Keohane compares the rationalistic and reflective approaches to studying how international institutions work and change. Keohane argues that analyzing these two approaches in light of one another allows us to clarify the strengths and weaknesses of each. Keohane believes that this comparative work suggests hypotheses and directions for development of better-formulated research programs for both views. Ultimately, Keohane sees these better-formulated research programs serving as the basis for empirical research and possibly even for the synthesis of the two approaches.

**Definition of “Institution”:**

“‘Institution’ may refer to a *general pattern or categorization* of activity or to a *particular* human-constructed arrangement, formally or informally organized” [Keohane’s italics] (p. 383). Both types of institutions “involve persistent and connected sets of rules (formal and informal) that prescribe behavioral roles, constrain activity, and shape expectations” (p. 383).

Examples of patterns and categories of activities: religion, sovereign statehood, diplomacy, neutrality.

Examples of particular human-constructed arrangements: the French state, the Roman Catholic Church, the international nonproliferation regime, or GATT. [These are “discrete entities, identifiable in space and time. Specific institutions may be exemplars of general patterns of activity” (p. 383).]

** In the article, Keohane focuses on “institutions that can be identified as related complexes of rules and norms, identifiable in space and time” (p. 383). That is, Keohane focuses on specific institutions and practices. Specific institutions are defined in terms of their rules.

**The Substantive Rationality Approach:**

Rationalistic research on international institutions states that institutions emerge to reduce the costs of cooperation in order to facilitate mutually beneficial agreements. More specifically, institutions reduce transaction costs (the costs of specifying and enforcing contracts) and certain types of uncertainty. According to the rationalistic view, we “should expect international institutions to appear whenever the costs of communication, monitoring, and enforcement are relatively low compared to the benefits to be derived from political exchange” (p. 387).

**Strength of the Rationalistic Approach:**

- Provides a good, general, descriptive model of how institutions work

**How the Rationalistic Approach Could be Extended:**

- Why do international institutions exist in some areas rather than in others?
- Could the approach be applied systematically to account for the creation and demise of institutions?
- It could be used to develop a theory of compliance and noncompliance with commitments.
- If we are able to specify the characteristics of a situation, rationalistic theory may help predict the change that will occur.
Limitations of the Rationalistic Approach:

- Does not take into account the prior institutional context

Keohane sees the need for more historically and theoretically informed empirical work if we are to begin to understand the specific conditions under which cooperation takes place.

The Reflective Approach:

This sociological approach to the study of institutions stresses the role of impersonal social forces and the impact of cultural practices, norms, and values that are not based on utility maximization.

What the Reflective Approach Can Add to the Rationalistic Approach:

- Rationalistic theory does not account for cultural variation in fundamental preferences.
- Contextualizing specific institutions (putting them into a prior framework of institutions and practices) ultimately leads us to the most fundamental of institutions, which cannot be explained in terms of rational individuals engaging in utility maximization.
- The reflective approach argues for an endogenous dynamic in a theory of institutions. In other words, preferences should not be assumed to be fixed.

Weakness of the Reflective Approach:

The lack of a clear research program

Criticism of Both Approaches:

Neither pays adequate attention to domestic politics