The evolution of the European Community (EC) policies and institutions are best explained by a theory of historical institutionalism. There are “gaps” in the abilities of rational, utility maximizing states to control the evolution of policies and institutions. While it appears that in specific instances states pursue their particular interests, when considered from a historical view it is clear that states are constrained and forced to accept outcomes that are opposed to their interests. Pierson’s broader goal is to develop a set of microfoundations for historical institutionalism. He specifies the following criteria: there must be an account of why there is a divergence between the preferences of states and outcomes, and why, once there is such divergence, it cannot be corrected.

There are four reasons why preferences and outcomes diverge in the EC. First, states have to grant institutions partial autonomy to implement policy because otherwise there would be constant pressure from states with opposing preferences. Over time institutions will use this autonomy to pursue its own purposes. Second, leaders of states heavily discount the long-term implications of decisions, focusing instead on the short-term domestic political gain. Third, the density and complexity of issues generate unintended consequences due to information asymmetries and spillover effects. Finally, the preference of member states change as new leaders are elected. These governments try to alter existing institutions to serve their new preferences.

Pierson identifies three explanations as to why such gaps cannot be filled after there are formed. First, supranational actors will use their resources to resist greater oversight. Second, institutions are often designed to be “sticky,” or difficult to reform so as to ensure that the purposes for which they were initially established are served. Third, there are sunk costs associated with participation in institutions. As states have made specific investments based on the assumption of a certain institutional arrangement, institutional changes will be costly for the state as well. Thus, there are path-dependence effects that constrain states in changing policies and institutions.

Historical institutionalism explains the relationship between states’ preferences and EC-level outcomes as a function of changes in institutions over time. States will periodically bargain over a particular set of institutions and policies. After bargaining round gaps in state-control will emerge such that in subsequent rounds rational states will bargain but under a different set of institutional conditions.