Strategic Action in Institutional Change:
Layering, Conversion, and Architectural Policy Design

Philipp Pechmann, PhD Fellow, Aarhus University
philipp.pechmann@ps.au.dk

- Very First Draft! Do not cite or circulate! –

Prepared for the 47th Annual Meeting of the Danish Political Science Association, DPSA,
Kolding, October 29-30, 2015.
Abstract

This paper theorizes different types of strategic action in order to better understand and explain how institutional and policy change comes about and how single events in gradual change processes are causally connected. It conceptualizes situational change strategies which are favored in contexts configured along two dimensions identified in the literature: the level of veto barriers in the political environment, and the level of institutional discretion in rule interpretation and enforcement. More specifically, it suggests a conceptual merging of modes of institutional change like layering and conversion with elements of architectural policy design such as the compartmentalization of resource flows, the creation of reporting mechanisms, or the judicialization and professionalization of institutions. The benefits of this approach are threefold: First, it advances the gradual change literature by providing more well-grounded concepts of layering and conversion by underpinning them with policy design elements. Second, it highlights the analytical centrality of strategic action in institutional change processes that helps us to understand and explain better how institutional change unfolds. Third, emphasizing the power and behavioral implications of different change strategies, it adds a “forward-looking” perspective on agency to the field that enables us to causally link to each other the single change events within causally connected policy sequences.
Introduction

Scholars from various fields have agonized for decades over the question of how and why policies\(^1\) change. Recently, academic attention has shifted towards processes of gradual change, towards the more hidden facets of change and the “subterranean political processes”\(^2\) that take place behind the “electoral spectacle”\(^3\) of parliamentary politics. We can call such changes hidden because they evolve slowly and underneath “surface continuity in institutional rules.”\(^4\) Nevertheless, they can cause significant changes in the status quo of institutional regimes.

Hacker’s discussion of the privatization of social risks in the United States without an easily visible, formal privatization of the welfare state offers a classic example of such hidden changes. As Hacker concludes:

Although public social policies have indeed largely resisted the political and economic onslaught of recent decades, efforts to update them to changing social risks have failed (drift), their ground-level operation has shifted in directions at odds with their initial goals (conversion), and new policies that subvert or threaten them have been put in place (layering). The result has been a significant erosion of U.S. social protection, despite the absence of many dramatic instances of policy reform.\(^5\)

Newly developed frameworks in the institutionalist literature provide helpful guidance and produce insight accounts of instances of such gradual, hidden change in empirical analyses. They also rightly direct our attention towards the central role of agency in institutional change processes, but, unfortunately, retract to formulating actors as mere mediators carrying out structural necessities and thus shift the causal leverage on the structural level.

What they miss, therefore, is the central analytical and explanatory role of strategic action in the study of institutional change processes. But without conceptualizing strategic action as the analytic centerpiece, we fail to understand how political actors are motivated, guided and driven by their policy goals, how they forward-lookingly choose between different courses of action in order to achieve these goals, and how they make these choices in consideration of fu-

---

1 Throughout the paper, I use the terms policy and institution interchangeably. From an institutionalist perspective, policies are understood as institutions since they are “either a single or complex set of rules which govern the interaction of […] actors, i.e. guiding principles which both prescribe and proscribe behavior and are set out in the form of prescription – either formally established or tacitly understood” (Stacey and Rittberger 2003: 860).
2 Hacker 2004b: 243
3 Hacker and Pierson 2010: 100-102
4 Hacker, et al. 2013: 1
tured actors’ chances to overturn their decisions. That is, we miss the power and behavioral implications of strategic action and how these have an impact on the subsequent course of policy change in gradual change processes.

In light of this criticism, this conceptual paper argues that these short-comings need to be addressed in order to advance the field and increase our ability to better explain and understand social-scientifically interesting phenomena of institutional change. In order to do so, it suggests putting strategic action in the center of institutional analysis by conceptualizing situational change strategies actors can employ when pursuing institutional change.

The paper proceeds as follows: First, a brief overview of the gradual change literature introduces key concepts and discusses the field’s lack of attention to strategic action. Second, the paper locates strategic action in the center of institutional change analysis by drawing on the strategic-relational approach developed by Jessop and Hay. Third, it discusses how the literatures on gradual institutional change and architectural policy design can contribute to conceptualizing different kinds of strategic action. Fourth, it theorizes situational change strategies by suggesting elective affinities between two modes of institutional change, layering and conversion, and elements of policy design. Fifth, the paper concludes by summarizing the benefits and key argument of the suggested approach.

Achievements and Limitations of the Gradual Change Literature

By putting hidden changes as described by Hacker in the spotlight, the rapidly growing body of literature on gradual institutional change has contested longtime dominant notions of path dependence and institutional stickiness in comparative political science. It has highlighted the importance of changes behind the ordinary legislative theater and big reform packages and demonstrated how gradually unfolding changes can significantly alter the effects and outcomes of social policies.

In their seminal contribution to the field, Streeck and Thelen convincingly argue against the mainstream “conservative bias” of neo-institutionalism that tended to ignore or downplay institutional change or treat it as something exogenous to the institutions under study. At the

6 See Streeck and Thelen 2005a, b. Other key works in the field have been published, i.a., by Thelen (2004), Mahoney and Thelen (2010a), as well as Hacker (2004b) and Pierson (2004).
same time, they situate *gradual* change as a distinct form of change – incremental in its process, transformative in its outcome – in the broader institutionalist literature on stability and change⁷. Moreover, the editors collect, develop and illustrate a set of concepts of different *modes* of gradual change: *Layering* describes “the introduction of new rules on top of or alongside existing ones,” e.g. the introduction of a private pension pillar on top of a public pension scheme; *drift* means the “the changed impact of existing rules due to shifts in the environment,” e.g. when minimum wages lose force due to high inflation; *conversion* describes “the changed enactment of existing rules due to their strategic redeployment,” e.g. when an interest party challenges a law in court to push for a reinterpretation of the meaning of “appropriate living standards” in social policy legislation; finally, *displacement* means “the removal of existing rules and the introduction of new ones,” e.g. the rise of market-oriented institutions in China that outgrow institutions of the communist state-directed economy⁸.

These concepts’ utility in *describing* and *categorizing* empirical phenomena of institutional change has been demonstrated in numerous publications⁹. Collectively, these publications have shown us that by neglecting such modes of change before, we have overlooked important political processes through which victories of dominant political coalitions can erode and “political actors can alter governance without bearing responsibility with the broader public.”¹⁰

Recently, scholars have started to address the lack of *explanatory* approaches in the study of gradual institutional change. Trying to move beyond mere description, they explore the conditions under which we can expect to see one mode of change to occur and not another¹¹. Mahoney and Thelen, for example, identify the level of discretion in rule interpretation and enforcement and the level of veto barriers as two crucial dimensions in explaining the occurrence

---

⁸ Definitions taken from Mahoney and Thelen 2010b: 15-16. For a comprehensive description, see Streeck and Thelen (2005b), who originally also discuss a fifth mode of *exhaustion* that they drop in further publications since it describes a process of institutional breakdown instead of institutional change. Occasionally, it is used in empirical analyses, for example by Busemeyer and Trampusch (2013). Hacker (2004b) offers another take on different modes of policy change in his 2004 work on welfare state retrenchment. Alongside drift, conversion and layering he adds a mode of *revision* that is characteristic for highly change-conductive political-institutional settings.
¹⁰ Hacker, et al. 2013: Abstract
of different modes of change. Additionally, they theorize different kinds of change agents as “intervening steps”\textsuperscript{12} through which contextual factors do their causal work and induce different forms of change. However, the authors thereby miss the forward-looking, prospective element of strategic action that informs us about change agents’ strategic calculations regarding the long-term realization and implementation of their policy goals.

It is, to give an example, surely not a politician’s motivation in itself to layer a private pension pillar on top of a public pension scheme. Instead, she has an overarching political goal based on some sort of assessment of the current state of the pension system. Such goals could be to combat old-age poverty or to ensure fiscal stability in the social insurance system. In pursuing such goals, we can assume her to analyze the political environment, for example other parties’ positions on the issues, the current structure of the pension system, the strength of veto players, etc., and to evaluate which course of action is most promising in realizing her goals under these circumstances in the long run. Hence, we assume her to act strategically. Based on her assessment, layering a private pension scheme on top of the existing pension system can be the most promising strategy in order to, e.g., minimize old-age poverty. But in order to reach and secure this goal in the long run, we can assume her to perform a second, more forward-looking assessment of different possibilities for protecting this political decision from future reversal. She can, for example, consider to safe-guard “her” private pension layer from future political attacks by publicly subsidizing it in order to induce large investments from citizens early on. Such a policy design would create a huge base of supporters and vested interests that make it politically risky for future powerholders to repeal the private pension layer again.

The brief illustration tells us that the politician’s change strategy is a result of two strategic assessments. Instead of treating actors as mere mediators of structural forces, we should conceptualize strategic action as the dynamic analytical core of our framework in order to capture how agency is informed by structural contexts as well as how it impacts future contexts through the inherent power and behavioral implications of its policy design.

Besides the neglect of strategic action, the gradual change literature shows a second soft spot, namely that the set of modes of change seems almost to be taken for granted. As labels and metaphors, layering et al. are highly intuitive and seem to be irresistible to many when de-

\textsuperscript{12} Mahoney and Thelen 2010b: 27, emphasis added
scribing processes of institutional change. At the same time, however, most researchers who employ these concepts in their empirical analyses often stretch their boundaries considerably and modify core assumptions in order to adapt them to their specific analytic needs\textsuperscript{13}. The result is a proliferation of different understandings and definitions of these concepts\textsuperscript{14}. Hence, while we see more and more empirical instances of change described as, e.g., layering or conversion, it is unclear what the concepts mean on a substantive level, what they circumscribe conceptually and describe empirically. It is this everlasting tradeoff between conceptual clarity and rigor on one side and empirical application and adaption to real-world scenarios on the other side that necessitates constant conceptual theorizing, reflection, and advancement.

Combining the gradual change literature with works that focus on the “architectural” dimension of policy design, we can tackle both of the outlined soft spots and improve our analytic tools to help us better understand and explain instances of institutional change. By merging these two literatures, and by putting strategic action in the center of the analysis, we can “infuse” the prominent modes of change with more substance matter if we uncover \textit{elective affinities}\textsuperscript{15} between different modes of change (the “how” of change) and different architectural policy design elements (the “what” of change), such as inducing investments, the expansion or reduction of state capacities, the compartmentalization of resource flows, or the creation of automatic reporting mechanisms. Additionally, we can investigate the power and behavioral implications of institutional change and ask, e.g. as illustrated above, through which policy design elements newly layered institutions can constrain, enable or guide future actors’ choices of action. Emphasizing these implications, the paper adds to the existing literature a more “forward-looking” perspective that treats different modes of change not just as the explanandum to be described and explained, but as an explanans in the investigation of institutional change processes and causally connected policy sequences.

\textsuperscript{13} See for example Ackrill and Kay 2006, Boas 2007, Thatcher and Coen 2008 and their use of the concept of layering.
\textsuperscript{14} See for example van der Heijden’s discussion of layering (2011).
\textsuperscript{15} Resorting to Weberian elective affinities means here that the relation between modes of change and policy design elements neither is a simple causal link (where the mode of change causes a certain policy element to occur), nor is it a redefinition of modes of change. Instead, it describes the affiliation between two distinguishable elements of strategic action that naturally occur at the same time under similar circumstances and that “gravitate to each other” (see the 2005 Max Weber Dictionary for a brief discussion: Swedberg and Agevall 2005: 83-84).
Strategic Action as the Centerpiece in the Analysis of Institutional Change

Following the emergence of the gradual change literature and the decreasing predominance of path dependency and institutional sclerosis, institutional theory has given new attention to agency in the analysis of institutional change. Change agents play a prominent role in recent frameworks, e.g. Mahoney and Thelen’s 2010 volume on “Explaining Institutional Change.”

In the introductory chapter, the editors theorize four different kinds of change agents - named symbionts, opportunists, subversives and insurrectionaries - that we should expect to observe in processes of layering, drift, conversion or displacement. However, these change agents have little explanatory power in themselves since they are conceptualized as mediators or “intervening step through which the character of institutional rules and political context do their causal work.” Hence, while the authors claim to ascribe a crucial explanatory role in change processes to change agents that “drive” such change, the explanatory leverage resides on the structural level. Consequently, the actor typology has barely found repercussion in the literature (with the exception of the five empirical contributions to the volume).

Overall, Mahoney and Thelen’s approach perpetuates a dualistic understanding of institutionalized structures on one side and institutional agents on the other side, with agential and structural explanations as being distinct and opposite from each other. Change agents, in such a perspective, are “squeezed” in-between the causal structural factors (the level of veto barriers and the level of institutional discretion) that explain why we see different modes of change, and the outcome of interest. Figure 1, p. 7, depicts the causal framework sketched out by Mahoney and Thelen.

Two drawbacks follow from such a perspective: First, it may elicit criticism regarding the common institutionalist bias that depicts agents as striving and working for change, but being constrained and conditioned by the prevailing institutional context in which they are embedded. The dispute about the structuralist bias of institutionalist scholarship and institutionalist explanations might be as old as the field itself and will not be recapitulated here, but a more sophisticated understanding of institutional influences on actors’ behavior is now common-

---

16 Mahoney and Thelen 2010a
17 Mahoney and Thelen 2010b: 28, emphasis added
place, modelling both institutional constraints on actors as well institutional empowerment. Second, the framework traps us in a discussion of institutions (as structures) and agents as two analytically and ontologically opposite explanatory factors - a discussion that is neither fruitful nor productive on the conceptual level and not of much help in deriving comprehensive, consistent explanations that unite the structural with the agential perspective in empirical analyses.

Falleti’s contribution to Mahoney and Thelen’s volume can serve as a brief, positive example of how the above framework is applied empirically. In Falleti’s work, we can see how change agents’ courses of action are not simply the product of a structural environment, but how their goal-oriented, strategic action - together with the environment they are embedded in - yield a certain kind of strategy and policy change. Her case study describes the evolution of Brazilian health care sector over a time span of 25 years, trying to explain the institutionalization of a universal, municipialized health care system that was centralized and private-sector dominated with low levels of coverage originally. Universalization and municipalization were both unexpected since political barriers to change where high in the Brazilian context, i.a. due to formidable veto opportunities and the limitation of the public health care sector to residual, weakly represented population groups. Besides these structural constraints, Falleti identifies

---

19 Falleti 2010
structural elements that enabled institutional change: the attempted extension of the nation-state and the penetration of society by the military regime (which made the state institutionally more permeable and easier to infiltrate), and the federal structure of the Brazilian state (offering members of the reformist sanitarista movement positions on the local and municipal level; allowing territorially bounded “political experiments”; and allowing opposition parties to gain power on the local and state level).

More importantly, though, Falleti emphasizes the role of institutional agents in this process. It was the so-called sanitarista movement that was “essential in bringing about this institutional change.”20 The leftist-reformist sanitaristas had a well-developed political agenda, favored a strengthening and municipalization of the public sector and regarded access to health care as a fundamental human right. Without analytically exposing strategic action as a bridging as key explanatory factor, Falleti shows how the sanitarista movement was able to achieve change by strategically following promising courses of action that seemed viable for realizing their goals, namely strategically infiltrating the state bureaucracy to promote goals from within the system. Although Falleti narrates the historical development over long sections, we can assume a causal influence of the sanitaristas’ strategic action. To give a specific example: Falleti narrates that the sanitaristas “occupied more posts in the national bureaucracy and sought to implement equity-enhancing reforms,” and that they “meanwhile […] proposed an even more encompassing health reform.”21 Instead, we can assume a causal argument that suggests that the sanitaristas were able to seek equity-enhancing reforms and to suggest more encompassing reforms because they strategically acted upon their structural power that had grown by occupying more and more administrative posts.

What the example shows – and what will underpin the consecutive discussion of situational change strategies and be elaborated conceptually in the remainder of this section by drawing upon the strategic-relational approach – is the analytic and explanatory centrality of strategic action, as well as the importance of the strategic selectivity of contexts and the contextualization of agency.

20 Falleti 2010: 56
21 Falleti 2010: 53-54
Contrary to much of the existing literature, the strategic-relational approach developed by Jessop and Hay\textsuperscript{22} views the distinction between structure (institutions) and agency (institutional agents) to be purely analytical. Ontologically, both structure and agency are simultaneously present in any given situation and completely interwoven in practice. Hence, the terminology of structure and agency debate itself, which implies an analytical and ontological dichotomy, is seen as misleading. The abstract theoretical terms of structure and agency are therefore replaced with the better fitting conceptual terms of strategically selective contexts and strategic actors which enable us to “concentrate instead upon the dialectical interplay of structure and agency in real contexts of social and political interaction.”\textsuperscript{23} The existence of strategically selective context and strategic actor is relational and dialectical, meaning that they are mutually constitutive and that their interaction, which yields strategic action, is not reducible to the sum of contextual/structural and agential factors.

Introducing this new terminology is not a mere conceptual exercise but comes with a key benefit: it puts strategic action (e.g. the sanitaristas decision “to occupy position of power whenever possible, that is to infiltrate the state”\textsuperscript{24}) into the center of gradual change analysis. Such action is yielded by the interplay of strategic actors (the sanitaristas) and strategically selective contexts (the veto possibilities in the political environment and the structure of the Brazilian health care system). Strategy, in Hay’s words, is then “intentional conduct oriented towards the environment in which it is to occur. It is the intention to realize certain outcomes or objectives which motivates action.”\textsuperscript{25} This action must be informed by a knowledgeability and strategic assessment of the relevant contextual factors in order to have any chance of realizing the underlying intentions (the sanitaristas policy goals, such as the universal right to health). Hence, actors are, similar as in rational-choice institutionalism (RCI), modelled as conscious, reflexive and strategic. They act strategically and seek to realize complex, contingent and often changing goals in contexts that favor certain strategies over others. Their preferences are, unlike RCI suggests, not fixed or determined by material circumstances, but constantly reviewed, revised and reformed over the course of time as material or ideational influences change. Similarly,

\textsuperscript{23} Hay 2002: 127
\textsuperscript{24} Falleti 2010: 49
\textsuperscript{25} Hay 2002: 129
monitoring the consequences of their actions, actors can modify or revise their chosen means, as well as potentially their original intentions upon which the choice of means was based. Hence, strategies are not fixed, given paths of action, but situationally given.

While Hay does not discuss situation as a central category, the basic assumptions underlying the concepts of strategic action, strategic actors and strategically selective contexts presuppose a temporally disaggregated perspective on the processual, dialectical interplay between strategic actor and strategically selective context in change processes— that is a disaggregation of processes into situations (single events). This is necessary because human action does not follow “predefined ends, but particular ends-in-view emerge concretely out of situations,” as Joas emphasizes it in his criticism of simple, teleological means-end-schemes of intentional action. Hence, we must allow variation in strategic action along the temporal dimension because strategies are situationally defined by conscious, reflexive and strategic actors (in the above case, we have seen that the sanitaristas became ‘braver’ over time and proposed more encompassing reforms the deeper they had infiltrated the state bureaucracy).

Strategic actors (like the sanitaristas) are situated in contexts that we can model largely in institutionalist terms (meaning that the formal and informal rules and procedures that guide human behavior ascribe benefits and costs to different kinds of action) and that are strategically selective by favoring certain strategies over others. A strategically selective context is an “unevenly contoured terrain which favors certain strategies over others and hence selects for certain outcomes while militating against others [e.g.: the extent of veto barriers rendered a strategy of infiltration more promising than direct, legislative reform]. Over time, such strategic selectivity will throw up a series of systematically structured outcomes,” i.e. the social scientifically interesting patterns we are interested in explaining and understanding.

To conclude, the strategic-relational perspective changes the analytical focus in the study of institutional change in a key respect by putting strategic action in the center of the analysis.

26 These “ends-in-view are based on judgements and assumptions about the type of situation and the possible action that flow from it. Conversely, the situation itself is not a fixed objective given. Situations are interpreted and defined in relation to our capacities for action. Starting from the situation, action follows a series of various ends-in-view that remain relatively undefined at first, but are specific through ongoing reinterpretation and decision about means. Actors test out and revise their course of action as each end-in-view itself becomes a means for a further end-in-view. Means and ends flow in a continuous stream – the distinction between them is only an analytical and temporal one.” (Jackson 2005: 231-232, emphasis added; see also Joas 1996)

27 Hay 2002: 129
Figure 2 illustrates how strategic action is formulated by strategic actors embedded in strategically selective contexts. Such strategic action has repercussions on both the context (through a partial transformation of contextual structures) and the strategic actors (through enhanced knowledge and strategic learning). Further developing the strategic-relational perspective, we can unfold it along the temporal dimension and model institutional change processes that allow for a variation of strategies in time which enables us to investigate institutional change processes that do not have to follow one “logic” over the whole process, as for example concepts of (self)reinforcing, (self)enforcing or (self)undermining returns suggest²⁸ (Figure 3).

²⁸ Rixen and Viola 2014
Combining Insights from the Literatures on Gradual Change and Architectural Policy Design

With strategic action as the analytical centerpiece that helps us to better understand and explain how institutional change unfolds, this section takes the next step in theorizing and conceptualizing different situational change strategies actors can employ by combining insights from the gradual change literature with works on architectural policy design: On one side, the gradual change literature provides useful insights into contextual elements that are relevant for actors when choosing between different, possible strategies. Political actors’ strategic choices are not the sole product of their policy goals or intentions, but necessarily informed by their knowledgability about the structural context in which they are embedded in. The further above mentioned frameworks that try to explain why different modes of change occur can help us identify dimensions of strategically selective contexts that make certain modes of change as strategic choice more feasible and promising than others.

On the other side, works on architectural policy design give us more insight into political actors as strategic actors that want to ensure that their policies are in force for more than just one electoral cycle, that they have a long “political half-life” so to speak. Looking at this strand of literature, we learn more about strategic decisions actors make and different policy design elements they can employ in processes of reform and change. Including this architectural dimension is necessary for conceptualizing situational change strategies that include a more forward-looking perspective on strategic action. It highlights the strategic choices actors can make in order to condition, constrain and empower future actors. Furthermore, it emphasizes that strategic action is more than an emergent property of strategically selective contexts, but that its behavioral and power implications render it a formative element of strategically selective contexts in future situations and for future actors. As Hay puts it, “one person’s agency is another person’s structure.”²⁹ The two subsequent sections elaborate on how the two literatures can inform a concept of situational change strategies.

²⁹ Hay 1995: 191
Modelling the Strategically Selective Context

As learned above, we find four concepts of modes of institutional change - layering, conversion, displacement and drift – in the gradual change literature whose occurrence authors have tried to explain by referring to two crucial contextual factors: the level of discretion in the enforcement and/or implementation of an institution and the level of veto barriers change agents face. Hypothesizing relationships between the contextual factors and different modes of change, Mahoney and Thelen organize and systematize the four modes in a two-dimensional space. Table 1, p. 14, shows how the level of veto barriers and institutional discretion, according to the authors, “affect the likelihood” of the occurrence of specific types of institutional change. Translated into this paper’s reasoning, this means, for example, that a combination of high veto barriers and low levels of institutional discretion forms a strategically selective context that renders layering a more promising situational change strategy for strategic political actors. In Falleti’s case, we have seen exactly this combination of high political barriers to health care universalization and municipalization (a dominant private health sector; the restriction of the public insurance system to “residual” population groups; a state-supported private medical industry) and limited opportunities to exploit institutional discretion and redeploy the existing system towards new goals under a military. Under these circumstances, the strategic infiltration of the system from the periphery was the most promising strategy for the sanitarista movement, which introduced new policies gradually by layering them alongside the existing system.

Systematically starting from the contextual dimensions, we can follow Mahoney and Thelen and hypothesize that high veto barriers render strategies of conversion and displacement less likely to be successful since they presuppose an actor’s ability to formal rule change. On the contrary, they render layering or drift more likely to be successful since these don’t rely on access to arenas of formal rule change. The level of institutional discretion renders conversion and drift more likely to be successful when it is high since these strategies take advantage of

30 See Hacker 2004b, Mahoney and Thelen 2010b. (The two frameworks differ in their suggestions on which combination of contextual factors facilitates what mode of change. The following discussion engages primarily with Mahoney and Thelen’s arguments since their framework is spelled out more clearly and more commonly referred to in the literature.)

31 Mahoney and Thelen 2010b: 18
institutional gaps between the formal rule and its implementation. Conversely, layering and displacement are less likely to be employed under high levels of discretion since there are more direct and efficient alternatives.\textsuperscript{32}

Thereby, each strategy can be interpreted as a pondered choice of conscious, strategic, reflexive actors in the presence of other potential options for action. While, e.g., a low level of veto barriers does not ascribe costs to a strategy of layering, it makes layering a less effective means in achieving a certain policy goal because other strategies, namely conversion and displacement, address and change the targeted institution directly and, thus, more effectively.

<table>
<thead>
<tr>
<th>Characteristics of the Political Context</th>
<th>Characteristics of the Targeted Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Veto Barriers</td>
<td>Low Level of Discretion: Layering</td>
</tr>
<tr>
<td>Low Veto Barriers</td>
<td>High Level of Discretion: Drift</td>
</tr>
<tr>
<td>Low Veto Barriers</td>
<td>Conversion</td>
</tr>
</tbody>
</table>

**Table 1: Key Elements of Strategically Selective Contexts in Institutional Change Processes**

Source: Mahoney and Thelen 2010b: 18-22 (with minor adaptations)

**Architectural Policy Design in Strategic Action**

The second element of situational change strategies concerns actors’ policy design considerations and presupposes that strategic action is directed towards certain policy goals. This more forward-looking, “projective element” of strategic action complements the “practical-evaluative element”\textsuperscript{33} of actors’ knowledgeability of the strategically selective context. Political actors are largely policy-driven agents whose aim it is to achieve certain social outcomes that public policies can generate or facilitate. As Jacobs notes, politicians may pursue or cling to public office, but they do so “for the unparalleled opportunity that officeholding provides to shape society via state action.”\textsuperscript{34}

\textsuperscript{32} See Mahoney and Thelen (2010b) for a more detailed description of the affiliation between the two contextual factors and different modes of change.

\textsuperscript{33} I adopt these terms from Araujo and Harrison’s discussion on reconciling path dependency with a temporal-relational perspective on agency (2002).

\textsuperscript{34} Jacobs 2011: 32
If we model political actors as policy-driven change agents, we can assume them to try to ensure that their policies or reforms will not be revoked by the next government, that is that they have a long political half-life. Therefore, political actors select strategies based on their context knowledgeability and in consideration of the power and behavioral implications of their actions on other, future actors. It is through these implications that they can try to steer, constrain or empower future actors to follow or abstain from certain paths of action, to make certain choices or adopt certain strategies that are in line with the original agents’ policy goals.

More concretely, this means that we are interested in actors’ strategic calculations regarding the intertemporal effects of their actions. Political actors can intentionally try to design institutions in ways that, speaking in institutionalist terms, reward certain actions with benefits while punishing others with costs. They can operate as “architects of political order” that create structurally selective contexts privileging the endurance of their own policies over other potential options. Such architectural activities can include the expansion or reduction of state capacities, the compartmentalization of resource flows, the creation of automatic reporting mechanisms, or inducing investments.

Reducing state capacities like dismantling bureaucratic structures can severely limit future actors’ chances to pursue certain policy goals if administrative expertise and knowledge are cut back. One could for example think of welfare state retrenchment, the privatization of transportation or energy sectors, military out-contracting, or private-public partnerships – all examples where public expertise, knowledge and the capacity to act is transferred from the state towards private parties, limiting future actors’ possibilities to directly interfere in a specific domain. Conversely, by enhancing state capacities (think of the creation of the US Environmental Protection Agency by President Nixon, or of the creation of specialized corporate tax fraud investigation units), governments can enhance future actors’ capabilities of dealing with certain policy issues (pollution, corporate tax evasion) or pursuing certain goals (environmental protection, public health, combat tax evasion). Additionally, once established, these state structures can render certain goals politically less costly and administratively more feasible for future actors.

36 The following discussion follows Jacobs 2010.
The compartmentalizing resource flows, that is linking expenses to a dedicated revenue source, is another potential policy design element. Patashnik’s discussion of US trust funds, which are legally restricted to specific uses and receive funding from earmarked taxes, offers an insightful example of the intertemporal effects of such policy making\textsuperscript{37}. Through compartmentalization, actors can make it easier for proponents to detect when resources are being diverted for different purposes. At the same time, it can secure a growing resource stream (e.g. emission taxes) to be only used for the dedicated purpose, while traditional resource streams (e.g. petrol taxes) might slowly descend. By establishing automatic reporting mechanisms that indicate the effects or efficiency of a policy in a certain domain, actors can ensure that political attention is automatically and repeatedly drawn towards specific issues. That way, barriers to institutional redeployment through other actors towards other goals can be increased, and the original policy goal can be revived recurrently. The open method of coordination in European Union governance takes advantage of such reporting tools to enforce goals in policy fields the Commission is not primarily responsible for. Finally, actors can induce investments and have citizens pay larger cost in the beginning while promising them future benefits, raising the political obstacles for a change of course for future actors. Contribution-based retirement schemes are the classic example of such early-on earned entitlements that future governments find hard to revoke\textsuperscript{38}.

In sketching out a theory of public bureaucracy, Moe discusses another set of policy design elements that actors can employ in public policy making\textsuperscript{39}. They can, for example, draft detailed legislation that imposes rigid constraints on the implementation and interpretation of institutional rules. Huber and Shipan analyze the variation in Medicaid managed care program legislation across the United States and show how some states spell out policies in detail, putting tight constraints on opponents, front-line agents and future actors, while others confine themselves leaving much discretion and autonomy to other actors\textsuperscript{40}. Reducing institutional discretion in such a way might be technically costly and require a lot of expertise and resources,

\textsuperscript{37} Patashnik 2000
\textsuperscript{38} Pierson 1994
\textsuperscript{39} Moe 1990: esp. 136-138. The policy design elements outlined by Moe are less typical subjects of historical institutionalist and gradual change literature and more commonly discussed in fields as organizational studies or legal studies (to be worked through). In a different context, Dodds and Kodate (2012) point, for example, to organizational factors such as leadership and internal stability in their study of institutional conversion in the British National Health Service.
\textsuperscript{40} Huber and Shipan 2002: 44-77
but it can be very effective in delineating future actors’ choices of action. The professionalization of an institution is a less costly strategy. Political actors can protect institutions from political influence and interference by giving more power and leadership positions to politically independent professionals as opposed to politicians or political appointees. If we assume professionals to have an inherent interest in their own autonomy, appointing professionals or installing independent advisory boards can be an efficient way of safeguarding an institution from political intervention.

Another element of architectural policy design regards the location of an institution in the broader organizational structure of the government. Actors can - without interfering in the institution itself - relocate it to a more “favorable” environment, for example moving an agency, committee or working group on transportation policy from the secretary of economics to the secretary of environment in order to emphasize environmental issues such as pollution over economic factors such as profitability. Lastly, judicialization can be a possible design element. Similar to professionalization, institutions can be safeguarded from political interference by “outsourcing” certain decisions to politically independent courts or by making decisions appealable in court.

**Conceptualizing Situational Change Strategies**

Clearly, political actors can choose from a wide range of policy design elements when trying to extend the political half-life of their decisions. At the same time, actors’ strategies are informed by their knowledge of a context that favors certain change strategies over others. By combining these two elements, we get an encompassing picture of different strategies of institutional change actors can employ when pursuing change, strategies that I call here situational change strategies. These strategies are situational because, as outlined above, change processes need to be disaggregated and allow for variation on the temporal dimension. It is exactly the notion of such situational change strategies that lets us analytically dissect processes of change into single events, and that directs our attention to the power and behavioral implications that causally connect single change events with each other. Conceptually, the argument is not that, e.g., layering causes a certain policy design element to be employed. Rather, we should think of the re-
lation between modes of change and policy design elements as elective affinities (see p. 5) within strategically selective contexts.

In the following, the paper theorizes such affinities for two modes of change: layering and conversion. The focus on these two modes is based on two considerations: First, layering and conversion are the two better developed concepts, with layering probably being the most well established concept in the literature. It is widely applied in contemporary empirical works and has several theoretical antecedents in the literature on governance and regulation, as van der Heijden shows\textsuperscript{41}. Second, layering and conversion are maximally contrary on the conceptual level, occupying opposing cells in Table 1 (p. 14). While layering describes instances of formal rule addition in the face of seemingly insurmountable veto barriers and little institutional discretion, conversion describes forms of change that largely avoid formal rule change and instead take advantage of institutional discretion by redeploying an institution.

The decision to exclude modes of displacement and drift from further discussion is equally well-founded. Drift, in many ways, is a special form of change that falls out of the line. It describes forms of changes that are entirely dependent on changes in the institutional environment which actors strategically take advantage of by actually not changing anything at all. Instead, they “freeze” an institution in order to change its impact on this changing environment. Displacement, on the other side, is the conceptual gemini of layering. It describes, as layering, the introduction of new rules in addition to existing one, but suggests a direct competition between old and new rules and a potential replacement of the old institution by the newly introduced one. Conceptually, however, it seems feasible to view displacement as a potential outcome of layering, but not as a process and mode of change in itself\textsuperscript{42}.

Figure 4 visualizes situational change strategies as the analytical centerpiece in the analysis of institutional change processes drawing on the strategic-relational perspective (cf. Figure 3, p. 11): Policy-driven, goal-oriented political actors are embedded in strategically selective contexts

\textsuperscript{41} Van Der Heijden 2010, 2011
\textsuperscript{42} In their edited volume, Streeck and Thelen themselves mention the possibility that processes of layering can “attract enough defectors from the core eventually to displace it” (2005b: 24, own emphasis). They furthermore inadvertently give an example of the conceptual fuzziness of displacement when categorizing Deeg’s contribution to their volume as an example of displacement, while the author himself speaks of institutional layering (Deeg 2005, Streeck and Thelen 2005b). Rocco and Thurston (2014: 39) view displacement as a residual category as well.
that are modelled along two dimensions (the level of institutional discretion and veto barriers). Context knowledgeability and the ambition to extent the political half-life of decisions yield situational change strategies that impact both future actors and future contexts. Hence, situational change strategies are both the product of one situation (explanandum) and the (co-)producer of the following situation (explanans).

**Layering and Architectural Policy Design**

Layering, to briefly recapitulate, describes the formal addition of a new institution or institutional layer on top of an existing institutional regime. It is more likely to yield success and to be chosen by strategic actors in contexts of high veto barriers and low levels of institutional discretion. In strategically selective contexts of this configuration, actors are furthermore likely to employ certain policy design elements to ensure the longevity of their policy choices.

The compartmentalization of funds is a likely strategy in contexts of extensive veto barriers and low levels of institutional discretion when and where actors are confronted with a tight control over the existing institutional regime by current powerholders. Change agents are therefore likely to establish a separate funding mechanism that is coupled to their policy goal and institutional layer in order to prevent current powerholders from taking over and redeploy-
ing “their” new layer. Compartmentalized resource flows can then guarantee that future fiscal attacks on the institution, anticipated or not, will be easily visible if funds are to be diverted to other policy goals or purposes. Béland’s analysis of institutional change in US Social Security offers an informative example here. He shows how conservatives strategically devised a long-term plan to redirect Social Security towards their political goals and ideals (favoring personal responsibility instead of “big government”; stimulating economic growth through private equity). Since political barriers to change were high due to powerful constituencies and high popularity, conservatives strategically utilized defined-contribution schemes such as 401(k)s to undermine the pay-as-you-go financed Social Security and create an additional retirement savings system financially and logically independent from defined-benefit logics of Social Security.

Additionally, it is likely that we observe an extension of state capacities as layering occurs. Similarly to the argument just made, we can assume that change agents try to create an additional institutional layer that is fairly independent of the existing bureaucratic structures and has its own bureaucratic underpinning when and where they are confronted with powerholders that can exert a tight control over the existing institutional regime. Once such additional state capacities have been created and are up and running, future actors will be faced with vested interests of the bureaucracy on one side, and they will less likely perceive them as undesirable burdens on the other side. Shpaizman’s study of Israeli immigration policy offers examples for the affinity between layering and the expansion of state capacities, for example when she describes the growth of the Ministry of Immigrant Absorption’s budget while new policies were layered onto it, or when a new large department was created in order to focus on the immigration of returning residents.

Thirdly, change agents that face powerful defendants of a dominant institutional regime will likely consider inducing investments. Since they are in a structurally weaker position than the current powerholders, they can ensure the longevity of the new layer by inducing investments and creating claims of benefit recipients that future actors will find hard to overcome. Here,

---

43 Béland 2007: esp. 29-31
44 401(k)s are employer-sponsored retirement plans to which employees contribute a share of their salary before prior to taxation.
45 Shpaizman 2014
the above example of US Social Security with the conservatives’ strategic support for defined-contribution schemes can serve as an example again.

**Conversion and Architectural Policy Design**

Conversion means the intentional redeployment of an institution when rules remain largely unchanged formally. In the literature, it is defined as a form of change that combines “constancy in institutional form with change in institutional impact.”46 Conceptually, however, there is no well-founded reason behind a strict limitation to informal changes. If we assume conversion to be a promising change strategy in contexts of low veto barriers and high levels of institutional discretion, it can both comprise formal and informal changes to an institution47. Hence, we can expect conversion to be affiliated with different kinds of policy design elements than layering since it describes changes in contexts where institutions are more susceptible to direct change as compared to contexts that favor layering.

The crucial difference lies in the vulnerability to change of the existing institution itself, both formally and informally. This vulnerability allows change agents to cut right into the flesh of the institution. Such cuts can be associated with a number of policy design elements discussed above. Actors can devise *detailed legislation* that reduces institutional discretion and limits other actors’ room for maneuver. That means political competitors’ capacity to exploit institutional gaps in ambiguous legislation is tightly restricted. Presidential “signing statements” - even though not the product of the parliamentary legislation - can be an illustrative example here. As Hacker et al. show, these statements developed into a powerful tool of direct presidential governance, clarifying – or, you might say, dictating – how laws must be enacted and implemented48. Effectively, they make laws or certain aspects of their implementation subject to presidential discretion, allowing presidents to limit future actors’ discretionary leeway.

46 Hacker, et al. 2013: 8, emphasis in original
47 In this respect, the understanding of conversion presented here differs slightly from Mahoney and Thelen’s view and may include forms of change that Hacker (2004b: 247-48) calls revision (formal reform, replacement, or elimination of existing policy). However, differences in interpretation of formal vs. informal change can also stem from different academic perspectives. As noted above, policy design elements as the ones discussed by Moe might rather be subjects of organizational or legal studies and be considered formal changes in these fields, but “fly under the radar” of the institutionalist and gradual change perspective on formal institutional change.
48 Hacker, et al. 2013: 24
Professionalization and judicialization are two other policy design strategies that we can expect to observe. Facing low veto barriers and high levels of institutional discretion, actors can safeguard the institution by replacing politically appointed officeholders by professionals and impose new recruitment or nomination practices. Or they can devise legislation that makes certain decisions appealable in court, effectively granting rights to third parties that future actors will face as opposition or even veto player. Both strategies ensure that political goals set initially will be harder to overrun politically afterwards. Additionally, actors can also relocate a whole institution, for example by moving a transportation policy unit from the ministry of economy to the ministry of environment to highlight or emphasize certain policy goals over others. Lastly, actors can create reporting mechanisms that ensure that specific key figures repeatedly enter the public discussion and favor certain policy goals over others.

A Concept of Situational Change Strategies

To conclude, we can theorize and exemplify in published works distinct elective affinities between layering and conversion on one side and architectural policy design elements on the other side. Table 2, p. 23, sums up these affinities in a compact overview including the two relevant contextual dimensions, the level of veto barriers and institutional discretion.

Taken together, these two elements form what I term situational change strategies. In a nutshell, such situational change strategies are courses of action intentionally followed by strategic, reflexive, conscious, policy-driven and goal-oriented political actors that aim for institutional change in order to shape society by realizing certain policy goals that motivate their action. These strategies are informed by political actors’ context knowledgeability, and they are continuously updated and altered through strategic learning throughout time and adapted to changing contexts. Change strategies are therefore situationally given, mutable elements of institutional change processes. Contexts are strategically selective in favoring some strategies over others by rendering them more promising to actors in achieving their goals. The conduct and realization of change strategies itself transforms the strategically selective contexts actors are embedded in. This is true especially due to political actors’ strategic calculations regarding

49 Again, Hacker et al. (2013: 26–27) point to the relevance of literature on political jurisprudence. However, they do not discuss rights of action as parts of actors’ strategic considerations when designing laws, but elaborate on courts as alternative venues for policy change, effectively showing that rights of action do have serious implications on other actors’ opportunities for pursuing policy change.
the political half-life of their policies. Political actors engage in architectural policy design in order to decrease the chance that their decisions are overturned after just one electoral cycle. Thus, situational change strategies carry important behavioral and power implications with them, because they can steer and guide future actors’ courses of action through the transformation of contexts. Therefore, situational change strategies should function as the central analytical element in investigations of institutional change in order to enable us to better understand and explain how change unfolds and how single change events in change processes are causally connected to each other.

<table>
<thead>
<tr>
<th>Situational Change Strategies</th>
<th>Level of Institutional Discretion</th>
<th>Mode of Change</th>
<th>Policy Design Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Context</td>
<td>Low</td>
<td>Layering</td>
<td>Compartamentalization; Enhancing State Capacities; Inducing Investments</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>Conversion</td>
<td>Detailed Legislation; Professionalization; Judicialization; Relocation; Reporting Mechanisms</td>
</tr>
<tr>
<td>Context</td>
<td>High</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The concept of situational change strategies suggests clear empirical patterns of coinciding modes of change and policy design elements that we should be able to observe under specific combinations of contextual factors. Under low levels of institutional discretion combined with high veto possibilities, actors should choose a strategy of layering combined with policy design elements such as compartmentalization, enhancing state capacities, or inducing investments. Conversely, under high levels of institutional discretion and low veto barriers, actors should choose a strategy of conversion combined with policy design elements such as detailed legislation, professionalization, judicialization, relocation, or reporting mechanisms. Empirically, situational change strategies should to be substantiated through fine-grained process-tracing, specifically investigating political actors’ statements regarding their evaluation of the structural and institutional constraints and opportunities – the veto barriers and institutional discretion – they observe and evaluate, as well as statements regarding the anticipated effects of their political decisions. It is through the interplay of retrospective, practical-evaluative context knowledgeability
and prospective, strategic policy design that situational change strategies can establish causal 
links within institutional change processes and policy sequences and enrich the field with more 
detailed, substantiated and explanatory analyses.

Conclusion

Strategic action has so far been a neglected element, both conceptually and empirically, in the 
gradual change literature. Existing frameworks that try to explain why we see certain types of 
change and not others rely heavily on structural explanations and sketch institutional actors as 
mediators of structural influences. These frameworks are well equipped for describing and cate-
gorizing different phenomena of change, but causal explanations are often not satisfactory. At 
best, notes van der Heijden, such frameworks seem to provide a guide to what kind of change 
could be expected, but “only when we already know the incremental change that has occurred 
and only when veto power and flexibility of implementation are considered.”

In order to overcome these explanatory shortcomings, this paper suggested, developed 
and exemplified a concept of situational change strategies as analytical centerpiece in institu-
tional change analysis. By focusing on strategic action, and by infusing the prominent modes of 
change with strategic, architectural policy design considerations of goal-driven, policy-oriented 
actors, this paper theorized and exemplified elective affinities between layering and conversion 
on one side and policy design elements such as the compartmentalization of resource flows or 
automatic reporting mechanisms on the other side. Presupposing a temporal disaggregation of 
gradual change processes, the investigation of situational change strategies allows us to causally 
link the single change events within policy sequences by combining practical-evaluative with 
prospective, architectural elements of strategic action.

The concept of situational change strategies and the analytical potentials of the approach 
presented here have been exemplified empirically throughout the paper. Falleti’s historical-
institutionalist case study of health care reforms in Brazil has served such illustrative purposes 
several times. Referring to Falleti’s study, this paper showed that the difference between the

50 Van Der Heijden 2010: 237
retrospective historical narration of institutional change processes and the causal explanation of such processes lies in the analytical focus on political actors’ situational change strategies.
References


