

*Rudolf Schuessler*

## **Comment on John O'Neill**

*Abstract:* The comment focusses on O'Neill's advocacy of Classical Institutionalism (CI) and the problems of the ideal-regarding approach to the construction of institutions. It maintains that CI shows no signs of progress which would justify a renewed exclusive interest in this paradigm and that the ideal-regarding approach needs some consequentialist balancing to avoid obvious risks of totalitarian denaturation.

Let me first summarize what I take to be the core of O'Neill's argument. The main part of his paper contains a critique of Public Choice Theory (PCT) and an apology of Classical Institutionalism (CI). According to O'Neill, PCT cannot provide satisfactory explanations of social processes because it fails to ask how the preferences of human actors are formed. CI, on the other hand, asks this crucial question and is in a better position to supply environmental activists and agencies with the information they want. Therefore, CI which has been out of fashion for some decades should be resurrected to become the ruling paradigm of institutional analysis again. The resurrection of CI would have the additional benefit of strengthening the ideal-regarding approach to economics. Ideal-regarding institutional design refuses to reflect the preferences of individuals uncritically and tries to teach people the Right and the Good. My comment will concentrate on two aspects of this train of thought. I think O'Neill is overly optimistic in his evaluation of the prospects of a renewed CI. Furthermore, I will maintain that an ideal-regarding perspective calls for some want-regarding underpinning if totalitarian dangers are to be avoided.

O'Neill advocates CI by pointing out the short-comings of PCT, its major theoretical rival. It is not completely unimportant, however, that CI already had a reputable standing as social theory before PCT entered the scene as a result of the neoclassical revolution in economics. Thus we have to ask why PCT has been so overwhelmingly successful in overcoming CI. To blame this on human susceptibility for intellectual fads and fashions alone seems insufficient. CI simply did not deliver as much as it promised. The turn of the century proponents of CI expected as much from it as O'Neill demands today: valid explanations of the way human preferences are formed by institutional settings. Historical research seemed to be the best method to generate such explanations. History, however, proved to be a very problematic basis for general theories of preference formation and for the prediction of actions. Everybody knows that one should learn from history, but it

is hard to find two people who agree on the lesson which is to be learned. Hence, there is no straight road from a criticism of PCT to the resurrection of CI. Renewed interest in CI seems to be justified only if institutionalism can make progress on its own terms. O'Neill does not address this question. He gives no example which proves the superiority of CI over PCT. His example of vote maximizing behavior which is assumed by some PCT applications to political science just shows that a minimum of preference adaptation to the institutional context is already acknowledged by PCT. PCT is not necessarily free of specific behavioral assumptions but it is economizing on them. Some people regard this as a virtue. A criticism of PCT and an apology of CI, which is not following the fruitless line of an accusation of plagiarism of principal assumptions, should demonstrate that there is a case for rich, history-based institutionalist analyses. Therefore, O'Neill fails to convince me that CI is better than PCT. Of course, the opposite does not follow either from anything said in O'Neill's paper or my comment.

Let me proceed to my second topic now: ideal-regarding practices and the alleged connection between CI and the regard for ideals. I know of no widely accepted institutionalist analyses which show how human preferences can be formed reliably in say a prosocial direction. Pessimists may even expect that institutional research will prove that such a thing cannot be done. Nevertheless, this is admittedly no strong reason against O'Neill's optimism and against the claim that social institutions should support the formation of moral preferences. It is hard to imagine something that can be said against the suggestion that this aim should guide the construction of institutions and organizations. Even neoclassical fundamentalists of the Chicago variety will not object if moral education is provided cost free. But should we expect that such a miraculous moral production function exists? Not in our world. Every decision to create institutions is packed with opportunity costs and the value of the moral perfectionist approach to environmental protection depends critically on the size of these costs.

I guess most people would not want to install institutions regardless of their consequences. Therefore, a kind of Cost-Benefit Analysis of institutions becomes mandatory before we can assess the doubtful superiority of moral preference building over the want-regarding approach. This is not merely an academic problem. The running costs of a programme for moral perfection may be low (a combination of books and enthusiasm might suffice), but its consequences could be hard to bear. It would be politically as well as morally irresponsible not to recognize that perfectionist programmes have a dubious track-record in the course of human history. Some attempts at perfecting human wants have had quite bloody consequences. Most of these attempts were conducted for what seemed at their time to be highly desirable ends. The most desirable end of our time probably is environmental protection. So the stage is set and dangers lurk around the corner. We better assess the risks and promises of perfectionism before we act. This is no easy thing to do because it calls for the measurement of intangible values and the identification of remote effects. On the other hand, environmentalists always argued forcefully for a change from 'linear' to 'complex' causal

thinking and against ignoring what is hard to measure. I agree, but then the fact that perfectionism has been prone to produce unintended effects should not be underestimated because of measurement problems.

I am sure these sceptical doubts will be no news to O'Neill. They show, however, that there is more to the neoclassical paradigm, to Public Choice and to Cost-Benefit-Analyses than a critique of their want-regarding nature can cover. In addition, these approaches emphasize the necessity of weighing goods (cf. Broome 1991) and they suggest methods for this task. Without prior weighing of risks and benefits, perfectionist policies cannot be advocated on a rational footing. At best, moral perfectionists may start with an implicit weighing which in their view probably will end so evidently in favour of their approach that they see no need for careful explicit considerations. But even an implicit weighing presupposes the methods on which weighing is grounded. Thus, rational perfectionism presupposes some sort of consequentialist calculation, which can be seen as a refined form of Cost-Benefit-Analysis. Furthermore, Public Choice is needed in order to assess the potential stability and exploitability of ideal-promoting institutions. This prospect sounds somewhat disappointing for theorists who detest eclecticism but it probably describes the situation which analysts of institutions have to face. The approaches O'Neill tries to rank are so entangled with one another that no ranking is possible as long as the ideal-regarding perspective is taken seriously. Ironically, it is therefore easier to opt in favour of Classical Institutionalism and to discard Public Choice if the ideal-regarding perspective is abandoned. But I can hardly imagine that O'Neill will embrace this option.

### **Bibliography**

Broome, J. (1991), *Weighing Goods*, London