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Comment on Paola Palminiello/3

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by Thomas Prosser

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I found Palminiello's essay [2016] stimulating. The goals of the article, namely to critique existing theories of institutional change and work towards a new theory, are both ambitious and timely. The author should be commended for addressing research questions that are so challenging. As with most broadly-conceived projects, the wider focus of the article means that there are a number of narrower grounds on which it can be criticized. In my comments I shall focus on two areas: *a*) the need for the author to better locate her theory in existing debate about institutional change and *b*) to more effectively operationalize her theory. The ambitious nature of the argument means that it can be developed/tested further, and my comments therefore aim to help the author advance her arguments in future publications.

One of the central contentions of the article vis-à-vis institutional change, namely that the premises of "rational-choice explanations of institutional change [cannot] profess unquestionable validity" [*Ibidem*, 1], is certainly ambitious. Though the article attempts to justify this assertion in following pages, the contention would be stronger if it were better rooted in relevant literature. One stream of literature I have in mind is work by authors such as Wolfgang Streeck [2009], James Mahoney [2000] and Kathleen Thelen [Mahoney and Thelen, 2010; Thelen, 2014]. This scholarship also takes issues with rational-choice explanations of institutional change, and has developed a series of arguments, rooted in historical and sociological theories of institutional change, which aim to account for the evolution of institutions. In a well-known work, Streeck and Thelen [2005] identified five

ways in which institutions changed: *displacement, layering, drift, conversion* and *exhaustion*.

Many subsequent discussions of institutional change [e.g. Morgan and Hauptmeier 2014] have built on such works, and the present article would have been richer had it sought to locate its arguments with reference to the insights of authorities such as Streeck and Thelen. How, for example, do the objections that the article makes concerning the tendency for rational-choice explanations of institutional change to misconceive individual agency fit with the typology of Streeck and Thelen? If future iterations of the author's argument were to address this issue then I believe that it would be strengthened. There are other important accounts of institutional change on which the author might also like to reflect. The work of Vivien Schmidt [2010], which asserts that institutional change can also be explained with reference to discourse, is one such example and would also help the author locate her arguments about the nature of institutional change in relevant literature.

Given the author's commendable interest in transnational aspects of political economy, which comes to the fore in later parts of the article which discuss European monetary integration, the ways in which institutional change is achieved via transnational influences might also represent a promising line of investigation. European influences have profoundly re-shaped national institutions in recent years, the article indeed mentions such developments, and a growing body of literature theorizes the revolutionary nature of European interventions in the Eurozone's "periphery" [Armingeon and Baccaro 2012]. As is well-known, such interventions have tended to make periphery institutions more neoliberal in nature. A body of literature is therefore growing that is sensitive to the importance of transnational influences on institutional change, but mainstream scholarship on institutional change is yet to fully incorporate the concerns expressed by this literature. As the author develops her work, the insights of this scholarship may therefore provide an important source of inspiration.

I also think that the author's hypotheses would be strengthened were they to be more effectively operationalized and tested. Lack of empirical verification is a problem that affects certain accounts of institutional change yet, if such scholarship is to be convincing, it is vital that its insights are properly tested. Though in its final part the article examines the case of the European Monetary System, which is to be commended, the extent to which this case fully operationalized the arguments developed in the first parts of the article might be questioned. If the final section of the article was to achieve such an endeavour, a fuller articulation of the goals of actors and their stances during processes of negotiation might have been required. Given the breadth of the arguments articulated by the article in its first parts, perhaps the development of a case that fully operationalized all of the article's insights was unrealistic in remaining space.

The author asserts that:

when bargaining consists in choosing one scheme among others, it is possible that some will agree to it despite the fact that they are not better-off with respect to the initial situation [Palminiello 2016, 33].

Though examination of the case of the European Monetary System went some way towards empirically validating this hypothesis, more recent negotiations at European-level might provide more relevant cases in future publications. Since the start of the sovereign debt crisis, a series of negotiations at European-level, chiefly in the period of 2011-2012 when reforms of Eurozone governance were agreed, have involved certain countries making significant concessions for the greater good of the Eurozone. Southern European countries are one example; these countries have accepted constraints on their ability to spend and regulate their labour markets. In future publications, the author might therefore examine such negotiations as a basis for developing empirical evidence for her theories. Such an endeavour would not only strengthen the programme of research the author is evidently developing, but would also provide interesting insights on recent developments in EU governance.

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Comment on Paola Palminiello/3

Abstract: In this comment Prosser suggests literature that may help Palminiello strengthen her article's argument; this literature includes the contributions of authorities such as Streeck, Thelen and Mahoney to institutional theory. Given the author's commendable interest in transnational aspects of political economy, Prosser also suggests that the ways in which institutional change is achieved via transnational influences might represent a promising line of investigation. This reflection also inspires the recommendation that Palminiello's hypotheses are more effectively operationalized and tested; specifically, the author suggests that recent processes of EU economic reform represent a suitable case study.

Keywords: Institutional Theory; Transnational Political Economy; EU Economic Reform.

Thomas Prosser is Senior Lecturer in European Social Policy at Cardiff University. He is interested in European social dialogue, labour market dualization and European soft law. He has published in journals that include *Journal of European Social Policy*, *British Journal of Industrial Relations* and *Journal of Common Market Studies*.