

Political Entrepreneurs and Dynamics of Institutional Change: Conceptual Framework and Analysis of Case Studies in Israel

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Abstract

This study explores the variables and dynamics influencing the stability of institutional changes. While there are various explanations of the reasons for institutional change and the dynamic through which it evolves as well as studies that explain the conditions for institutional stability, there are very few studies that try to evaluate the stability of institutional changes based on the preliminary institutional setting and the political culture characterizing the relevant society. This study will present dynamics of an institutional change in Israel. Specifically I refer to the 1992 electoral reform which was acted in Israel on 18/3/92 and was known as the "direct election rule". The direct election rule was implemented on 1996 and was canceled five years later on the 7/3/01 by the Israeli parliament, thus returning to the former method of election in minor changes

In this study the term 'Institution' is defined as a formal political rule of game (North, 1990), meaning that, an institutional change re-constructs the structure of political discussion as well as the power relations between different political players in society (Buchanan, 1990; Gardner and Ostrom, 1994).

In many cases an institutional change also leads to the concession of power by some of the political players. Therefore, the question that arises is: Why do politicians - legislators who are supposed to maximize their utility and power, cooperate with institutional changes that lead to a concession of their alleged political power? Furthermore there are times when politicians recognize that in order to constitute a stable institutional change, they must consider long term calculations, yet they finally adopt short term considerations which lead to unstable institutional change.

This study provides systematic and deep analysis of the activity of political players within the context of a given socio-political and structural framework. Therefore, the theoretical question to be asked and examined in this research study is:

Why and under what terms do institutional changes [changes in formal political rules of game] occur? How such changes are designed and structured? And what are the conditions that explain its stability?

The framework elaborated in the paper suggests that the key factor in determining the stability of institutional change are the time preferences of the players involved in the process. As players are more short term oriented, the institutional change is likely to be less stable because it is planned to bring about immediate benefits for the players rather than long term social welfare. In that case, we can expect that once payoffs are distributed, a new institutional change, also derived by short term calculations, will emerge and so on. We therefore develop a rationale for analyzing the impact of structural and cultural factors on players' time preferences.

The study identifies two key variables in the process of institutional change: 1) The level of political and economic stability; 2) The type of political culture of a given society as expressed in the public attitudes towards democratic values, i.e. whether such values construct the fundamental values of society or they are only regarded instrumental for maximizing other values or interests.

Based on these main variables and other intervening variables, we apply the rationale according to which, as the level of centralization increases transaction costs increase as well and, as a result, economic and political stability decline. In many cases the political system reaches a stage of non-govern ability meaning that it cannot reach stable and consistent decisions. Under such unstable conditions both politicians, interest groups, bureaucrats and the general public seek immediate payoffs rather than looking for long term outcomes. This means that unstable economic and political systems are likely to impose short term calculations upon the players and as a result lead to unstable institutional change. However, as democratic values are less

instrumental and more fundamental in a given political culture, players have greater respect to democratic rules of game and thus view changes in such an institutional setting a part of a long term process meaning that they stress long term considerations in their calculations. If, on the other hand, a given political culture is characterized by instrumental democratic attitudes, then players will be guided by short term calculations as far as changes in the democratic institutional setting are concerned.

Thus, the combination of the two variables allow us to develop a two-scale measurement tool of structural conditions that influence players time preferences and hence explain the stability of a given institutional change. For example, **Israel** has been characterized by high level of economic and political instability. Such structural conditions imposed short term considerations upon the players. In addition, Israel's political culture is characterized by instrumental democratic attitudes which also mean short term calculations as far as changes in the democratic setting are concerned. The combination of these structural and cultural conditions creates a dominance of short term considerations and thus institutional changes are likely to be unstable and frequent.

In the cases of Israel, we identified the involvement of political entrepreneurs. Their activity is central for explaining institutional change because they identify the attitudes towards change in society and the readiness for institutional change; they also specify the social problem as well as the solution, i.e., a change of political rules. The entrepreneurs preferences, activity and influence become more significant when most players are guided by short term calculations. On the other hand, when the structural and cultural conditions promote long term calculations among the players, institutional changes are designed through complex interactions among political players, with the encouragement of the political entrepreneurs. The chosen path

depends on both the level of the economic and political stability and on the level of the political culture in a given society as expressed in the public attitudes towards democratic values. Based on these conditions we can explain the stability of an institutional change.