

INSTITUTIONS IN SOCIO-ECONOMIC LIFE – METHODOLOGICAL ISSUES

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Abstract. In the paper there were presented results of bibliography researches on methodological issues concerning the old and new institutional economics. The institutional economics has been developing since a few dozen years. Contemporary, after the period of marginalisation, this direction has gained a new interpretational approach. This article is an attempt of confrontation of two different interpretations of economic reality within the institutional theory. A common methodological approach is inter alia an institution's interpretation from social sciences' point of view. In the paper there were presented an example of institutional matrix and an individual's institutionalisation model as an instrument for an interpretation of social processes taking place on macro, meso and micro levels.

Key words: institutional economy, social sciences, economic research methodology

INTRODUCTION

Social changes started in the XX century and continued in the XXI century created a need of a multidimensional approach to occurring processes. One of possible directions of a comprehensive frame of changes taking place inter alia within economic, social and technological field was and is institutionalism, which defines institutional limits of particular entities in particular sciences. Both global processes as well as technology development is perceived as a threat to existing civil rights and freedoms and as a potential individual's weakening. Contemporary society is characterized by both high level of specialization as well as varied individual's needs realized by various kinds of institutions. Increasing number of publications concerning different problems in institutional context proves institutional idea's popularity. Particular authors notice institutional character of processes taking place in various spheres of social life for example in banking, on agricultural market, labour market as well as individual's and whole social groups' rights to participate in economic life.

The aim of the paper is to present selected instruments of economic analysis (institutions, a model of men's socializing and a matrix of basic institutions) as well as summary of methodological bases in the new and old institutional economics and confrontation of methodological issues involved there.

INSTITUTIONS FROM SOCIAL SCIENCES' POINT OF VIEW

A concept of institution is perceived as a key idea in a conceptual apparatus of all disciplines within social sciences [Offe 1995], but often particular disciplines differently see its role. For example, in **praxeology** individuals as well as equipment meaning "*all substances, instruments and all other facilitating things, which are used by persons cooperating within a team*" [Kotarbiński 1982] form an institution. In other words, an institution is also "*a couple of friends traveling together on a two-seater boat, with this boat*" [Kotarbiński 1982]. Also in **anthropology** an institution is perceived as "*an organized system of human activity*" [Malinowski 1958], recognizing it as a fundamental component of culture essence and a separate category of functional analysis. An institution, defined according to anthropology, consist of all human activities which have tendencies to become a habit. Certain order existing in a society is a result of human activity and also is an effect of historic process of accumulation and diffusion of certain institutions. In **modern sociology** institutions are perceived through a prism of existence or lack of existence of habits controlling men's behaviour (controlling an individual from inside) and they are often in opposition to beliefs and social practices (influencing on an individual from outside). An individual contacts institutions as determinants of socio-economic activities through admitting ready standards, rules of behaviour. At the same time an individual cannot make institutions to stop existing or undergo a significant change. An individual can only modify some institutions, but as it is stressed in the literature it is almost impossible. Institutions can be also understood as a particular group of rules (rules and models of behaviour, procedures), which influence on the whole proceedings of socio-economic relations. These rules decide, which behaviour is right and which is inappropriate in certain circumstances. When a particular group of rules is the same for a whole population (community, a group of enterprises), these rules became a certain characteristic attribute of this population. However, it should be remembered that a men (as a population) creates all institutions because through it he "*designs and introduces rules, which control, order and make predictable social world of interactions*". [Chmielewski 1995].

From the economic science's point of view, an institutions is determined as normalized standards of behaviour, functioning on a basis of preserved rules of activities, where "*a focal length is an idea of social technology*" existing with "*physical technology*" influencing directly on progress's forming and evolution of economic systems. Existence of market institutions is conditioned by occurrence of "*(...) private property, price mechanism and protection of economic freedom by the law and does not assume that a society, within they work, is a civil society. Thriving market economy can exist – and existed – in societies with a state religion, where there is not an equity towards the law, where there is a lack of majority of civil freedoms*" [Gerefit 1994, after Morawski 2000]. A basis for creation and development of property, as an important element of socio-eco-

conomic institution, is not a will to owing resources minimal for existence but also a desire to stand out through ownership. Institutions are recognized as a complex of habits rising from them and often rise over them [Veblen 1971]. So an institution means „*socially preserved rules of behaviour*” and „*economic institution*” should be mainly understood as “*a group of rules determining cooperation in managing process, especially in a wide understood exchange*” [Stankiewicz 2005]. As a result, on the one hand, standards and rules existing in a society limit individual’s and social groups’ freedom, point out a kind of activity socially accepted and determine a range of individual’s and organization’s freedom. A different range of functions, concerning market regulations of people’s behaviour in a way which does not cause mutual damages, is attributed to particular economic institutions.

The new institutional economy consists both of [Williamson 1998] institutional environment and as a result rules of behaviour in a business environment as well as management structure concerning rules of cooperation between entities operating on a market. Within classification of institutions’ categories according to a criteria of formalization and fields of implementation it is determined that “*institutions are limits, made with use all that is within a human possibilities, which form a structure of people’s cooperation. They include formal limits (for example rules, laws, constitutions), non-formal (for example rules of behaviour, conventions, voluntary codices of behaviour) and characteristics of its implementation. All-in they determine a structure of stimuli in communities and especially in economics*” [North 1994].

METHODOLOGICAL ISSUES IN INSTITUTIONALISM

The main issues of institutionalism in its classic version is [Blaug 2000], first of all, lack of acceptance of a high level of abstraction, as it was in the neoclassical theory, secondly a need for integration of economy with other social sciences and thirdly dissatisfaction with casual and non-methodological empiricism of classics and neo-classics supporters mainly in calls for conducting detailed quantity researches. It should be stressed that bases of studies in classical economy are models far away from real market relations for example a man’s model is described with his four features: own interest realization, full knowledge and information, awareness of choice and representativeness. At the same time the following directions of institutional economy development are pointed out [Fusfeld 2000]: an analysis of changes of institutional structures in contemporary capitalism, a critical analysis of the mainstream of economy from the new institutional economy’s point of view, development of new instruments of socio-economic policy for contemporary problems solving and development on the basis of empirical methods research, which will transform “*metaphysics of mathematical models*”. At the same time it is indicated that modern technology is one of substantial institutional changes, which contributed to changes in a cost structure in enterprises.

In all mainstreams of institutional economics, a methodological postulate is pointed out, according to which institutions should be the main subject of an economic analysis and the main feature of the new institutional economy is stressing importance of institutions as contract relations. That is why enterprises are perceived as a contract

plexus in the new institutional economy. It should be also pointed out that a man as a managing entity takes up cooperation on a basis of formal or non-formal (default) contracts, is involved in a wide range of institutions. Efficiency of organizations' operation depends on entering into contracts within a particular business environment of an organization (contacts of an organization with workers, suppliers, recipients as well as consumers). Contract rules are normalized both by legal institutions, as well as by ethic and moral ones. Organization's efficiency results from limited rationality of people conducting it, a level of their opportunism and information asymmetry. The contemporary new institutional economy is based on three methodological assumptions [Chmielewski 1995]: methodological individualism, an institutions as a subject of an analysis and political economy as an analysis of a range of using of goods and services characterizing by different attributes by particular individuals. Attributes of particular goods influence on individuals' behaviour and through it on a structure of social interactions. Individuals' activities are determined by defined natural (material) environment through production, exchange and utilization. An individual uses technology specific for particular environment and as a result it influences on individual's decisions connected with resources allocation and leads to gaining economic, social and political effects [Chmielewski 1995].

Within the new institutionalism a few streams can be pointed out as well as the main one, trying to find a common bottom in economy and other social sciences as [Coasts 1990] political science, history, psychology, anthropology, ethics and law. This effort is an attempt to shift limits of neoclassical economy. Research methods as well as research results used in the institutional economy are in the direct connection with different areas of economic sciences (especially between psychology and economy). Two approaches can be distinguished taking into account methodological aspects in institutional researches. First of them considers individualism understood in economic sciences as "*opinion on significance of a human individual, whose needs and rights are more important than a social group's needs and rights...*" [Stankiewicz 2005]. In the case of the methodological individualism it is believed that only individuals have aims and interests and changes, which take place in a social system, are results of only individuals' activity, all important social phenomena have its explanation in theories, which take individuals, its features, beliefs, resources and relations as a subject of research. At the same time within this approach there are formulated opinions concerning a phenomenon of sociology explaining individual's personal behaviour through a prism of aims, beliefs, resources and mutual relations [Coasts 1990]. The second different approach is methodological holism, which assumes that a society as a whole influences on behaviour of each its part. It is also believed that macro aims determinants are mainly law and power which can be imposed on a social system as a whole. Behavior of individuals, which are elements of a society, can be inferred inter alia from general or social laws and can concern a social system as a whole and also a social position of individuals. The holistic view is "*attributed*" to Veblen in the economic tradition because to a wide extent it relates to social communities. However, the new institutional economics focuses to a greater extent on "*methodological individualism*" using to a large extent from neoclassical economy and a functional approach, focusing on development and changes taking place in a socio-economic surroundings. A conciliatory solution between the old and new institutionalism can be maybe acceptance of institutional individualism in studies.

SELECTED INSTRUMENTS OF INSTITUTIONAL INTERPRETATION OF SOCIO-ECONOMIC PROCESSES

Perspective of social sciences

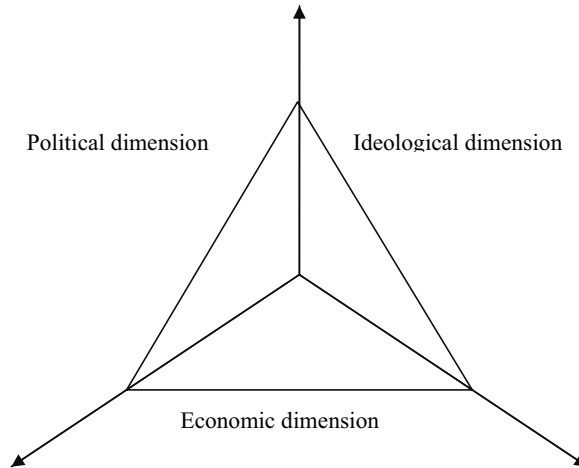
A model explaining institutionalization of individual's activities was being searched in social sciences. A model of men's behaviour socializing is dated at times of creation of first beginnings of an institution and is characteristic for tribal communities constituting an opening phase of inside differentiation of a men's community [Marody, Giza-Poleszczuk 2004]. Within this approach there can be distinguished three groups of "institutionalizing" factors of individual's activities. The main elements are population, so its number, habits and social divisions, habitat consists of natural environment and social infrastructure as well as group's features like a language, values' metrics.

The model of men's behaviour socializing describes relations inter alia between environment and a primary community which is important because environment is a main factor determining a number of a group and as a consequence changes taking place in a society. Change in a way of life from a nomadic one into sedentary one caused increase in number of a single population consisting of a few related groups. A fact of relationship reduced a possibility of conflict's occurrence within a society. However, in these societies there was a lack of formal leadership and succession of a social status. A system of mutual obligations limits to a large extent gathering of resources by particular individuals and development of economy based on knowledge. Exceeding of a certain number of individuals in a society causes that there is an increase in occurrence of inside conflicts, which contributes to creation a chief's system. A hierarchic system is created at the place of a homogenous community and it causes inter alia attempts to implement a new system through transformation of a beliefs system into an institutionalized religion, which increases authority of governing people. The model of men's behaviour socializing presented on the example of tribal communities is on the one hand the simplest example, on the other hand is an instance of diversification of human communities. Tribal community is a special form of social life organization, where there is a combination of three different social dimensions, it means "social order", "political order" and "economic order". This community creates one institutional system integrated through a sense of collective We (social order), taking up group decisions (political order) and controlling own resources (economic order) [Marody, Giza-Poleszczuk 2004]. Each of these order types creates separate social institutions which "generates special interaction systems submitted to generation and regeneration of three fundamental dimensions" [Marody, Giza-Poleszczuk 2004]. In the case of **social order** there is a population reproduction in a mental dimension. In the case of **economic order**, there is a habitat reproduction consisting of a change of part of natural environment in socialized environment and within political order there is a reproduction of group representations, a main instrument of integration and mobilization of a whole community in a situation of its danger of expansion.

Perspective of economic sciences

One of interpretation instruments used in institutional economy is also „theory of the institutional matrix” [North, Internet and Stankiewicz 2005], which aim is to present basic social institutions forming mutual relations and dependences considered as an invariant

factor. This concept is understood as simplified image of reality, formula enabling reproduction of parts of a larger socio-economic whole. The matrix can be a opening model, which being coherent and fixed, orders a structure of each system. Economic, ideological and political dimensions are the main ones, on the basis which socio-economic institutions are being developed [Kirdina, Internet]. They are a coherent system of a macro level undergoing changes in the slightest extent. There is a relation between “*native institutions*”, which contributes to creation of a characteristic socio-economic system, strongly affecting on institutions existing on a macro, meso and micro levels (graph 1).



Graph. 1. Matrix of basic institutions of a society

Source: S.G. Kirdina, *The Transformation Process in Russia and East European Countries: Institutional Matrices Theory Standpoint*, [in:] Russian Academy of Science, Siberian Branch institutes and industrial Engineering, Novosibirsk, Internet.

Within studies considering basic native institutions of institutional dimensions there is also, except of before listed, technological dimension. This dimension strongly influences within social relations both on a macro level, but mostly meso and micro levels. Technological dimension changes a range of relations inside an organization and between managing individuals. Technological development contributed to formation of new social and economical relations. It influences both on changes within an organizational structure of enterprises as well as on a change of roles in a family and causes that new abilities occur to be needed. New models became popular, where aiming at profits, as a main human goal, became a determinate of people's place in a social structure. Development of technology caused formation of new branches of industry, as a result increase in individuals' mobility and urbanization of particular regions. It should be stressed, that technology development contributes to increase in importance of individual's knowledge and abilities. An individual becomes an autonomic entity operating independently form a whole community though strongly connected with it. An individual's autonomy evinces inter alia in aiming at realization of own personal goals and limited rationality in resources management. Since technological development was dominated by new information technologies, widening of inter alia global extent of social division of work.

SUMMARY

An instrument enabling interpretation of some economic phenomena was being looked for in the institutional economics. One of possible instruments, resourced from anthropology, is a model of men's behaviour socializing and also a matrix of basic institutions used in economy. Existence of two main directions, the old and new institutional economic is a result of a different methodological approach. Comparing methodological assumptions of these two directions it should be stressed that there are more similarities than differences between these two directions of economic thought. Both directions perceive:

- methodological aspects of economy from individualism's and collectivism's point of view in economy (these two approaches are equally used in researches on processes taking place in economy), it is also stressed that there is a need of holistic view, where economic processes are considered along with social processes;
- managing entities' behavior is determined by institutions' existence and socio-economic processes transforming institutions' system. At the same time supporters of institutionalism point out a dominating men's influence, who can transform environment, where he lives;
- economy as a part and also a product of a legal system. Legal system of a particular group results from accepted economic rules and vice versa law is its part and also a product of an accepted economic system and changes in socio-economic environment dictated mainly by gathering and implementation of knowledge and technological progress;
- institutions, together with legal institutions, are interpreted both as a cause and result (dependent and independent variable). The same situation is also in the cases of individuals, tastes and styles of life. It should be stressed in this place that both individuals and institutions are not self-existing by engaged in a net of mutual relations (see assumption of methodological individualism);
- institutions, both intended as well as accidental (as "pragmatic" and "limited") formed to order economy are examples of culture determined choice and are under transparent as well as hidden social control and at the same time are elements of determinism and human free will.

Supporters of institutionalism stress empirical researches and looking for phenomena' reasons and economic processes (positive approach) on the one hand, on the other hand emphasize importance of human will and value systems (normative approach).

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INSTYTUCJE W ŻYCIU SPOŁECZNO-EKONOMICZNYM – ZAGADNIENIA METODYCZNE

Streszczenie. W artykule zawarto wyniki studiów literaturowych dotyczących zagadnień metodycznych odnoszących się do starej i nowej ekonomii instytucjonalnej. Ekonomia instytucjonalna rozwija się od kilkudziesięciu lat. Współcześnie, po okresie marginalizacji teorii instytucjonalnej, kierunek ten zyskał nowe podejście interpretacyjne. Artykuł jest próbą skonfrontowania dwóch odmiennych interpretacji rzeczywistości ekonomicznej w ramach teorii instytucjonalnej. Wspólnym podejściem metodycznym jest m.in. interpretacja instytucji z punktu widzenia nauk społecznych. W artykule zaprezentowano przykład matrycy instytucjonalnej oraz modelu instytucjonalizacji jednostki jako narzędzia interpretacji procesów społecznych zachodzących w obszarze makro, mezo i mikro.

Słowa kluczowe: ekonomia instytucjonalna, nauki społeczne, metodyka badań ekonomicznych

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