteristics, Eckstein (1963) also insists that these early institutionalists ushered in the first crude form of positivism in political science. Unlike their own predecessors, primarily “historicists” who focused their interest on abstracted political systems derived from philosophical principles, they were looking at the real world—at hard facts. Indeed

Primitive, unadulterated positivism insists upon hard facts, indubitable and incontrovertible facts, as well as facts that speak for
themselves—and what facts of politics are harder, as well as more self-explanatory than the facts found in formal legal codes? (Eckstein 1963: 10)

In addition, these students attended to the real world in yet another sense: They placed great emphasis on formal political institutions, on charters, legal codes, and administrative rules, in part because “the nineteenth century was a great age of constitution-making” (Eckstein 1963: 10).

Beginning in the mid-1930s and continuing through the 1960s, the institutional perspective was challenged and largely supplanted by the behavioralist approach (not to be confused with “behaviorism” in psychology), which attempted to sever the tie to moral philosophy and rebuild political science as a theoretically guided, empirical science (see Easton 1965). More important for our concerns, the behavioralist persuasion diverted attention away from institutional structures to political behavior.

Behaviorists argued that, in order to understand politics and explain political outcomes, analysts should focus not on the formal attributes of government institutions but instead on informal distributions of power, attitudes and political behavior. (Thelen and Steinmo 1992: 4)

Students of politics focused attention on voting behavior, party formation, and public opinion. Moreover, this reductionist shift in emphasis from rules and structures to behavior was accompanied by a more utilitarian orientation, viewing action as “the product of calculated self-interest,” and taking an instrumentalist view of politics regarding the “allocation of resources as the central concern of political life” (March and Olsen 1984: 735). To study politics was to study “Who Gets What, When, and How?” (Lasswell 1936).

These theoretical strands associated with behavioralism were reinforced and deepened by the “rational revolution” arising in the 1970s and 1980s. As I discuss in later chapters, the rational choice approach—based on the application of economic assumptions to political behavior—brought about fundamental changes in political science. Peters (1999) suggests that the attributes characterizing both movements, behavioral and rational, include: (1) an emphasis on more rigorous and deductive theory and methodology; (2) a bias against normative, prescriptive approaches; (3) methodological individualism—the assumptions that individuals are the only actors and that they are motivated by individual
utility maximization; and (4) “inputism,” a focus on societal inputs to the political system (e.g., votes, interest group pressures, money) to the exclusion of attention to the internal workings of the system—the institutional political structures—as they may affect outcomes.

The “new institutionalism” in political science developed in reaction to the excesses of the behavioralist revolution, although one major variant employs rational choice approaches to account for the building and maintenance of institutions. Current institutionalists do not call for a return to “configurational history,” but do seek to reestablish the importance of normative frameworks and rule systems in guiding, constraining, and empowering social and political behavior.

EARLY INSTITUTIONAL THEORY IN SOCIOLOGY

Attention to institutions by sociologists has been more constant than that exhibited by either economists or political scientists. Although there are a number of different discernable strands with their distinctive vocabularies and emphases, we also observe continuity from the early work of Spencer and Sumner through Davis to the recent work of Friedland and Alford; from Cooley and Park through Hughes to the contemporary analyses of Freidson and Abbott; from the early efforts of Marx, Durkheim, and Weber through Parsons to DiMaggio and Powell; and from the early work on the social sources of mind and self in Mead and Schutz to the emphasis on cognitive processes and knowledge systems in Berger and Luckmann and in Meyer and Rowan.

Spencer and Sumner

Without question, the most influential conception of institutions pervading mainstream sociology throughout the 20th century has its origins in the work of Herbert Spencer. Spencer (1876, 1896, 1910) viewed society as an organic system evolving through time. Adaptation of the system to its context was achieved via the functions of specialized “organs” structured as institutional subsystems. Spencer devoted the main body of his work to a comparative study of these institutions, attempting to draw generalizations from comparing and contrasting their operation in different societies.

Spencer’s general conceptions were embraced and amplified by William Graham Sumner (1906) in his major treatise, Folkways. Teeming with ethnographic and historical materials, the book generated numerous
hypotheses concerning the origins, persistence, and change of folkways and mores (albeit many of these have a strong biopsychological basis). For Sumner (1906: 53), “an institution consists of a concept (idea, notion, doctrine, interest) and a structure.” The “concept” defines the purposes or functions of the institution, whereas the “structure” embodies the idea of the institution and furnishes the instrumentalities through which the idea is put into action. Societal evolution progresses from individual activities to folkways, to mores, to full-fledged institutions. Such institutions are “crescive”—evolving slowly through instinctive efforts over long periods of time—although institutions can also be “enacted”—the products of rational intention and invention.

Later generations of sociologists discarded the strong biological/evolutionary analogies and functional arguments devised by Spencer and Sumner, but nevertheless recognized the centrality of institutions as a sociological focus. Thus, in his influential mid-century text, Human Society, Kingsley Davis (1949: 71) defined institutions as “a set of interwoven folkways, mores and laws built around one or more functions,” adding that, in his opinion, “the concept of institutions seems better than any other to convey the notion of segments or parts of the normative order.” Every major sociological text and curriculum of the last 100 years has reflected on not only the important distinction of levels (e.g., individuals, groups, communities, societies), but also the functional division of social life into spheres or arenas—such as kinship, stratification, politics, economics, and religion—governed by varying normative systems. The conception of institutions as functionally specialized arenas persists in contemporary notions of organization “field” or “sector” (DiMaggio and Powell 1983; Scott and Meyer 1983; see chaps. 3 and 8) and is strongly reflected in the work of Friedland and Alford (1991), who stress the role of multiple, differentiated, and partially conflicting institutional spheres in producing social change.

Cooley and Hughes

Cooley and his followers emphasized the interdependence of individuals and institutions, of self and social structure. Although the great institutions—“language, government, the church, laws and customs of property and of the family”—appear to be independent and external to behavior, they are developed and preserved through interactions among individuals and exist “as a habit of mind and of action, largely unconscious because largely common to all the group. . . . The individual is always cause as well as effect of the institution” (Cooley 1902/1956: 313–314).
Hughes shared and developed this interdependent model. Deftly defining institutions as an "establishment of relative permanence of a distinctly social sort" (Hughes 1936: 180), he identified their essential elements as:

(1) a set of mores or formal rules, or both, which can be fulfilled only by (2) people acting collectively, in established complementary capacities or offices. The first element represents consistency; the second concert or organization. (Hughes 1939: 297)

Although institutions represent continuity and persistence, they exist only to the extent that they are carried forward by individuals: "Institutions exist in the integrated and standardized behavior of individuals" (Hughes 1939: 319). In most of his writing, Hughes directed attention to the institutional structures surrounding and supporting work activities: in particular, to occupations and professions. His studies and essays are laced with insights on the myriad ways in which the institutional interacts with the individual—creating identities, shaping the life course ("careers"), providing a "license" to perform otherwise forbidden tasks, and a rationale to account for the inevitable mistakes that occur when one is performing complex work (see Hughes 1958).²

Empirical work developing these insights has focused more on occupations—in particular, professions—than on organizations as institutional systems constraining and empowering individual participants (see e.g., Abbott 1988; Becker 1982; Freidson 1970). However, a number of studies examined "strong" organizational contexts, such as mental hospitals and medical schools (Becker et al. 1961; Goffman 1961). These studies emphasized "the microprocesses by which individuals attempt to limit the power of institutions," identifying "the cracks, the loopholes in social structures" that enable patients, students, or other subordinate participants to construct meaningful selves and obtain some freedom even when confronting these "total institutions" (Fine and Ducharme 1995: 125, 126).

As a sociologist studying occupations, Abbott (1992) perceives an unbroken (Midwest/Chicago) tradition linking contemporary with earlier work and wondered what was so "new" about the new institutionalism in sociology. The institutional tradition has indeed been carried forward in an uninterrupted fashion by the Chicago school studying occupations and the sociology of work, but this was much less the case for research on organizations. Over a substantial period during its development, from the 1920s to the 1970s, the sociology of
organizations largely lost sight of, defocalized, and gave insufficient attention to the institutional moorings of organizations.

Marx, Durkheim, Weber, and Parsons

The European tradition in institutional analysis was spearheaded by Karl Marx, whose influence permeated economics and political science, as well as sociology. Although Marx inspired a diverse array of theories and political movements, the work of primary importance to institutional theory involved his struggle with, and reinterpretation of, Hegel, the great German idealist philosopher. Hegel viewed history as the self-realization through time of abstract ideas or “spirit” (Geist). This self-creative spirit is reflected in the objective world, which most of us mistakenly take to be the true reality. It is the task of man to overcome this alienated state in which the world appears to be other than spirit (Hegel 1807/1967; Tucker 1972). Marx famously turned Hegel’s arguments upside down.

For Marx, the materialist world is the true one, and the alienation we experience occurs because humankind is estranged from itself in existing political and economic structures. Marx, working in the early decades of the Industrial Revolution, saw the key realm as economic: Productive activity had been transformed into involuntary “labor.” Under a capitalist system, work was no longer an expression of creative productivity, but alienated labor. The nature and meaning of work and work relations were seen to be transformed by structures of oppression and exploitation. These structures—involving the accompanying beliefs, norms, and power relations—are the product of human ideas and activities, but appear to be external and objective to their participants. Ideas and ideologies reflect and attempt to justify material reality, not the other way around (Marx 1844/1972; Marx 1845–1846/1972). Thus, in important (but historically specific) respects, Marx gave early expression to the social construction of reality.

The other two major European figures involved in establishing sociological variants of institutional analysis were Durkheim and Weber. The French sociologist Emile Durkheim was preoccupied with understanding the changing bases of social order that accompanied the Industrial Revolution, but, as previously noted, he appears to have modified his views over time. His early classic, The Division of Labor in Society (1893/1949), differentiated between the “mechanical” solidarity based on shared religious and cultural beliefs that integrated traditional societies and the newly emerging “organic” solidarity associated
with an advanced division of labor. Initially, Durkheim viewed this new collective order as “based on the belief that action was rational and that order could be successfully negotiated in an individualistic way”—social order as “the unintended aggregate of individual self-interest” (Alexander 1983: 131, 134). However, his revised arguments led him away from an instrumentalist, individualist explanation to a focus on collective, normative frameworks that supply “the noncontractual elements” of contract (Durkheim 1893/1949: book 1, chap. 7).

Durkheim’s mature formulation emphasizes the pivotal role played by symbolic systems—systems of belief and “collective representations”—shared cognitive frames, and schemas that, if not explicitly religious, have a moral or spiritual character.

There is something eternal in religion which is destined to survive all the particular symbols in which religious thought has successively enveloped itself. There can be no society which does not feel the need of upholding and reaffirming at regular intervals, the collective sentiments and the collective ideas which make its unity and its personality. (Durkheim 1912/1961: 474–475)

These systems, although a product of human interaction, are experienced by individuals as objective. Although subjectively formed, they become “crystallized.” They are, in Durkheim’s (1901/1950) terms, “social facts”: phenomena perceived by the individual to be both “external” [to that person] and “coercive” [backed by sanctions]. As is the case with religious systems, ritual and ceremonies play a vital role in expressing and reinforcing belief. Rituals and ceremonies enact beliefs. They “act entirely upon the mind and upon it alone” (Durkheim 1912/1961: 420) so that, to the extent that these activities have an impact on situations, it is through their effects on beliefs held about these situations.

These symbolic systems—systems of knowledge, belief, and “moral authority”—are, for Durkheim, social institutions.

Institutions, Durkheim writes, are a product of joint activity and association, the effect of which is to “fix,” to “institute” outside us certain initially subjective and individual ways of acting and judging. Institutions, then, are the “crystallizations” of Durkheim’s earlier writing. (Alexander 1983, vol. 2: 259)

The third major European figure contributing to institutional theory was Max Weber. As I note in more detail in chapter 2, more
contemporary analysts of institutions lay claim to Weber as their guiding genius than to any other early theorist. Although Weber did not explicitly employ the concept of “institution,” his work is permeated with a concern for understanding the ways in which cultural rules—ranging in nature from customary mores to legally defined constitutions or rule systems—define social structures and govern social behavior, including economic structures and behavior. For example, his justly famous typology of administrative systems—traditional, charismatic, and rational-legal—represents three types of authority systems differing primarily in the kinds of belief or cultural systems that legitimate the exercise of authority (see Bendix 1960; Dornbusch and Scott, 1975, chap. 2; Weber 1924/1968: 215).

There remains much controversy as to how to characterize Weber’s theoretical stance because he stood at the crossroads of three major debates raging at the turn of the 19th and 20th centuries: first, that between those who viewed the social sciences as a natural science and those who argued that it was rather a cultural science (the *Methodenstreit*); second, between idealist arguments associated with Durkheim and the materialist emphasis of Marx; and third, between the institutionalist Historical School of economics and the neoclassical interest in developing general theory. More so than any other figure of his time, he wrestled with and attempted to reconcile these apparently conflicting ideas.

Weber argued that the social sciences differ fundamentally from the natural sciences in that, in the former but not the latter, both the researcher and the object of study attach meaning to events. For Weber (1924/1968: 4), action is social “when and in so far as the acting individual attaches a subjective meaning to his behavior.” Individuals do not mechanically respond to stimuli; they first interpret them and then determine their response. Researchers cannot expect to understand social behavior without taking into account the meanings that mediate social action. Weber employed his interpretive approach to attempt a synthesis in which both the material conditions and interests stressed by materialists—such as Marx—and the idealist values—emphasized by Durkheim—combined to motivate and guide action (see Alexander 1983, vol. 2; see also chap. 3, this volume). In developing his *Wirtschaftsoziologie* (economic sociology), Weber embraced the institutionalist arguments that economics needs to be historically informed and comparative in its approach, but at the same time he sided with Menger and the classicists in supporting the value of theoretical models that allowed one to abstract from specific, historically embedded systems, in order to formulate and evaluate general arguments. Weber believed that economic sociology
could bridge the chasm by attending to both historical circumstance and
the development of analytic theory (Swedberg 1991, 1998). Weber sug-
gested that by abstracting from the specificity and complexity of concrete
events, researchers could create “ideal types” to guide and inform com-
parative studies. If researchers were careful not to mistake the ideal types
for reality—for example, to insist that individuals under all conditions
would behave as rational “economic men”—such models could provide
useful maps to guide analysis and increase understanding of the real
behavior as evolving historically, or, to phrase it differently, to Weber—
unlike to today’s economists—rational behavior is a variable, not an
assumption” (Swedberg 1998: 36).

The American sociologist Talcott Parsons also attempted to syn-
thesize the arguments of major early theorists, in particular, Durkheim,
Weber, and Freud, in constructing his voluntaristic theory of action (see
Parsons, 1937, 1951). Parsons was the most influential social theorist
in sociology throughout the mid-20th century, although he is much less
in vogue today. Like Weber, he attempted to reconcile a subjective and
an objective approach to social action by emphasizing that normative
frameworks existed independently of a given social actor, whereas ana-
lysts needed to take into account the “orientation” of actors to them.
A system of action was said to be institutionalized to the extent that
actors in an ongoing relation oriented their actions to a common set of
normative standards and value patterns. As such a normative system
becomes internalized, “conformity with it becomes a need-disposition
in the actor’s own personality structure” (1951: 37). In this sense, insti-
tutionalized action is motivated by “moral” rather than instrumental
concerns: “the primary motive for obedience to an institutional norm
lies in the moral authority it exercises over the individual” (Parsons
1934/1990: 326). The actor conforms because of his or her belief in a
value standard, not out of expediency or self-interest.

Viewed more objectively, from the standpoint of the social analyst,
institutions are appropriately seen as a system of norms that “regulate
the relations of individuals to each other,” that define “what the
relations of individuals ought to be” (Parsons 1934/1990: 327). Also,
implicitly following the lead of Spencer and Sumner, Parsons devel-
oped his own abstract typology of norms oriented to the solution of the
four generic system problems: adaptation, goal attainment, integration,
and latency (maintenance of cultural patterns) (see Parsons 1951; Parsons,
Bales, and Shils 1953).

Contemporary theorists note several kinds of limitations with
Parsons’ formulation. Alexander (1983: 242) concluded that, although
Parsons attempted to develop a multidimensional view of social action, his conception of institutionalization put too much weight on cultural patterns, overemphasizing the “control exerted by values over conditions.” The importance of interests and instrumental action and rational choice was underemphasized. DiMaggio and Powell (1991) praised Parsons for the contribution he made to the “microfoundations” of institutional theory in his attempt to understand the ways in which culture influences behavior. But they complained that his conception of culture failed to stress its existence as “an object of orientation existing outside the individual.” Instead, following Freud, Parsons viewed culture as acting primarily as “an internalized element of the personality system”—thus giving too much weight to a subjective in contrast to an objective view. Additionally, they argued that Parsons’ analysis of culture neglected its cognitive dimensions in favor of its evaluative components: Culture was limited to “value-orientations” (DiMaggio and Powell 1991: 17). Each of these emphases drew Parsons away from examining the interplay of the instrumental and the normative in social action.

**Mead, Schutz, Bourdieu, Berger, and Luckmann**

George Herbert Mead, like Cooley, emphasized the interdependence of self and society, but gave particular attention to the role played by symbolic systems in creating both the human and the social. Meaning is created in interaction as gestures, particularly vocal gestures (language), call out the same response in self as in other. Self arises in interaction as an individual “takes on the attitudes of the other” in arriving at a self-conception (Mead 1934).

Working at about the same time as Mead, but in Vienna, Alfred Schutz also examined in detail the ways in which common meanings are constructed through interactions by individuals. However, Schutz also explored the wider “structure of the social world,” noting the great variety of social relations in which we become involved. In addition to intimate, face-to-face, “Thou” and “We” relations with persons thought to be similar to ourselves, we engage in multiple “They” relations with others known only indirectly and impersonally. Such relations are only possible to the extent that we develop an “ideal type” conception that enables us to deal with these others as needed (e.g., to mail a letter or to stand beside someone in an elevator). These relations are based on typifications of the other and taken-for-granted assumptions as to the way the interaction will proceed. In this sense, the meanings are highly institutionalized (Schutz 1932/1967).
Moving closer to the present, the French scholar Pierre Bourdieu (1971, 1973) endeavored to combine the insights of Marx and Durkheim by examining the ways in which class interests express themselves in symbolic struggles: the power of some groups to impose their knowledge frameworks and conceptions of social reality on others. Bourdieu’s work reached and began to influence organizational scholars about a decade later (see DiMaggio 1979). In particular, Bourdieu’s concept of “field” (a social arena) was usefully appropriated by DiMaggio and Powell (1983) to better situate the locus of institutional processes shaping organizations (see chaps. 2, 3, and 8).

Peter Berger and Thomas Luckmann, working in the United States, also provided a critical link between earlier work and that of later organizational scholars. Influenced by the work of Mead, but even more by that of Schutz, Berger and Luckmann (1967: 15) redirected the sociology of knowledge away from its earlier concerns with epistemological issues or a focus on intellectual history to more mainstream sociological concerns, insisting that: “The sociology of knowledge must concern itself with everything that passes for ‘knowledge’ in society.” The concern is not with the validity of this knowledge, but with its production, with “the social creation of reality.” Berger and Luckmann argue that social reality is a human construction, a product of social interaction. They underscore this position in their attention to language (systems of symbols) and cognition mediated by social processes as crucial to the ways in which actions are produced, repeated, and come to evoke stable, similar meanings in the self and other. They define this process as one of institutionalization. In contrast to Durkheim and Parsons, Berger and Luckmann emphasized the creation of shared knowledge and belief systems rather than the production of rules and norms. Cognitive frameworks are stressed over normative systems. A focus on the centrality of cognitive systems forms the foundation for the sociological version of the new institutionalism in organizations (see chap. 2).

CONCLUDING COMMENT

This brief review attempts to identify some of the varying interests and emphases of the early institutional theorists—formulations developed between 1880 and the mid-20th century. As we will see, in numerous ways these theorists anticipated distinctions and insights rediscovered by later analysts. Contemporary economists—with the notable exception of economic historians—have rejected the approaches promoted by the German Historical School, but some strands of the new
institutionalism in economics reflect the interests of Menger and the Austrian School. Contemporary political scientists have left behind the moral-philosophical roots of their institutional forebears, but a lively subset has rediscovered an interest in the historical and comparative study of political systems. An even larger collection of political scientists has adapted rational choice models devised by economists to better explain the emergence and functioning of political institutions.

Contemporary sociologists continue to pursue and refine the ideas of their numerous and varied predecessors. Some continue to examine the diverse institutional spheres that make up society, others examine the ways in which individuals are empowered and constrained by shared normative systems, and still others explore the ways in which symbolic systems—cultural rules and schemas—shape and support social life.

Although there is continuity, there is also change and perhaps even progress. Most of the early work on institutions shared a common limitation: Little attention was accorded to organizations. Some theorists focused their analyses on wider institutional structures—on constitutions and political systems, language and legal systems, and kinship and religious structures—whereas others emphasized the emergence of common meanings and normative frameworks out of localized social interaction. Few, however, treated organizations as institutional forms or directed attention to the ways in which wider institutions shaped collections of organizations.

Theorists in the 1940s and 1950s began to recognize the existence and importance of particular collectivities—individual organizations—entities distinguishable from both broader social institutions, on the one hand, and the behavior of individuals, on the other hand. Later developments in the 1970s and 1980s called attention to the significance of organizational forms and organizational fields, and the recognition that each of these levels has stimulated much fruitful development of institutional theory and research.

NOTES

1. These generalizations—particularly the first and the fourth—are less applicable to the Austrian branch of economics led by Menger and Hayek. These theorists, while insisting on the importance of theory and of simplifying assumptions, were interested in understanding economic change and so were sympathetic to a more evolutionary approach and the study of economic processes (see Langlois 1986a). Their ideas fueled the development of evolutionary economics (see chap. 2).
2. It is interesting to note the ways in which the ideas of Cooley and Hughes anticipated the later work of Berger and Luckmann and of Giddens, developments discussed in subsequent chapters.

3. Camic (1992) argued that Parsons strategically selected these European predecessors—rather than American institutional scholars, such as Veblen and Mitchell, and his own teachers (Hamilton and Ayres), who shared their interests—because of the tarnished reputation of these institutional economists at the time when Parsons was constructing his theory of action. There is a politics to selecting intellectual forebears that helps to explain why it is that some previous work is “drawn upon, while other work is overlooked.”

Ironically, in a parallel fashion, Hall (1992) accused sociological neoinstitutionalists of failing to acknowledge the influence of Parsons (whose reputation until recently has been on the wane) as an important intellectual predecessor.

4. Berger (1992) reports that he and Luckmann were both junior members of the graduate faculty of the New School for Social Research (now the New School University) in the early 1960s. Berger recalls:

   We found ourselves in the lucky situation of being in the company of a small but lively group of young colleagues and graduate students who broadly shared a theoretical orientation, the one that all of us had learned from our teacher Alfred Schutz. One of Schutz's unrealized projects had been to formulate a new theoretical foundation for the sociology of knowledge in terms of his blend of phenomenology and Weberian theory. We intended to realize this project (1992: 1).

5. An essay by Znaniecki (1945) in an influential review volume edited by Gurvitch and Moore is an exception to this generalization. Taking off from Spencer and Sumner's definition of institution, Znaniecki (1945: 208) proposed that research on institutions should focus on “the comparative study of those many and diverse organized groups or associations, small and large, simple and complex” that provide the forms and carry out the specialized purposes of a given institutional arena. This approach anticipates by more than 25 years the concept of organizational field that emerged in the early 1980s (see chaps. 3, 4, and 8), but did not stimulate visible interest or related work at the time.