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Interests and Institutions

Introduction

One of the prevailing modes of conducting political research is to try to pin down the interests that people or various groups bring to political institutions in an effort to further them by various state activities; no formal definition of the concept of interests is presented in this approach as the word "interest" is taken to be a primitive term, the meaning of which is revealed implicitly by the capability of the entire approach to offer an understanding of pol-

itical decision-making and implementation processes. This framework for the analysis of politics and administration separating the rules and procedures of political life – public institutions – from the world of egoistic, altruistic, personal and collective interests – human motivation – may be called the "simple interest theory". The simple theory of interest is well-known in political research (Bentley, 1967; Truman, 1951; Riker, 1982) as well as in economic research (Bromley, 1989; Hargreaves Heap, 1989) and has come under attack from two different angles.

First, there are scholars who adhere to the doctrine of the public interest and argue that politics and the public sector in contradistinc-

tion to the economy and the private sector is not about ordinary sets of self-interests or narrow collective interests of organized groups. Politics deals with a more precious commodity than self-interests whatever they be may, personal or collective, viz. public interests. Second, the new political institutionalism, on the one hand, claims that institutions are more real than preferences or interests. This type of sociological institutionalism as it were states the opposite of what economic neo-institutionalism implies, i.e. that the rational deliberation about interests also drives the selection of socially efficient institutions.

The theoretical interpretation of the relation between the two entities – interests and institutions – is a version of the structure versus actor theme (Barry, 1970; Lane, 1982) or the problem of the place of values and social norms in a world of instrumental rationality (Parsons, 1937; Elster, 1989). Let us look at two recent attempts at a rejection of the simple interest approach to the study of public sector decision-making and implementation.

Lewin

Leif Lewin in *Self-Interest and Public Interest in Western Politics* (1991) starts from the ambition to "test empirically what, up to now, some scholars have regarded as postulates... namely the question of whether there exist any grounds for the assumption of the predominance of self-interest in Western politics" (Lewin, 1991: 2). Looking at the public institutions as the place of interaction between voters, politicians and bureaucrats the assumptions of the rational choice school are questioned by Lewin in terms of a threefold classification:

- Does the voter mainly follow the dictates of his pocket-book or some conception of the public interest?
- Do politicians mainly strive to maximize their votes or to realize their electoral platform?
- Do bureaucrats primarily try to maximize their budgets or to implement as loyal ser-

vants the political decisions of their masters? (Lewin, 1991: 2)

Lewin claims that he has given enough empirical evidence to once and for all reject the rational choice assumptions, in particular its public choice brand containing straightforwardly the basic axiom of rational self-interest maximization. Does this hold up?

Lewin certainly simplifies the problems he sets out to solve. Basic social science problems do not come to us in a ready made shape; true, there are some fascinating puzzles in the conduct of social research attracting the attention of generations of social scientists, including the theme of self-interests versus the public interest. However, the resolution of the problem here hinges crucially upon how it is framed from a semantical point of view.

Before one starts to inquire into how some sets of interests – self-interests – are related to other sets of interests – public interests – there has to be a set of deliberations about the connotation and denotation of the key terms involved, viz. "self-interest" versus "public interest". Lewin searches for the empirical evidence for the rational choice assumptions on the basis of an interpretation of these key terms that is inadequate.

Logic of the Interest Concept

What interests could be relevant to pursue in any social system? I start by separating between the concepts of subjective and objective interests, where the former stands for interests such as they are conceived of by the participating actors in the social system; the latter concept of objective interests is more difficult to handle as its connotation implies the existential possibility that there may be interests of which the participating actors have no conception.

It is particularly vital to clarify whether or not the interests that are said to be "public interests" occur in the system among the actors as manifest or latent interests, depending on if they are actually referred to or not by the participating actors. It is a significant difference whether economic growth as a public interest

is consciously promoted by political parties or whether economic growth is a public interest in the sense that if political parties were rational, then they would pursue economic growth. Similarly, it is again a big difference when institutions are called "public interests", because they offer procedures that aggregate narrow collective interests into social decisions in an impartial manner.

The distinction between subjective and objective interests is close to the separation between manifest and latent interests. By combination we arrive at the following 2 X 2 table which offers a clue to the complexity of the public interest concept, a virtual conceptual labyrinth.

Table 1. Variety of Interests

	Self-Interests	Public Interests
Subjective Interests	I	II
Objective Interests	III	IV

It is hardly difficult to give examples of type I: political power, bureaucratic privileges and esteem in public life; it is more controversial to identify type III, but here I could mention the marxist conception of true class interests or the freudian notion of subconscious interests. What, then, is to be placed under type IV?

Objective public interests could be either substantive or procedural. In the first interpretation an objective public interest could be the interests that a human being would pursue if acting as a free person under the duty of the Kantian moral law; or these interests would follow from a veil of ignorance when a rational person decides what interests should be promoted by a just government; or the objective public interests would be revealed in a Bergson-Samuelson social welfare function. In the procedural interpretation the objective public interests would be some set of more or less ideal collective choice properties that enhance impartiality, fairness and incentive compatibility, e.g. institutions in an Arrowian social

welfare function or a Wicksellian economic framework.

It remains to say something about type II, subjective public interests. Here we enter even more muddy water, as a distinction has to be made between argument and motive or motivation. If a political actor states that the interests that he/she wishes to enhance are interests common to a large group of people such as prosperity, peace and equality, are we to accept such a statement as prima facie evidence that these interests are the motives that drive the actor? Surely not, as these subjective public interests could be used as rethoric or enter as means to other ends such as enhancing the probability of re-election or increasing the likely success of opportunist strategies.

Finally, the world of interest does not constitute a dichotomy. It is not the case that there are either only personal selfish interests or public interests in political bodies. Persons engage in collective action in order to promote group interests. And these groups may be small, fairly large or very large. Correspondingly, the world of interests contains a variety of collective interests in Olson's sense (Olson, 1982). And there is no clear-cut dividing line between personal selfish interests and narrow collective interests or between widely shared collective interests or common interests and so-called public interests.

What motivates political man?

Once the logic of the interest concept is unpacked, one may start making statements about how different kinds of interests relate to each other. Now, what could be meant by the argument that political man is motivated not by "self-interests" but by the "public interest"? I quote:

(Q1) Is it self-interest or public interest that predominates in public life? Does political man try primarily to fulfil personal desires and needs, or does he act with the intent to further what he believes to be the best for society as a whole (Lewin, 1991: 1)

Note that to Lewin "self-interest" stands for personal desires and needs, but where is the large set of collective interests? Returning to the distinctions made above, (Q1) may mean different propositions about political man:

(P1) Is homo politicus motivated by his/her subjective self-interests?

(P2) Is homo politicus motivated by his/her objective self-interests?

(P3) Is homo economicus driven by his/her subjective public interests?

(P4) Is homo economicus driven by his/her objective public interests?

Lewin does not recognize that (Q1) contains not one but four propositions that have different truth conditions. It is one thing to examine the set theoretical relationships between self-interests and public interests such as these are conceived of by the actor/s, but something very different to look at how an actor's subjective public interests relate to public interests derived independently of how the actor might conceive things. To emphasize the distinction once more: to inquire into the existence of two sets of subjective self-interests and public interests is one task, but it remains something quite different to focus on objective public interests such as these *should* be conceived by the participants. Again, the highly relevant question as to which extent political or administrative man takes various collective interests, broad or narrow, into account is by-passed. On the two crucial distinctions between selfish versus vicarious interests on the one hand and between personal and social interests on the other hand – see Michael Laver's *Social Choice and Public Policy* (1986).

Common sense informs us that the public interest is not an entity in the world of social phenomena that is easily observed; in fact, it comes as no surprise that persons have different conceptions of the public interest/s and that it is very difficult to tell which conception of a public interest corresponds to *the* public interest. Common sense teaches us to be alert to a

crucial difference between the interests that an actor has in his/her own mind and the interests which he/she states explicitly – the explicit subjective ones. Common sense distinguishes between a subjective public interest, i.e. a conception of the public interest, and an objective public interest, i.e. so-called "real" or "true" public interest that could exist independently of the accidental conceptions of the public interest by various political actors.

Lewin's distinction between self-interest and public interests is not clear. In (Q1) it is a matter of subjective public interests, but how about the following:

(Q2) Decisive for a motive being called 'self-interest' or 'public interest' is consequently if care for others has at all been included in the calculation.

(Lewin, 1991: 24)

Who is to judge whether care for others *really* has been taken into account by the actor? Perhaps we should ask him/her, i.e. it is a matter of subjective public interests; maybe we should not trust him/her and make our own judgement as to how far care for others at all has really occurred here? Does not (Q2) somehow refer to objective public interests? For an interest to be a public interest it is not enough that it is claimed to be a subjective public interest – anybody could claim anything. How are we to classify the set of collective interests promoted by Olson's distributional coalitions in accordance with Q2?

Public choice motivation

There seems to be a misunderstanding about the employment of the self-interest axiom in public choice theories. When it is assumed that politicians or bureaux maximize their self-interests, it is by no means denied that the promotion of subjective as it were public interests could be a means to this objective. Actually, a politician is crucially dependent on the probability to be elected and the fate of bureaux depends on how their activities relate to subjective or so-called public interests, meaning that promoting public interests often is a

means to self-interest maximization. Thus, political actors could very well try to enhance both self-interests and public interests in a means–end relationship. Again, Lewin simplifies too much:

(Q3) When I look into whether self-interest or a conception of the public interest has been of importance for the position a person holds, I shall on the contrary include amongst the possible alternatives 'ethical preferences' or 'convictions' – whatever one wishes to call them. The aim of the study is to investigate whether voters, politicians, and bureaucrats have been influenced not only by their view of what is best for themselves but also what they believe to be best for others, for the community as a whole. (Lewin, 1991: 25)

Could really, as implied here, the public interest be the same as what political man *believes* or *states* to be best for others or the community as a whole – anything would count; perhaps the public interest requires just a little bit more, namely that not everything goes in the sense that it must be an honest believe and a true belief.

The conclusion that homo politicus is motivated by public interests and not by self-interests is reached by mainly looking at survey data about voters, politicians and bureaucrats. Actually, only survey data could deliver such empirical evidence. When asked whether they are influenced by their personal and selfish interests or their perception of social and vicarious interests, voters, politicians and bureaucrats declare that they are motivated by the latter. Is that surprising? Is that evidence?

The World of Interests

Could self-interests and public interests occasionally coincide? Or if they are always distinct, could then a self-interest be a means to the public interest as an end, or vice versa? Lewin suggests a solution to the problem of how the set of self-interests is related to the set of public interests:

(Q4) One of the premises of this book has been that it is possible to distinguish self-interest from public interest. As we wrote in the first chapter, of course, this does not prevent there being cases in which these interests coincide in the long run. (Lewin, 1991: 105)

I am not convinced that there "of course" exists some natural intersection between the set of self-interests and the set of public interests; surprisingly interests that would be of both types are called "the common good" (Lewin, 1991: 105). Matters now become confusing: some public interests but not others constitute the common good; some self-interests but not all are also public interests. How are they to be identified?

Political man or administrative man is most probably motivated by a variety of interests depending on which activity occurs in a social system. Why would a politician, bureaucrat or voter chiefly be motivated by his/her conceptions of the public interest in each and every activity in political life?

Conduct of Inquiry

The rejection of the rational choice or public choice approaches may be based on the methodological idea that decisive for the entire framework is the truth of the assumptions of a theory, to be tested by a direct confrontation of each assumption with empirical phenomena. This methodology is contrary to the so-called Milton Friedman position according to which the assumptions of economic or social theory only can be tested by looking at the correspondence between the implications of the theory and reality (Friedman, 1953). This is not the place to enter into this "Metodenstreit" (Krupp, 1966; Blaug, 1980; Caldwell, 1984).

However, I note that Lewin believes that Sir Karl Popper's philosophy of science supports the methodology of inquiring into the truth of the rational choice or public choice assumptions (homo economicus) by questioning their immediate correspondence with social reality (Lewin, 1991: 27). However, Popper's well-known model of theory building is the nomo-

logical-deductive one, testing the truth of a theory by means of the predictive and explanatory power of its test implications, making, for sure, additional assumptions about the impact of other factors – so-called ad hoc hypotheses. I quote from the *Logic of Scientific Discovery*:

According to the view that will be put forward here, the method of critically testing theories ... proceeds on the following lines. From a new idea, put up tentatively – a hypothesis, a theoretical system – conclusions are drawn by means of logical deduction. These conclusions are then compared with one another and with other relevant statements ... (Popper, 1959: 32)

In *Objective Knowledge* (1972) we certainly do not find the empiricist's idea of directly testing the assumptions of a theory:

Let us assume we have a hypothesis H and that this hypothesis is logically very improbable; this is to say, it has a very great content and makes assertions in a number of fields so far completely disconnected. If all these predictions are successfully tested, then ... there is something like verisimilitude, and an accidentally very improbable agreement between a theory and a fact can be interpreted as an indicator that the theory has a high verisimilitude (Popper, 1972: 101–103).

Popper's methodology of conjectures of improbable theories and refutations by means of falsifiability of the implications derived from the theory is actually the opposite to an empiricist-based methodology. Besides, there even can be no final and decisive test of a theory along the lines suggested by Popper, as also the indirect test of one theory is based on other assumptions or hypotheses which in turn can only be tested in terms of their consequences, and so on. As spelled out beautifully by W. V. Quine and J. S. Ullian in *The Web of Belief* (1970), the empiricism-based methodology to confront the assumptions of an approach with direct or indirect observations without additional theoretical assumptions is not a feasible one. There is no limit to the introduction of additional ad hoc hypotheses when confront-

ing a theory with so-called empirical facts. The difference in methodology between Karl Popper and Milton Friedman lies elsewhere, i.e. in different views about the cognitive status of theories (Hargreaves Heap, 1989).

Summing up

Lewin sets himself grand objectives; egoistic interests including some collective ones, common sense knows, operate in different shades in the public sector according to the logic of collective action and of rent-seeking, but Lewin has found out that they do not exist in political life, only in economics or the private sector; the making and implementation of policy is the search for an entirely different set of interests – the public interest. This position is aimed at the kill of the public choice school, but Lewin is forced to employ too drastic measures.

By necessarily tying public institutions to one set of interests – public interests – and another set of institutions – private or market ones – to the opposite set of interests – self-interests – Lewin comes up with a sort of Kamikadze argument, because the kill of the economic man assumptions is based on a number of methodological ideas that do not hold up when scrutinized more closely. Leaning towards the muddled concept of the public interest (Pendleton Herring, 1936; Schubert, 1960; Friedrich, 1962; Downs, 1962) in order to remove the place of narrow collective or individual interests or self-interests from the public sector is like moving out of the ashes into fire.

Lewin recognizes that the public interest concept is troublesome. If a substantial interpretation such as some ethically desirable end state is impossible, then procedure replaces content, it is argued:

(Q5) But the democratic process itself can constitute a good substitute. By itself, this process does not guarantee that the public interest is always observed. But it leads to open decisions in which consideration is taken of all relevant alternatives and thus to

the best approximation to the public interest. (Lewin, 1990: 16)

Here in (Q5) Lewin is back to the concept of objective public interests. But this will not do, as the social choice literature, nowadays a standard part of the public choice school (Mueller, 1989), teaches us that in zero-sum games like politics there is no aggregation procedure that cannot be manipulated to the advantage of special interests (Riker, 1982).

The public interest approach fails to recognize one highly salient feature of institutions, viz. the contribution of institutions towards the protection of social values against self-interest strategies. If public interests would be the basic motivation of actors in the state, why then place such an emphasis on the importance of systems of institutions that protect against private vices? Institutional structures such as the set of capitalist rules or of a compound republic are explicitly designed in order to mitigate the impact of opportunistic strategies (Williamson, 1985; Ostrom, 1987). Let us move away from the high risk assumption of the existence of a substantial or procedural public interest towards sociological institutionalism.

March and Olsen

Political science and economics is not as remote from each other as is often believed; it used to be taught in the lecture hall that politics was about power and its modes whereas economics dealt with money in the forms of research allocation and redistribution. "Staatswissenschaft" analyzed the public institutions and "Wirtschaft" the private ones. The old version of political economy never made these distinctions as it looked upon society as both a polity and an economy (Palgrave 1894: vol III); Adam Smith stated:

Political economy, considered as a branch of the science of the statesman or legislator, proposes two distinct objectives; first, to provide a plentiful revenue or subsistence for the people, or more properly to enable

them to provide such a revenue or subsistence for themselves; and, secondly, to supply the state or commonwealth with a revenue sufficient for the public services. (Wealth of Nations, p. 316)

Any radical separation between politics and economics is unjustified, because it by-passes the fundamental circumstance that both these social sciences study the same phenomena, viz. institutions and interests; it is certainly neither the case that selfish interests only show up in market institutions and never in public life nor that public institutions only focus on power and never on money. Why could not the variety of interests – personal selfish, personal vicarious, social selfish and social vicarious interests – disclose themselves in both private and public institutions?

Why would power be little conspicuous in market institutions or money less predominating in public institutions? The new political economy rejects these conceptual distinctions, because they do not do justice to the closeness between politics and economics; social systems offer rules or maxims for the interaction between persons – "institutions" they are called – which interrelate, coordinate or aggregate the interests that individuals bring to social life – so-called preferences, demands or wants, values and beliefs.

Common sense teaches us that interests and institutions are separate entities in social reality. *Rediscovering Institutions. The Organizational Basis of Politics* (1990) by James M. March and Johan P. Olsen presents a succinct argument to the opposite. First, they claim that we cannot separate the set of interests from the set of institutions; second, they want us to believe that institutions come before the interests thus being more fundamental in all kinds of positive or negative social interaction. This sociological brand of neo-institutionalism must be strictly separated from the economic mode of neo-institutionalist theory, which also contains a set of hypotheses about political institutions, yet radically different.

March and Olsen writes lucidly enough to almost succeed in presenting a challenging case for revitalizing the old institutionalism that, we were told not too long ago, had mutilated political research for such a long time. By confining the conduct of inquiry to history and case studies institutionalism meant localism and particularism or by emphasizing formal rules neglected real life behaviour and true lawlike regularities. Fruitfully, the new institutionalism takes us back to the roots of political science as the analysis of public institutions, but one crucial question remains: do March and Olsen manage to bring institutionalism over into the 1990s saving it entirely from the critique by the behavioural and comparative approaches in the 1960s (Eulau, 1963)?

The new institutionalism harbours three axioms: (1) that institutions constitute *the* important entities in social life; (2) that institutional phenomena require a special social science methodology; (3) and that institutions determine, give rise to or mould interests.

Institutionalist ontology

Semantic considerations must loom large since the denotation of "institution" is said to be so important in social life; however, only the implicit meaning or some of the reference of the key term is hinted at by March and Olsen. As examples of political institutions they mention the state, the legal order and the legislature or a parliamentary assembly; yet, would not these social systems consist of sets of various institutions? No doubt, the future of the promising new political institutionalism will depend on how much progress is made in identifying the theoretical and empirical meaning of "institution".

March and Olsen oppose their institutional conception with the standard notion of behaviour. "Institution" denotes not only rules but also technologies and cultures; but, could we not existentially separate between an institution of a social system and the behaviour that is orientated in terms of its rules, technology and culture?

What is original here is not the ontological hypothesis that institutions matter very much in social life; the methodological idea that institutions require a distinct epistemology, namely interpretative hermeneutics, has not been proposed in such a succinct way before. There are both pros and cons involved here. The negative argument claims that much of the analysis of public institutions has been reductionist. Both of the prevailing approaches to politics and administration fail to recognize that public institutions are a specimen *sui generis*, the systems perspective (social structure) as well as the rational choice perspective (individual preferences).

Institutionalist epistemology

The positive argument states that institutions in general and public ones in particular must be understood in terms of how they solve a fundamental problem in the social sciences: What makes social life orderly and social systems workable? The neo-classical decision-making model employs the economic man assumptions explaining social order as the outcome of purely rational self-interest maximization whereas the sociological model points at forces in the social context (group interests) that stabilize individual behaviour.

These explanations of the possibility of social order failing March and Olsen claim that it is phenomena like rules, laws and norms that make social systems possible. And they cannot be reduced to the interest concept or the social structure notion. What sets institutions apart from interests is that as rules in a social system these entities constitute meaningful phenomena or provide the meaning of social interaction; what is crucial about the existence of institutions is how their rules are interpreted by the participating actors. Institutional rules constrain behaviour because they suggest the reasons and not the causes for action.

Thus, the standard social science concepts of causality and reduction to self-interest or sociological functionalism have to be replaced by hermeneutical concepts. Understanding the so-called "Sinn" of the rules of a social system

immediately provides the rationale of action. No reduction takes place making public institutions a dimension of its own. But how can we explain or predict the behaviour in public institutions without resorting to the concepts of interest?

Institutionalist metaphysics

Institutions come before interests, they state. Institutions shape the wishes and wants of individual persons, their preferences. Already this position is a risky one, but March and Olsen move all along to the doctrine of holism (Nagel, 1966), i.e. public institutions constitute a social reality that involves more than simply the acting persons. The emergent properties of institutions as organized social systems give the public institutions a life of their own, a destiny that even the social researcher may find it difficult to unravel.

Institutions are not only an important part of the common sense behaviour equation of rules plus interests, as they shape or even determine individual preferences or interests. I have no difficulty with thesis (1) that public institutions are as important as individual interests or preferences; nor would I hesitate to accept the plausibility of thesis (2); but thesis (3) – it is really difficult to accept.

March and Olsen support thesis (3) by arguing that the impossibility of aggregating individual interests to a group decision in such a manner that the institutional rules of aggregation does not matter – so-called path independence – shows that institutions and interests cannot be logically separated. As a matter of fact, there are several collective choice situations where the outcome is not only a function of the participating individuals' interests but also of the institution that happens to be employed (Nurmi, 1987).

However, the conclusion that institutions predominate over interests does not follow from the argument about interaction between institutions and interests. I would argue for a contrary interpretation of the social choice findings (Moulin, 1983; Kelly, 1986), because what makes the design of institutions such a

vital political concern is that they may affect the outcome in collective decision-making concerning the interests of persons and groups. It is the very fact that social outcomes depend not only upon the interests involved in confrontation and collaboration between individuals and groups but also upon the institutional framework through which interaction takes place which makes it so essential to distinguish conceptually between the institutions of a social system on the one hand and the individual preferences or group interests that people bring to interaction.

Summing up

The March and Olsen interpretation may be contrasted with the new institutionalism in economics (Williamson, 1986; Eggertsson, 1990). In the eyes of neo-institutional economics, institutions exist in order to facilitate exchange by reducing the costs of transacting, thereby increasing the number of mutually beneficial exchanges that can take place. High transaction costs in the absence of institutions would otherwise prevent these exchanges from being made. In the economic neo-institutionalism the basic implication is that institutions that reduce transaction costs will develop out of self-interest maximization.

Thus, in the economic man approach to institutions whether economic or political, institutions may be interpreted as the humanly devised constraints on social interaction. Rational choice theory looks upon institutions as derived from the interests of the people creating them. Institutions evolve to serve the interests of those who created them.

There is a basic choice between pursuing one's interests within an established framework or making an effort to change this framework. When these courses of action may be regarded as alternative means of serving one's interests, then the determinants of institutions may be analyzed in the same neo-classical analytic framework as actions within a given institutional structure. This way of considering the relationship between institutions and interests makes interests take precedence over

institutions. A strong statement of this position that deviates radically from the March and Olsen interpretation may be found in Coase (1988), Williamson (1975) and North (1990).

Conclusion

Common sense takes a casual position in relation to two of the fundamental components of a social system, viz. its rules or norms and the interests that motivate the participating actors. It notes that both the science of politics and that of economics analyze how interests of various kinds populate different kinds of institutions, affecting the collective outcomes of the interaction. Public institutions seem to harbour much of narrow or broad group interests of various kinds beside selfish interests such as personal desires and needs. Private institutions may have their foundation in economic man motives, but there seems to be space over for broad group interests or common interests as well. Not much is gained from portraying interests in public institutions as simply either something called "self-interest" or an unobservable entity called "the public interest".

Neo-institutionalism offers a set of guidelines for research into how a variety of institutions interact with the broad spectrum of interests. Separating between institutions and interests in the public sector appears to be reasonable starting point, but there is in the new institutionalism the temptation to make either one of these two entities more important than the other. Thus, sociological neo-institutionalism claims that institutions are more basic than interests. And economic neo-institutionalism argues the other way around, deriving so-called equilibrium institutions from the interests of individual decision-makers.

My argument amounts to a defense of common sense, because the balance between institutions and interests, rules and preferences, procedures and needs, is there all the time in political life. If the institutions are absent, then individuals and groups cannot interact, coordinating their effort or fighting out their conflicts. If the variety of self-interests are done

away with, then why would persons or groups ever orientate peacefully or contentiously towards each other? Interests need institutions in order to arrive at quasi-stable group decisions as well as protect collective behaviour against opportunism. To James Madison institutions protect so-called public interests against the interests of men participating in politics, because motivation in politics is basically self-interest orientated. Alas, not even the best of institutions are strategy proof.

It is always possible to raise a question about the public institutions of society: Qui bono? The neo-institutionalism in economics teaches us that institutions may be rationally altered which presupposes that institutions do not come before interests (Hodgson, 1988; Lane, 1982). If this rational approach to institutional choice were an illusion, then why are we so anxious about evaluating public sector and private sector institutions and solutions according to political and economic criteria? Rejecting a few of the more extreme hypotheses of sociological institutionalism does not imply, of course, that each and every tenet of economic neo-institutionalism is correct. The neo-institutionalist interpretation of political institutions on the basis of the neo-classical approach faces other difficulties, mainly because it tries to derive institutions solely from interests – but this is another article.

Jan-Erik Lane

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