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Pekea Theme 5: Institutions and Rules

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This short statement has three aims. First, it suggests that rules and institutions are a convenient and productive entrypoint for analysing capitalism and mainstream proposals for its reform. But it also suggests that analyses cannot stop there if adequate critiques and alternative strategies are to be developed. Above all we need to move beyond rules and institutions to examine the micro-foundations of institutions in particular subjectivities, cognitive frames, modes of calculation, norms of conduct, and forms of embodiment; and to study the macro-contexts that emerge from interaction among institutions and shape this interaction in a complex dialectic of path-shaping and path-dependency. It also suggests how to move beyond rules and institutions. Second, this statement proposes a distinctive theoretical approach based on a combination of trans- and post-disciplinary modes of inquiry. It argues that these can inform both our collective intellectual endeavours and also provide the basis for a critical popular pedagogy. And, third, it identifies some key issues for a research agenda on the political and ethical dimensions of contemporary economic activities.

In the spirit of the PEKEA project, our statement is not concerned to provide yet another critique of orthodox economics (for which, see Hodgson 1989; North 1990; Rutherford 1994). Instead we emphasize the socially embedded, socially regularized nature of market economies and address changing economic norms and modes of calculation. This leads us to approach capitalism very broadly in terms of the overall ensemble of socially embedded, socially regularized and strategically selective institutions, organizations, social forces and actions that are involved in sustaining the wage-relation, a labour process and more general system of production organized in terms of profit-and-loss, and a complex balance between competition and cooperation among different capitals. Seen in these terms capitalist relations of production are not just economic but is also (always, necessarily) extra-economic. In pursuing these ideas should help to provide a clearer account of the inherently political aspects of contemporary capitalism.

1. Institutions and Rules

Institutionalists differ widely in how they define institutions and the respects in which they matter. In part this reflects different disciplinary traditions and 'the inclination to opt for a discipline-based, theory-impregnated internalist-style definition of the term' that makes most sense from a given disciplinary perspective (Goodin, 1996: 21). In general the social science literature tends to regard institutions as social practices that are regularly and continuously repeated, linked to defined roles and social relations, sanctioned and maintained by social norms, and highly significant in the overall social structure. Examples of institutions in this sense include the family, religion, property, markets, the state, education, sport, and medicine. As such they are linked to particular emergent rules of conduct and modes of calculation as well as to emergent structural qualities and feedback effects. Institutions thus defined should not be mistaken for their instantiation in particular cases nor confused with particular organizations. Thus, to take the list above, individual families, church congregations, commodities, economic transactions, cabinets, schools, athletic competitions, or hospitals would not count as institutions. Some theorists adopt an intermediate position that treats some organizations as institutions insofar as they are durable, perform official, public, or quasi-public activities, and have a major impact on the wider society. Examples of such 'institutions' include the executive, legislative, and judicial branches of government; the peak organizations of capital and labour; established churches or other religious faiths; the leading parties in a competitive party system; major mass media organizations; and even some firms or banks that have a key role in economic performance and are considered 'too big or

important to fail'. These are certainly important objects of inquiry and deserve inclusion in the sort of inquiry recommended here. In particular, the institutional economics of organization is one of the main fields of the new institutional economics (e.g., Rowlinson 1999; Scott 1995; Williamson 1996). We are less convinced that they should be called 'institutions', however, as opposed to being analyzed from an institutionalist perspective. We would therefore reserve the notion of institution for supraorganizational institutions. But this is simply an issue of definitional fiat and our overall analysis would still stand even if we accepted some other terminological conventions. There is also considerable disagreement about the nature of rationality, rules, and conduct. In contrast to the strong conception of rationality (the formal maximizing behaviour of rational calculating subjects) favored in orthodox economics, we adopt a weak conception more suited to the analysis of variable institutional contexts characterized by different cognitive frames, bounded rationalities, logics of appropriateness, conventions, modes of calculation, and so on. Moreover, given our greater interest in real economic activities than rational choice modelling, we define rules as explicit and/or implicit conventions and norms of conduct that variously prescribe, proscribe, encourage, permit, or derogate certain patterns of behaviour in more or less well-defined circumstances. This points in turn to the need to investigate the conditions under which such rules emerge, the factors behind their variation, the extent to which they are acted upon (and the various reasons that might prompt economic agents to conform with them) and their stability.

Institutions are closely linked to sets of rules and norms of conduct both through explicit attempts at institutional design and through unintended evolutionary stabilization. Institutional design requires attention to conduct as well as structure. For institutions are typically associated with specific logics of appropriateness that are irreducible to formal rationality. Instead they specify more or less specific and substantive rules of conduct. Stable institutions typically emerge through the co-evolution of (a) changing rules of conduct and the strategies and tactics that they permit and (b) the selection and reinforcement of these rules, strategies and tactics in and through the reward structures (pay-offs) associated with specific institutional ensembles. This highlights the importance of studying the interaction between social agents and institutions in terms of the structurally-mediated recursive selection of strategies and tactics and the reflexively-mediated reorganization of specific structural configurations. This implies that institutional design and reproduction depend not only on appropriate sets of norms but also on the creation of subjects able and willing to interpret them in ways that sustain these institutions. Creating such subjects involves more than a cognitive and normative socialization that enables individuals to conform quasi-mechanically with reproduction requirements of specific institutions. For particular roles and identities and particular skilled subjects need to be discursively constituted, embedded in appropriate institutions and material practices, and materialized in specific human competencies. Conversely, because institutions are never completely and rigidly institutionalized and rules are always partly indeterminate, their reproduction requires active engagement and flexibility on the part of agents. This is where 'logics of appropriateness' enter the picture, especially when they encourage social forces to make appropriate decisions in response to changing circumstances.

Our main purpose in this section has been to stress the heuristic value of studying rules and institutions. For this has a useful mediating role in relation to well-established and troublesome ontological antinomies, epistemological dualisms, and methodological dilemmas in the social sciences (for a discussion of these, see Jessop 2001). We can illustrate this general claim with the path-dependency and path shaping. As emergent meso-level phenomena situated at the intersection of path-dependent structural inertia and path-shaping activities, institutions provide a theoretical and empirical bridge between macro- and micro-phenomena or macro-social logics and micro-social foundations. Because institutions always need to be interpreted and renegotiated, they can never fully determine action; but nor do they permit any action whatsoever so that life is no more than the product of purely wilful contingency. Thus institutions typically entail a more or less tightly constrained set of feasible current choices. Within these constraints, however, social forces may (and often must) choose how to act; and, in acting strategically over different spatio-temporal horizons, they may be able to eliminate current constraints and modify future possibilities. In this way path-shaping activities can create new forms of discursively and institutionally embedded and/or cognitively and practically 'embodied' path-

dependency.

2. Post-Disciplinarity

This institutionalist research agenda requires new intellectual practices. We will illustrate this from the critique of political economy. Classical political economy was a pre-disciplinary field of inquiry in the sense that it was formed before academic disciplines crystallized out and began to fragment knowledge in the mid- to late-nineteenth century. As such it was pioneered by polymaths who believed that political economy should comprise the integrated study of economic organization and wealth creation, good government and good governance, and moral economy (including language, culture, and ethical issues). More orthodox forms of political economy had already begun the retreat from these wide-ranging concerns in the early nineteenth-century; and pure economics as a distinct discipline degenerated further as it became increasingly rigorous (mathematical and formal) at the expense of its relevance to the real world. We cannot return to the pre-disciplinary era but we can hope to develop pluri-, trans-, or post-disciplinary analyses of economic activities by drawing on the expertise of colleagues from different disciplines and research traditions as well as by developing new concepts and methodologies that seek to transcend disciplinary boundaries. A pluri- or inter-disciplinary approach typically combines what are regarded as the inherently valid understandings and knowledge of different disciplines to produce the 'big picture' through 'joined up thinking'. Whilst this is a useful starting point for analysing complex problems, it is better still to aim to adopt trans- and/or post-disciplinary approaches. These begin by identifying specific problems and then mobilize, develop, and integrate the necessary concepts and knowledge without regard to disciplinary boundaries. To go beyond trans-disciplinarity to post-disciplinarity requires a final set of difficult intellectual and practical steps. This is to recognize the conventional nature and inherent limitations of individual disciplines and disciplinarity as a whole and to remain open to new ideas that may well be inconsistent or incommensurable with any or all established disciplines. This commitment to post-disciplinarity is a counsel of perfection, however, and presents us with a constantly moving target as disciplines and their relations are reorganized. Transdisciplinarity is often sufficient for many purposes and it is almost certainly easier to deliver in an age when established disciplines still dominate higher education and the intellectual division of labour.

To clarify these points we now distinguish forms of disciplinarity, indicating how they affect the study of economic rules and institutions, and noting their implications for a political and ethical critique of economic activities (see Figure 1). Pre-disciplinary analyses of the economy are associated with the early modern period of Western thought, when the market economy was not yet fully differentiated from other societal spheres and when, in particular, the commodity form had not been fully extended to labour-power. Consequently, classical political economy was typically grounded in relatively rich philosophical anthropologies (i.e., sets of assumptions about human nature and its development) and linked to relatively explicit ethico-political considerations. It was only in the mid-nineteenth century that more specialized disciplines emerged, corresponding to the greater degree of functional differentiation of modern societies occurring during this period and to struggles to establish a hierarchized division of mental labour within a growing academic and technocratic community. These more specialized disciplines (including, of course, economics) have often rejected philosophical anthropology as premodern, unscientific, or overtly normative and/or tend to work with attenuated assumptions about functionally-specific rationalities (modes of calculation) or logics of appropriateness that provide no real basis for a more general critique of contemporary societies.

We cannot return to a pre-disciplinary age but this does not require us to think and act on terms set by mainstream disciplines. A narrow disciplinary approach to economic analysis would focus exclusively on themes that are identified in terms of vulgar political economy and its subsequent development as a specialized, mathematized discipline concerned with economizing behaviour. It would also correspond to the naïve, positivist belief that the market economy exists and can be studied in isolation from other spheres of social relations. This naturalization of the economy is linked to top-down pedagogic practices that reproduce an unreflecting and fetishistic approach to the laws of the market and the basic tendencies of the market

economy. It also neglects the ethico-political dimensions of the economic field. Pluri-, trans-, and post-disciplinary approaches each overcome these problems to a greater extent. In particular, post-disciplinary approaches reject the legitimacy of established disciplinary boundaries and adopt a more problem-oriented approach. They therefore tend to be more open-textured, more eclectic, and more interested in political and ethical issues. This leads to more critical pedagogic practices in the academic and everyday worlds that involve a commitment to dialogue and mutual learning rather than *ex cathedra* instruction and top-down planning.

This commitment to dialogue is already evident within the institutionalist movement itself (for a discussion of different institutionalisms, Hall and Taylor 1996; Jessop 2001; Nielsen 2001; Peters 2000). Thus, as diMaggio (1998) notes, different institutionalisms have already moved from 'mutual disengagement' through constructive criticism to mutual dialogue. This is intended to build bridges between disciplines that have hitherto tended to favour different forms of institutionalism and to enhance their overall power (cf. Campbell and Pedersen 2001). There is also growing recognition that many key issues actually demand pluri-, trans-, or post-disciplinary approaches that operate across established disciplinary boundaries. These include social capital, trust, knowledge, learning, uncertainty, risk, innovation and entrepreneurship, systemic or structural competitiveness, governance and metagovernance, network economies, organizational dynamics, the economic performance and social profiles of different models of capitalism, social exclusion, and underdevelopment. For these phenomena have closely linked economic and extra-economic dimensions and also raise central issues of structure and agency.

3. Key Issues for a Research Agenda on Rules and Institutions

We can now move towards a research agenda congruent with PEKEA's purposes. We would raise the following key issues:

Rules and institutions are an excellent entrypoint into the political and ethical aspects of economic activities. The ongoing co-evolution of the economic and extra-economic dimensions of these activities is mediated through specific institutional configurations and specific subjectivities. The economy can no longer be understood in terms of the market-mediated equilibration of rational economic actions in a hermetically-sealed economic system. The improbable reproduction of capitalism always depends on a complex, unstable, and contested set of extra-economic as well as economic institutions, rules, and practices. This highlights the inevitably political character of the economy - both in the narrow sense of its interpenetration with the political system and in the broad sense of its shaping in and through wide-ranging struggles. Likewise, notwithstanding the mystique of *homo economicus*, economic rationality requires the continual making and remaking, enculturation and embodiment, of economic subjects. This reveals the crucial but hidden ethical dimensions to economic life as well as the scope (and necessity) for creating and empowering different types of economic subject. In this way focusing on rules and institutions serves to highlight the role of ethical reflection on proposals to reform/transform economies and suggests that it might be fruitful to revive philosophical anthropology to rethink ethical issues.

A focus on rules and institutions also helps to avoid voluntarism and structuralism. The temptation of voluntarism is to believe that it is enough to identify a feasible alternative for people of good will to accept its appropriateness and desirability and cooperate in its realization. This leads to neglect of the path-dependent constraints on social action and, in particular, the inertia associated with the long-term reproduction of institutions. In short, it oversimplifies the problem of how we get from here to there. The temptation of structuralism is to believe that institutional longevity excludes change so that we cannot move from here to there. We have suggested that this problem is best addressed in terms of a dialectic of path-dependency and path-shaping. Path-dependency implies that an institution's prior development shapes current and future trajectories so that institutional legacies limit current possibilities in institutional innovation. History makes a difference. But this need not imply fatalism. For social forces could intervene in current conjunctures and

actively re-articulate them so that new trajectories become possible. This is especially significant when linked to social actors' capacities for reflexivity, i.e., second-order observation of their situation, actions, and their actions' repercussions on their identities and interests. Overall, then, this dialectic indicates the significance of reflexively reorganized spatio-temporal matrices and recursively selected strategies and tactics.

Durable institutions always require micro-foundations and usually exist in specific macro-contexts. They are sustained and instantiated in individual, organizational, and interorganizational activities and embedded in functionally differentiated institutional orders in a complex, decentred, and increasingly global society. Rules of conduct are tied to the formation of subjectivities and 'normalizing' processes that enable subjects to learn and enact logics of appropriateness in different institutional contexts. Established rules are also transformed, sometimes with major path-shaping effects, as individuals, groups, and other social forces reinterpret, resist, or overturn them. It follows that an institutional analysis cannot be confined to rules and institutions if it is to fully comprehend them - there is always something beyond institutions that must be analysed and taken into account when seeking to transform them.

Given the interpenetration and overdetermination of the economic and extra-economic, the market economy is also a moral economy, social economy, political economy, cultural economy, legal economy, and so on. This indicates the need for pluri-, trans-, and post-disciplinary approaches to develop the appropriate tools to study this multifaceted economy in all its economic and extra-economic complexity. A problem-oriented, project-mediated pedagogy and problem-oriented, post-disciplinary research are therefore called for.

Finally, given the interpenetration and overdetermination of the economic and extra-economic and the inevitably social nature of the economy, it follows that space is opened to discuss how we want to socially construct the economy and what values we wish to see embedded and embodied within it.

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Bob Jessop. See <http://www.comp.lanc.ac.uk/sociology/rjessop.html>

Klaus Nielsen. See <http://www.ssc.ruc.dk/institutional/>

Thematic Concerns Methodological Approach Ontological Outlook Extent and Form of Reflexivity
Pedagogic Practices Political and Ethical Aspects Examples in the Field of Economics Pre-Disciplinary
Period Focus on holistic, polymathic themes. Predates development of distinct disciplines Polymathic,

holistic, integrative methodologies, often with humanistic as well as positivistic aspects Tied to a world with low functional differentiation. So society-nature-cosmos seen as integrated under God or through natural laws Tends to naturalize a holistic world and hence need to study it from all available perspectives "Renaissance man" model of rounded classical education in natural and moral philosophy for gentleman-scholars. Always already there: political economy and moral economy are both grounded in philosophical anthropology Old Institutional Economics

Adam Smith, G.W. Hegel, Henri Rousseau, Karl Marx, Max Weber Disciplinary Focus exclusively on themes that are identified in terms of categories of a given discipline; ignore all other possible themes Adopt an approach to any theme based on the categories of a given discipline (can lead to disciplinary imperialism) Distinct disciplines correspond to the structure of the real world - each set of ontological entities has its own discipline Tend to naturalize their respective objects of analysis as real world entities and so do not reflect on the character of disciplines Traditionally and typically involves top-down instruction in a given discipline Economic man as a rational subject. Economics and politics are separate, ethics is irrelevant. Implicit politics and ethics based on economic rationality as sole or hegemonic mode of rationality Orthodox economics, rational choice institutionalism

Pre-1990 North Deirdre McCloskey?

Multi- or Pluri- Disciplinary Focus on themes located in terms of the intersection of categories of two or more conventional disciplines Combine approaches from these disciplines to produce simple additive account of topic Conventional disciplines do correspond to simple and/or emergent entities in the real world. By combining them, one can understand a complex world Aware of epistemic limits of disciplines and need to combine them to get 'complete' account Typically involves co-exploration in terms of given disciplines that are typically learnt through top-down instruction Originates in market and state failure and need to address new economic and political problems. But still tends toward rational problem-solving. Teams of economists and sociologists combining efforts Inter- or trans-Disciplinary Focus on selected themes that are compatible with categories of several disciplines Combine approaches from these disciplines to produce more complex account Objects are always complex and cannot be understood just by adding given disciplines Aware of ontological limits of disciplines and need to combine them to get better accounts Co-exploration in terms of bottom-up problem-oriented research. Risk that this serves to reproduce the dominance of disciplines.

Plurality of modes of calculation. Explore conditions in which people or institutions act in economically rational manner. In de-naturalizing *homoeconomicus*, opens space for political and ethical debate and attempt to build new subjects. Economic Sociology, Classical Institutionalism, Historical sociology Post-1990 North Post-Disciplinary Study problem independent of how different disciplines would classify them, if at all Develop methodologies appropriate to that object without regard to disciplinary proprieties Complex and incomplete world so study it in terms of problems that are constructed for specific research purposes Critically self-aware of epistemic and ontological limits of disciplines and of resulting need to follow problems Be ironic and expect to fail. Bottom-up co-exploration of problems and self-construction of appropriate tools and concepts. Regular bouts of reflection. Emphasis economic, political, and other discourses' role in the construction of the economy (polity, &c) each with its own ethical import. Forces an ironic self-evaluation of one's political and ethical beliefs as well as commitment to ongoing dialogue Cultural political economy, political ecology, radical feminism, transnational historical materialism Anti-Disciplinary Reject the idea that there are clearly identifiable themes open to discipline-based research Anything goes Real world is one of unstructured complexity, chaos and catastrophe Disciplines are socially constructed and arbitrary Be cynical and have fun! Reject fixed rules and rationalities in favour of voluntaristic and uncoordinated action Feyerabend

Post-modern economics

Figure 1. Outline of different forms of disciplinarity

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