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# A Framework of Socioeconomic Organisation: Redefining Original Institutional Economics Along Critical Realist Philosophical Lines

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*Theme: New frontiers in regional science: theory and methodology*

# A framework of socioeconomic organisation: redefining original institutional economics along critical realist philosophical lines

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***Abstract***

The paper develops a conceptual framework to advance understanding of the institutional structure of the economy and to enrich the philosophical basis of institutional economics. To achieve this, key elements from the tradition of Original Institutional Economics (OIE) are subsumed into the philosophical platform of Critical Realism (CR). The paper starts by outlining the conceptual foundations of OIE before moving on to delineate the philosophical tenets of CR. Together these provide the basis for the development of a stratified ontological framework discussing institutional economic organisation. In particular, a three-layer, interlocked reality is identified, where deeper tendencies and qualities of the human essence (understood as 'creativity', 'emulation' and 'culture') condition the institutional environment (differentiated in economic, political, legal, and social terms) which, in turn, constitutes the terrain upon which organisational arrangements are manifested and socioeconomic events are actualised. The paper concludes by outlining the epistemological and methodological implications, which provide the grounds for the development of a generic analytical framework that can be used to investigate the institutional texture of the socioeconomic environment.

***Keywords****: institutional economics, critical realism, philosophical framework, ontology*

## 1. Introduction

The paper aims to reorient Original Institutional Economics (OIE) around Critical Realism (CR) philosophical lines and upon these foundations to develop an ontological model of socioeconomic organisation which explicitly places institutional structures at the forefront of economic analysis.

It is generally acknowledged that the OIE of Thorstein Veblen and John R. Commons accepted pragmatism as the philosophical basis of their economic thought (Mirowski, 1987). However, contemporary OIE does not necessarily presume pragmatism, since the school comprises a mixture of approaches informed by a number of philosophical standpoints. Thus, while the American strand of OIE has clung to its pragmatist heritage, European OIE streams have been receptive to other philosophical interpretations (Bush, 1993).

CR is a recent philosophical movement, increasingly influential in economics and other social sciences. Its strong point is its explicit ontological perspective (dealing with what really exists and how reality is constituted and realised) or 'meta-theory' in which specific theories can be nested for a fresh and more fruitful approach to economic explanation. In this sense CR has very much played the role of 'underlabourer', embracing and ontologically enriching a wide variety of approaches, not only in economics, but also in other social sciences (Fleetwood, 1999).

OIE on the whole has much to gain, and certainly nothing to fear, from its engagement with the CR ontology. A thorough understanding of the underlying reality of its subject matter will enhance its conceptions, improve its thinking, encourage communication with other economic approaches and, overall, will provide a much robust institutional edifice (Lawson, 2003). This applies also to the specific strand of American OIE, which, according to Lawson (2003), has moved too far in the direction of relativism. Furthermore, there is normative point here; those who, following Veblen (1898), intend treating 'economics as an evolutionary science' need to be open to new ideas and developments in the philosophical discourse.

The paper is organised as follows: section 2 sheds light on the conceptual underpinnings of OIE, whereas section 3 sets out the ontological and epistemological principles of CR. On these bases the development of a stratified ontological framework delineating the institutional nature of the socioeconomy is undertaken in section 4. Section 5 discusses the methodological implications of the developed model, and finally, section 6 summarises the key arguments to conclude the paper.

## 2. Outlining original institutional economics

Having been displaced from the forefront of economic thought for over half a century, OIE has recently seen a considerable renaissance and proliferation of interest from a new generation of institutionalist thinkers in the US and Europe. Although complete agreement on the philosophical and methodological issues is still lacking, there is a relatively common set of beliefs that unite 'original institutionalism' at both theoretical and applied levels (Samuels, 1995). These are discussed below.

Original institutionalists recognise the complexity of economic life and stress the need for a holistic and societal approach. The economy, they argue, should be understood and analysed as an open system in continuous dynamic interaction with the cultural, social, political, legal and physical systems from which economic processes receive important impulses and upon which they exert their own influences (Hamilton, 1919; Kapp, 1976). Hence, OIE views economic processes as embedded in social relations, economic institutions as only part of the wider set of socio-cultural institutions, economic agents as social beings, and, in short, the socioeconomy as an integrated system (Granovetter, 1985; Hodgson, 1998).

Society is more than a mere aggregation of autonomous individuals; it also comprises values, beliefs, customs and norms, which have cultural underpinnings and cannot be fully explained in purely individualistic terms (Veblen, 1919a; Ayres, 1962). Hence, OIE renounces methodological individualism, which assigns ontological and explanatory primacy to an immutable, institution-free atomic agent. However, the alternative model does not necessarily imply a methodological collectivism, which explains the individual entirely in terms of the institutional-cultural environment[1]. Although human behaviour is largely influenced by the economic, political, social and cultural framework, it is also adaptive and purposeful, and individuals can also act to form and alter institutions too (Veblen, 1919a; Hamilton, 1919; Commons, 1931; Hodgson, 1988; Samuels, 1995). The individual is, therefore, both the producer and the product of his/her institutional environment, in a process of continuous interaction and evolutionary change.

Original institutionalists also reject the model of 'rational economic man', stressing the habitual and routinised character of human behaviour (Veblen, 1919a; Commons, 1934; Stanfield, 1999). The various actions that a person undertakes are so complex, and the amount of sensory data received so enormous, that he/she resorts to habits or social practices in order to diminish conscious

[1] However, some strands of post-1940 American institutionalism espoused an 'oversocialised' view of human behaviour, and have been criticised for methodological collectivism and cultural determinism (Rutherford, 1994; Hodgson, 1998). Such one-sided emphasis is absent from the original institutionalism of Veblen and Commons.

thought and reduce fatigue (Hodgson, 1988, 1997). These practices, however, are defined within a cultural context, as it is culture that legitimises and habituates some beliefs and actions, while discouraging others, so as to organise human life and ensure its regularity. Human rationality need not be the outcome of a conscious act of reasoning, but is often embodied in a socio-cultural and historical process.

Institutions have a cognitive dimension, providing a framework for interpreting sense data and transforming information into meaningful knowledge (Veblen, 1914; Hodgson, 1988, 1998). This cognitive function of institutions explains not only their relative stability and capacity to replicate, but also their ability to reduce instability and uncertainty in human affairs. The strong interaction between institutions and individual cognition can account for some significant stability in socioeconomic systems, partly by buffering and constraining the diverse actions of the agents (Hodgson, 1996) and partly by providing relatively reliable information regarding their likely behaviour to other agents (Hodgson, 1988).

OIE perceives economic organisation in a dynamic context, seeking to understand the process and mechanisms through which the socioeconomic system changes and evolves (Veblen, 1919a; Hamilton, 1919; Ayres, 1962). Veblen (1919a: 74-75) writes: "The economic life … is a cumulative process of adaptation of means to ends that cumulatively change as the process goes on, both the agent and his environment being at any point the outcome of the last process". This means that alongside the exogenous 'shocks' to the system (that is, the changing exigencies of the life process), endogenous institutions and human agency determine the course of socio-economic change in an accumulative, incremental way. However, such a conception does not imply any prejudgement either for the direction or the outcomes of the cumulative response. The socioeconomy is seen as a complex and open-ended system where the variety of possibilities for interdependencies could account for widely differing outcomes (Kapp, 1976).

One of the key forces in the process of evolution is 'technology'. The beginning of such a perception is identifiable in Veblen's distinction between two tendencies that, he argues, are present to a different degree in all human societies. Technological or instrumental frames of mind are connected to the intrinsic human propensity for 'workmanship', 'idle curiosity' and creative innovation, and refer to the ceaseless advance in scientific understanding involving development of 'matter-of-fact' knowledge and reasoning from cause to effect. Ceremonial or pecuniary frames of mind, in contrast, are related to the predatory aptitude of human behaviour, settled upon and habitually reproduced to serve 'invidious' or 'leisure class' interests, legitimising emulation, aggression, dominance and abstention from productive work, as accepted schemes of life, and using the established status-quo and traditions for their warrant. Thus, whereas the instrumental

facets are considered as progressive, serviceable and conducive to economic development, the ceremonial facets are predatory, past-binding, resistant to progress and change, and thus restrictive or even destructive to economic development (Ayres, 1962). The result is an evolving socioeconomic system, driven by status emulation, conflict and power relations, where, within the context of technological process and under the stress of the exigencies of associated life, old institutions break down and new ones are created in the continuous process of adaptation to changing circumstances. This is frequently referred to as the Veblenian dichotomy and constitutes a central analytical tool in the Veblen-Ayres strand of American institutionalism (Dugger, 1979; Miller, 1978; Wisman and Rozansky, 1991).

Another strand of original institutionalism, traced to Commons, takes a much more favourable view of the role of institutions than Veblen. Commons (1931, 1934, 1950) sees institutions as problem-solving instruments that evolve out of the need for 'workability' in a process involving a close interaction between spontaneous actions and conscious efforts at institutional design. The cumulative effect of 'collective action' taken over time by the members of a 'going concern' (that is any type of community, such as a family, a firm, a union, or a whole state) is the development of 'working rules' that determine "…what the individual can, cannot, must, must not, may or may not do" (Commons, 1931: 650), providing a basis for settling conflicts and for establishing order in economic life. Working rules are codified in the legal framework of statutes, decisions of courts and administrative bodies, or in the less formal sense of prescribed behaviour (i.e. customs) of going concerns. So, while Commons accepted the Veblenian dichotomy, his depiction of evolutionary dynamics emphasises the application of creativity to the design of institutions themselves more than the continual conflict between instrumental creativity and ceremonial inertia (Rutherford, 1983).

The philosophical underpinnings of original institutionalism owe a great deal to American pragmatism, a movement developed in the US at the turn of the 20th century by Charles S. Peirce, William James and later by John Dewey[2]. Pragmatism starts from the fundamental humanistic thesis that actions are structured by meanings which are subjective interpretations of the world, but it goes further to argue that these interpretations are evaluated in terms of their 'practical' implications (Peirce, 1877, 1905; James, 1907; Dewey, 1929, 1939b). Choices, therefore, are based on criteria of utility, providing a standard for the determination of truth in the case of statements, rightness in the case of actions, and value in the case of appraisals. No universal, objective, secure or permanent anchor exists to guarantee true knowledge. Knowledge is the outcome of a process of interpretation and conceptualisation of experiences by a self-identified community of inquiry,

[2] Both Commons (1934) and Ayres (1962) explicitly recognise the direct influence of Dewey in their institutionalism.

aiming towards enhancement of generic ‘workability’ and ‘serviceability’ in the lines of thought and action to the overall betterment of human life as a whole. Thus, the perception and interpretation of the world (and thus reality too) is, substantially a socio-cultural process, where the community of inquiry is the basic epistemological unit.

Having embraced such a philosophical position OIE espouses a holistic view of the world, where economy, politics, legal processes and social structures are conceptualised as an integrated, unified whole, or synthesis, and not as logically separated structures and processes (Mirowski, 1987). This holistic perception is couched in the belief that the whole is not only greater than the sum of its parts, and so is not deducible from its parts, but also that the parts are so interrelated that their functioning is conditioned by the whole to which they belong. Along these lines, Wilber and Harrison (1978: 71) define the original institutional approach to economics as holistic, systemic and evolutionary; it is “…holistic because it focuses on the pattern of relations among parts and the whole, … systemic because it believes that those parts make up a coherent whole and can be understood only in terms of the whole, … [and] evolutionary because changes in the pattern of relations are seen as the very essence of social reality” (Wilber and Harrison, 1978, p. 71). Meaning, on these grounds, is linked to the context, whereas entities or activities are assumed to be truly comprehensible only through their interrelations with other entities or activities.

The technique of investigation of OIE is an amalgamation of history and comparative analysis where historical situations or cases are systematically recounted and compared in an effort to discern a pattern or general element (Atkinson and Oleson, 1996). This particular mode of research is called ‘pattern model’ or ‘storytelling’ (Wilber and Harrison, 1978). At the heart of the pattern model investigatory mode is an inductive, empirical analysis based on evaluating and synthesising context-specific historical evidence. To effect analysis, the mode relies primarily upon case studies, wherein the preference for the narrative format is evident. Original institutionalists, however, do not stop at pure description; they develop theory by examining cases for similarities and differences, and identifying the critical or strategic factors controlling a situation (Stanfield, 1999). Theory development, nevertheless, is oriented towards explanation rather than prediction.

As already noted, the methodological tenets of OIE emanate from the philosophy of pragmatism. This relationship is at least partly explained by the historical origins of institutional economics. The pragmatist philosophical basis of institutionalism is a legacy from the age of Veblen and Commons and can be understood as the result of lock-in or ‘path dependence’ from the original formulations of the approach. Contemporary developments in philosophy of social sciences have introduced alternative perspectives to socioeconomic research and, arguably, have advanced discussion in the methodology and practice of economics. Stimulated by such arguments, contemporary original

institutionalists have attempted to reconsider their philosophical underpinnings. Some, such as Bush (1993) for example, have suggested an intellectual recombination of key elements of pragmatism with critical realism. Others, such as Hodgson (1993, 1998) and Samuels (1990) question the feasibility of their reconciliation, but by placing emphasis on the structural nature of institutions[3] they are receptive to structuralist philosophical interpretations. However, despite its apparent potential, relatively little work has been done towards the philosophical redefinition of institutionalism along structuralist or critical realist lines.

## 3. The philosophical bases of critical realism

Critical realism[4] has certain advantages over other philosophical perspectives in discussing the institutional organisation of the socioeconomy (Lawson, 1997a; Fleetwood, 1999). These mainly stem from its ontological account that allows the dissociation of institutional structure from human agency without undermining its agent-dependent nature. This is important because it enables a neat and elegant identification and analysis of the institutional qualities, mechanisms and causal powers that characterise the economic system. Moreover, the fact that the CR ontology (or 'meta-theory') is compatible with a variety of approaches in heterodox economics (Outhwaite, 1990; Sayer, 1992) renders its fusion with institutionalism on the whole both valid and feasible.

The CR perception of the social world is based on three fundamental premises about social reality (Archer *et al*, 1998). First, the world is comprised of objects that are 'structured' and 'intransitive': structured in the sense that they cannot be reduced to the events of experience and intransitive in the sense that they exist and act independently of their identification and the knowledge of which they are the objects. Hence, the world is constituted not only by events or states of affairs, and our experiences or perceptions of those actualities, but also by 'deep' structures, mechanisms, tendencies and their relations that, although they may not be directly detectable, nevertheless exist and govern the actual events as well as what we experience, understand and do[5]. Such a distinction

[3] Institutions, it is argued, are not only "…'subjective' ideas in the head of agents…" but also "…'objective' structures faced by them" (Hodgson, 1998: 181).

[4] Critical realism (which sometimes is also known as critical naturalism) is mainly associated with the work of Roy Bhaskar (1975, 1979, 1989) and represents a link or dialogue between humanist and structuralist approaches.

[5] Lawson (1995) neatly illustrates this with an example from the physical world discussing the falling of an autumn leaf. He points out that, not only does the leaf pass to the ground, and this is experienced as falling, but this is in fact a complex movement specified by real mechanisms (such as gravitational, aerodynamic, thermodynamic, electromagnetic and other interactive forces) and their relations.

between intransitive entities (i.e. structures[6], institutions, mechanisms, processes and tendencies) and transitive objects of knowledge (such as events, observations, theories, hypotheses, etc.[7]) precludes any anthropocentric definition of ontology (that is, defining reality and what exists on the sole basis of human senses and experience), and the subsequent collapse of the ontological into the epistemological realm (that is, confusing what exists with what can be known to exist). The latter also highlights the significance of ontological determination as an essential step in any social inquiry.

Furthermore, CR sustains a clear conception of the existential-intransitive dimension of objects without underestimating the relativity (i.e. activity or concept dependence) and historical transitivity of knowledge. Thus, emphasis on 'ontological realism' (the proposition that there are true entities which exist and act independently of our knowledge of them) is complemented by an 'epistemological relativism', the thesis that the only way to know and express these entities is "…via human mediation in cognitive discourse"[8] (Lawson, 1997a: 241). Note, however, that such an assertion does not imply that knowledge is infallible, nor that there is only one supreme or correct understanding of the world. What is plainly maintained is that the world can be understood only through the available conceptual resources, where different standpoints provide different (yet valid to a degree) perspectives of the world, but not determine the structure of the world itself. In that sense, a distinction between existential and causal interdependence is acknowledged, where intransitive social entities are existentially independent of, but causally interdependent with, the processes by which they are known (Archer *et al*, 1998).

On the basis of this conceptualisation, which distinguishes between our knowledge of these entities and their independent reality of being, knowledge is inevitably seen as the endless social activity of understanding and expressing these true entities (Sayer, 1992). This implies that knowledge is never created out of nothing. Rather, it can only be a produced means of cognition, where revised understandings are achieved via the update or transformation of existing conceptions, hypotheses

[6] Most realists (Sayer, 1992; Lawson, 1997a; Archer *et al*, 1998) employ the concept of structure to describe socially embedded sets of relations through which social objects, positions or practices are interdependently constituted (e.g. those of master and slave, landlord and tenant, employer and employee, etc).

[7] These are regarded as transitive objects in the sense that, although they refer to states or properties of intransitive entities, they are in fact thought products or outcomes of human discourse that are based on some predefined conceptual systems (Sayer, 1992).

[8] In response to those readers that, on the basis of this assertion, may be tempted to contest the validity of ontological realism (i.e. to argue that it is irrelevant, unnecessary, or simply a fallacy to believe that there are intransitively existing entities if their existence can only be postulated in thought) it must be answered that "…what we see gives us reasonable grounds for supporting [the notion] that the world is not our own invention even though the *concept* 'world' undoubtedly is. … For it is precisely because the world does not yield to just any kind of expectation that we believe it exists independently of us and it is not simply a figment of our imagination" (Sayer, 1992: 67, emphasis in the original).

and insights on the basis of their 'practical' adequacy[9], internal intelligibility and consistency, as well as coherence to the overall existing conceptual framework (Yeung 1997; Fleetwood, 1999). In short, CR regards knowledge as both a social process and product, which is historically and culturally specific, symbolically mediated and expressed, and, as such, not only fallible but also theory-laden, practice-dependent and value-impregnated.

The second core premise of CR relates to the 'stratified' nature of the social world. The notion of stratification enables the differentiation of reality in distinct domains, or strata, which, though unsynchronised or out of phase (that is, operating and changing on different time frames), are seen as interconnected with one another[10] (Bhaskar, 1989; Sayer, 1992; Lawson, 1995, 1997a). What relates and connects one layer with another is the phenomenon of 'emergence'. According to this notion, each level of reality is assumed to exhibit entities or aspects which emerge from and depend upon entities found at another layer of reality (Lawson, 1997a). However, these entities display a degree of taxonomic and causal autonomy from the level from which they emerged, in virtue of the real essences, intrinsic structures, complex interrelations and organisational potentialities of the stratum in which they exist. This autonomy prevents entities formed at a particular level of reality from being reducible to those entities, found at other levels, from which they have emerged. On these grounds differentiation of one layer from another is established, reaffirming the lack of 'synchrony' between them (Archer *et al*, 1998). Moreover, this autonomy is marked by the existence of separate and additional causal powers and qualities that are absent from the entities located in other strata of reality. In particular, these emergent entities have the ability to frame (that is to constrain, enable or simply to influence), and cause changes to, important attributes, powers and dispositions of the basic layer from which they have emerged[11,12]. However, this causal effect,

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[9] Note that this idea of 'practical' or pragmatic evaluation of knowledge is similar to the one developed by the pragmatist tradition.

[10] Realists seem to perceive the notion of stratification in two complementary dimensions. The first dimension (which comes directly from Bhaskar's writings and is equally applicable to both social and natural realms) highlights the distinction between the three ontological domains: the empirical, the actual, and the real. The second dimension, which is more relevant to social analysis, emphasises a view of reality consisting of hierarchical ordered levels, where the lower one creates the conditions for the higher one. Although this perspective is relatively underdeveloped and subject to an ongoing debate (concerning, for example, which levels exist and what is their relation), a very general and simplified but, for the purpose of the current discussion, sufficient way of describing the ordering between some of the most important levels is, according to Danermark (2001), as follows:
- social level
- psychological level
- biological level
- molecular level.

Note that a similar line of argument can also be found in some original institutionalist writings such as Ayres (1962) and Hodgson (2000, 2003).

[11] This is termed by Hodgson (2000, 2003) 'reconstitutive downward causation' and it is argued that this constitutes the key insight and defining characteristic of the original institutionalist tradition.

[12] This quality also safeguards from the danger of structural determinism as developed, for example, in some structuralist or American institutionalist writings.

although it may alter (or even give rise to new) true dispositions and conditions, does not radically disrupt or destroy the intransitive subsistence and existential status of that level (Sperry, 1991). In that sense some order is sustained at each level, and in reality as a whole, alongside complexity, contingency, plurality, openness and dynamism.

Finally, CR insists on the 'transfactuality' and 'openness' of social structures. In short the argument states that the underlying generative mechanisms, structures and institutions operate independently of the closure or otherwise of the systems in which they occur (Bhaskar, 1975). Their activities are continuous and invariant, stemming from their relatively enduring properties, powers and liabilities, and thus constantly operate independently of both the conditions for their actualisation and their actual realisation. However, although these generative qualities are always present, they may be "…possessed unexercised, exercised unactualized, and actualized undetected or unperceived"[13] (Archer *et al*, 1998: xii), depending upon 'contingently related conditions', which determine whether and, if so, which countervailing mechanisms would be activated or released[14] (Dow, 2002). On this basis, the mechanisms and powers of the underlying structures and institutions should be seen and analysed as transfactual or 'universal', though they are expressed and manifested in more or less historically-specific and highly differentiated forms.

It must be highlighted at this point that this final premise of realism does not imply that entities of social reality are immutable. Indeed, as Bhaskar (1979, 1989), Sayer (1992), Archer (1995) and Lawson (1997a), clearly indicate, one of the defining features of the social world is its potential to change its shape or form as a result of the conception, reflection and action of purposeful human agency[15]. Thus, since realists insist upon a stratified view of social reality, they accept that "…there are properties and powers particular to people which include a reflexivity towards and creativity about any social context which they confront" (Archer *et al*, 1998: 190). From this conception, the 'transformational model of social activity' emerges, emphasising that social life possesses a non-teleologically but historically evolving character by virtue of the agents' potential continually to re-interpret, and collectively reproduce and transform, the social reality they confront.

[13] A power is possessed by an entity by virtue of its intrinsic structure, it can be exercised unactualised due to counterbalanced interference of other exercised powers, or actualised if it is not deflected by the effects of other powers.

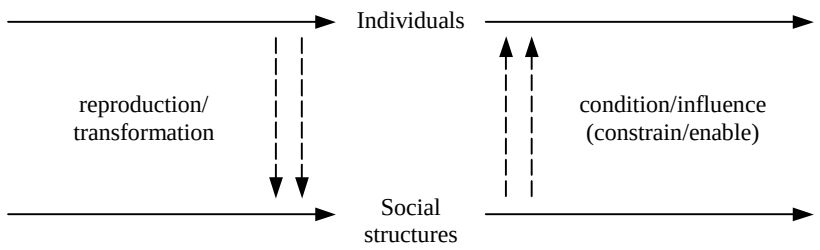
[14] Not surprisingly then, depending on conditions, the operation of the same mechanism, tendency, etc., can produce quite different results and, alternatively, different mechanisms may produce the same empirical results (e.g. an effect such as the loss of jobs may be caused by either the introduction of a new technology or by failure to introduce it – the latter being due to reduction of competitiveness and closing down) (Sayer, 1992).

[15] Following Lawson (1997a) agency is differentiated from action in the sense that the former refers to the intrinsic powers and capabilities of human beings whereas the latter refers to their exercise.

Given these three ontological principles and their qualifications, it is now possible to advance the discussion on the nature of social structures and their connection with human agency. From the outset, the realist understanding of social structures, and social phenomena in general, entails a 'relational conception of the subject-matter of the social sciences' arguing that all social entities (structures, institutions, but also human agency as well) presuppose a social context and depend upon social relations for their existence. In this sense it is true to say that social structures would not exist without human activity, as well as to say that such human activity would not occur unless the agents engaging in it had a conception of what they are doing[16,17] (something which presupposes the prior existence of social forms) (Bhaskar, 1979; Archer *et al*, 1998). On this basis the concept-dependence, activity-dependence and space-time specificity of social structures is identified.

However, it is equally important to acknowledge at this point the intransitive dimension of social structures. Thus, although social structures depend upon agents' conceptions (which may be distorted, incomplete, inadequate, or simply *inappropriately* conceptualised due to their evolving character), they exist intransitively and, so, function independently of their *appropriate* conceptualisation (Archer *et al*, 1998). To sum up, it can be said that social structures are regarded as both the ever-present condition and the outcome of human agency (defined as perception, conception, reflection and action), where people both reproduce and transform the very structures that they utilise for their activities in a recursive and non-teleological manner (see Figure 1).

Figure 1: The transformational model of the structure/agency connection




Source: Based on Archer *et al* (1998)

However, there is an important asymmetry here: at any moment in time social structures are pre-given for individuals who do not create them, but merely reproduce or transform them in their substantive activities (Archer, 1995, 2000). To put it bluntly, as individuals we do not make social structures: they are there in some form at our birth, bearing the properties and powers that have

[16] Such conceptions can be held consciously as well as unconsciously (or implicitly) by the human agents (Bhaskar, 1979; Archer *et al*, 1998; Lawson, 1997a, 1997b).
[17] This is a fundamental insight borrowed from the pragmatist tradition (e.g. see Peirce, 1877, 1878).

emerged as a result of actions taken, and behaviour followed by human beings of the past[18,19]. This means that social structures (although they exist – sustained or modified – as a result of the totality of human activities) always pre-date the individual and provide (transcendentally and causally) the necessary condition for human behaviour and action. These causal powers proclaim the reality of social structures whereas their pre-existence establishes their relative autonomy as distinct objects of scientific investigation. On that basis, the ontological (and methodological) 'separability' of social structure and human agency is recognised[20] whereby it becomes clear that, by virtue of the different emergent properties and causal powers they possess, social structures and human agency belong in two distinct strata of social reality which are usually out of synchrony (Lawson, 1997a; Archer *et al*, 1998) (see Figure 1).

It is evident from the above that a system of unifying concepts is required, designated the 'point of contact' between human agency and social structures. Such a mediating system, linking action to structure, is the enduring social relations that are conceptualised as holding between "…*positions* (places, functions, rules, tasks, duties, rights, etc) occupied (filled, assumed, enacted, etc.) by individuals, and *practises* (activities, etc.) in which, by virtue of their occupancy of these positions (and vice versa), they engage"[21] (Archer *et al*, 1998: 221, emphasis in the original). A similar position is also evident in various institutionalist writings. Commons (1931), Granovetter (1985) and Searle (2005), for instance, view institutional structures as defining, and being defined by, the correlative and reciprocal relations between individuals.

Given the realist conception of social structure developed so far, and the institutionalist theorisation elaborated in the previous section, it is now possible to move towards an understanding and definition of institutions as special types of social structures. Interestingly Lawson (1997a: 318) indicates a useful direction at this point, suggesting that the term 'institution' be used "…to designate those systems, or structured processes of interaction (collecting together rules, relations and positions as well as habits and other practices), that are relatively enduring and identified as such". Taking this comment into account, institutions are viewed here as ingrained regularities or

[18] It is in this sense, i.e. by reference to the past activities, positions, practices and concepts of former (even deceased) human agents, that both the activity-dependence, concept-dependence and space-time specificity character of social structures can be affirmed and validated (Archer, 1995; Lawson, 1997a).

[19] It is worth pointing out that original institutionalists seem to uphold a similar position here (see for example Bush, 1987; Samuels, 1995; Hodgson, 1998, 2003). Commons (1934: 45), for instance, writes: "…we do not start as isolated individuals – we start in infancy with discipline and obedience, and we continue as members of concerns already going". Similarly Veblen (1899: 191) argues: "The institutions … under the guidance of which men live are in this way received from an earlier time; more or less remotely earlier, but in any event they have been elaborated in and received from the past. Institutions are products of the past process, are adapted to past circumstances, and are therefore never in full accord with the requirements of the present".

[20] This is the celebrated notion of dualism.

[21] Note once again that these relations, though they depend upon the concepts that agents hold (consciously or unconsciously), exist independently of their appropriate conceptualisation.

established rules of human life[22] that define agents' perception, thought, behaviour and expectations, providing certainty and order in social interaction and economic organisation.

Institutions, like all social structures, are products of human society, meaning that they exist, are reproduced and transformed, only by virtue of it. On this basis, institutions do not exist independently of the activities, practices and relationships they govern, or the agents' conceptions (beliefs, values, etc), mental attitudes (including habits and routines) and psycho-biological capacities (Veblen, 1899, 1914; Hamilton, 1919, Ayres, 1962; DeGregori, 1977; Jensen, 1994). However, institutions cannot be reduced to, or identified with, human agency. They are not only out of phase with the human activities they facilitate but, as products of the processes and circumstances of the past, are "…never in full accord with the requirements of the present" (Veblen, 1899: 191). Thus, it becomes clear that they belong in a distinct layer of reality with its own causal powers and emergent properties. Moreover, based on this notion of 'separability' between structure and agency, institutionalism, in line with the CR conceptualisation, warrants institutions with temporal priority (i.e. pre-existence), relative autonomy and causal efficacy over human agency. On that basis it can be argued with Hodgson (1998, 2000) that institutions are simultaneously social structures and ideational representations[23], that have the ability to form and mould the capacities and behaviour of human agency (groups as well as individuals) in fundamental ways.

The basic function of institutions is to ensure certainty and continuity in social and economic life and, as such, they are characterised by relative stability, self-reinforcement and capacity to replicate. Once they are in place and acted upon, they come to endure merely through being an outcome of the day-to-day activities of individuals 'going on' in life. On the basis of this continuity and persistence, institutions provide some kind of 'quasi-closure' in the agents' decision making and ultimately to the overall, essentially open, socioeconomic system. However, this does not mean that they are immutable; they are manmade and changeable. In fact, institutions seem to evolve in a relatively slow but dynamic and apparently incremental fashion, a process characterised by 'cumulative causation' and 'path dependence' (Veblen, 1919a; North 1990), through both non-deliberative (i.e. habitual and customary) and deliberative (typically legal) modes (Samuels, 1995). It is on that basis that institutional change is seen as a never ending evolutionary process of

[22] In general a distinction between rule-following and routinised behaviour is recognised on the basis that the former is drawn upon in the course of action whereas the latter involves automatic action (Lawson, 1997a). However it is important to recall the interrelation between the two, highlighted by the OIE, where rules are nothing more than empty declarations if they are not ingrained in the customs, and habits of the community (Hodgson, 2006).

[23] It is important to acknowledge that institutional structures can exist without being adequately conceptualised by agents, or without being conceptualised at all. This is because it is through human actions taken in total that they come about and endure, whether or not individual agents have an awareness that, or precisely how, this is so.

adaptation to the changing experiences, exigencies and circumstances of human life. Yet, nothing in this assertion implies an economically efficient, deterministic or teleological perception with regard to institutional evolution. This is because it is human agency (characterised by variety in rationality and behaviour) in relation to other 'contingently related conditions' (such as unpredictable events and shocks) that plays a decisive role in shaping the course of institutional change.

In keeping with the arguments outlined above it is now possible to introduce a stratified ontological framework providing a robust basis for a holistic conceptualisation of the institutionalist understanding of socioeconomy.

## 4. An ontological framework of socioeconomic organisation

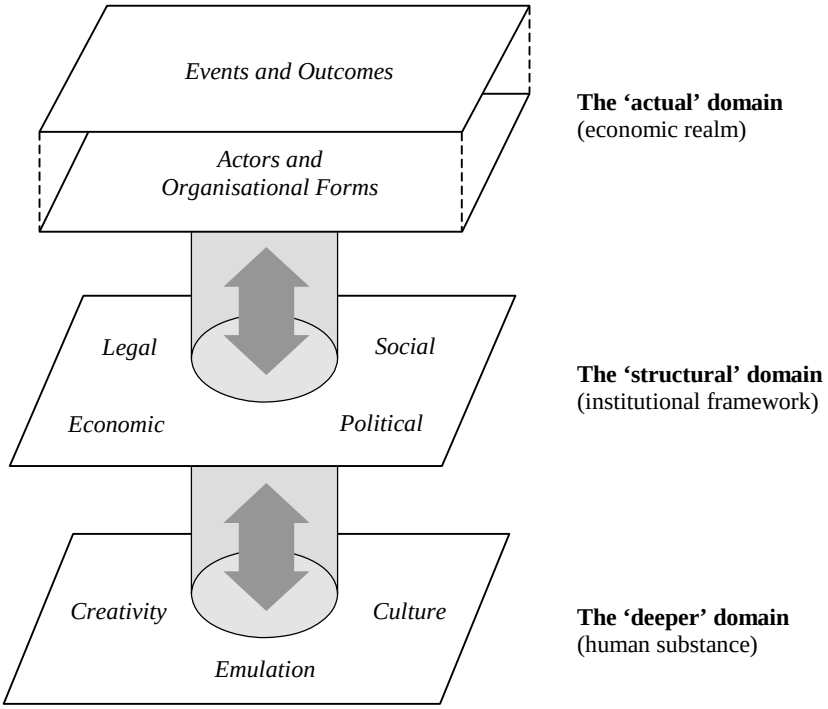
As stated above, the realist philosophical perspective is employed by virtue of its ability to address the richness, multidimensionality and complexity of the socioeconomic world, so far outlined as intrinsically structured, open, dynamic, and characterised by emergence, 'irrationality', contingency, creativity and thus novelty. The resultant model, which can be seen in Figure 2, puts forward such an ontological interpretation bringing together key insights from OIE and the unifying philosophical approach of CR. In particular, a three-layered, interlocked socioeconomic reality is envisaged whereby each level possesses unique properties and exhibits qualities that depend upon and are conditioned by the elements developed in other levels. On these grounds, the autonomy and differentiation of each level is sustained alongside their interconnection, interaction and interdependence.

The bottom-most stratum is the level where the 'deeper' mechanisms and tendencies lie, intrinsically conditioning the 'run' of the whole socioeconomy. Having subscribed to the 'relational conception of social entities' (the argument that structures/institutions and human agency are all entities that presuppose each other for their existence and co-evolution) and the fact that nothing whatsoever can happen (in terms of social forms, history, etc.) except by and through social/collective human action taken at some point in the past, it can be postulated that this layer should contain elements not directly attributable to either structure or current agency[24], but to the universal traits of human nature. As such, it is in this stratum where the salient characteristics, tendencies and qualities of the human essence should be found. These collectively constitute the core makeup which is present to some degree in every member of the species, and which therefore

[24] This means agency attributed to behavioural capabilities and action of present actors.

rests on a broad basis of humankind. To be precise, however, it is necessary to take their non-static nature on board, and to recognise that these basically behavioural propensities are profoundly inscribed (moulded, articulated, conditioned, actualised) by a long process of socio-cultural evolution. On that basis, a position is espoused here according to which the properties and potentialities of the human being are neither pre-determined solely by evolutionary biology, nor simply socially appropriated. Rather they emerge historically and through evolution, from our relations with our environment which, although they embody the social aspect, are by no means reducible to it.

Figure 2: A critical realist interpretation of the institutional economic organisation




Source: Own construction

In this context, institutionalists (especially Veblen, 1899, 1914, but see also Hamilton, 1919; Ayres, 1962, Jensen, 1994, Cordes 2005, Wolozin, 2005) have postulated a number of deeper qualities and traits, all expressions of the invariant core of human nature, which blend, interact with and are interdependent on one another. These are considered to be the propellants that drive humanity along its evolutionary path, by shaping habits of thought, beliefs, and criteria of knowledge and reality, and providing a basis to construct the canons of conduct which serve as guides and standards in socioeconomic life. These are organised here within three wider rubrics: creativity,

emulation and culture[25].

The notion of 'creativity' (or 'technology'[26]) is utilised to encompass a variety of characteristics and impulsive aptitudes associated with human agency that are considered to be the developmental and progressive forces behind any economic, socio-cultural and technological processes to the enhancement of the well-being of human life as a whole. Commons (1931, 1934), in this context, emphasises the human need for 'workability' which drives the development and provision of cooperative solutions (i.e. working rules and institutions), establishing order and certainty in the course of economic life. Veblen (1899, 1914), on the other hand, identifies the 'instincts' of 'workmanship' and 'idle curiosity' as universal traits within human nature necessary to advance progress and to further human life on the whole. Workmanship refers to this gratifying and stimulating inclination humans have towards the accomplishment of some concrete, effective and collective end, which is also associated with preference for 'serviceability' or efficiency and an aversion for futility, waste, or incapacity. The idea of idle curiosity places emphasis on the human tendency towards experimentation, creative innovation, speculation and novelty. It is the basis for inquiry into knowledge, which leads to new and improved ways of thinking and doing, something amply evident on the whole course of economic life.

Alongside creativity, institutionalists (e.g. Veblen, 1899, 1914, 1919b; Commons, 1931, 1950; Hamilton, 1953; Ayres, 1962; Miller, 1978; Jensen, 1994) have seen another proclivity of human behaviour towards unremitting emulation, possessiveness, acquisitiveness, antagonism and 'predation'. Moreover, such behaviour is regarded as accompanied by a taste for reputability, wealth and power and is more readily inclined to self-assertion, coercion and aggression, inducing individuals to exploit and dominate other people. This tendency may stem from the conflict that humans are involved in on account of universal scarcity (Commons, 1931; Fusfeld, 1977), or from the comparison that inevitably is made between persons in terms of their efficiency or creativity (Veblen, 1899, 1914). In any case, it is important to point out that the socioeconomic process bears the character of a struggle between people for the possession of goods, giving rise to this propensity for emulation and, in turn, to a number of social features and structures (such as status and power structures) which sustain and support this tendency (Searle, 2005). In modern economic life this propensity for emulation expresses itself in pecuniary emulation and competition to gain wealth, esteem and power.

[25] Like all taxonomies these groupings are in a sense arbitrary, although they are generally derived from the original institutional economics of Veblen and Commons.

[26] In general, institutionalists use the concept of technology to define what in the current context is recognised as creativity (see for instance Ayres, 1962; DeGregori, 1977; Samuels, 1977; Bush, 1987). However the latter is preferred here as it discourages association of the notion with the common understanding and everyday use of the term technology.

The manner in which the above mentioned proclivities might express themselves is dependent upon cultural conditions (Veblen, 1914; Dewey, 1939a; Jensen, 1994; Stanfield, 1999; Bergstrom, 2002; Cordes, 2005). This is because these physio-psychological capacities and needs have been (and are being) formed in the course of a long process of social evolution, and so are substantially socially and culturally articulated. Attestation comes from a number of sources. The anthropologist Geertz (1973: 68), for instance, testifies that "…rather than culture acting only to supplement, develop, and extend organically based capacities genetically prior to it, it would seem to be an ingredient of these capacities themselves". Similarly, Ayres (1962: 52, emphasis added) views culture as a "…phenomenon *sui generis*. It is not an epiphenomenon, a result of something else, explicable in other and non-cultural terms", but rather "…*the stuff* of social behavior, *the universe of discourse* of the social sciences, *the* aspect which the data of observation assume at that level of generalization". It is on this basis therefore that culture is perceived as simply an extension of human capability, and comprises the third element of this stratum.

It is important to highlight that in the current context culture should be understood historically. It is the social heritage of collective mental and spiritual products and expressive forms of human conduct, which have been developed through time to define the frames of reference, systems of meaning and modes of cognition, action and conduct that guide actors in their social and economic life[27] (Mayhew, 1987; Archer *et al*, 1998). In other words, what differentiates culture from the institutional structures located in the higher layer is the time element[28]. Although culture (both in its own terms and collectively with creativity and emulation) provides the basis for the development of the institutional infrastructure, it is the product of long past processes, whereas institutions are structural entities that define the cognition and behaviour of the actors of the present.

This institutional environment is placed at the second ontological layer of socioeconomic reality. It consists of institutions, that is, the rules, rights, duties, norms, routines, relationships, practices, conventions and cognitive frameworks by which the society is currently organised. These institutional structures are not reducible either to patterns of events, facts or outcomes explicable in human action terms (topmost level), or to the fundamental universal traits of human nature (bottom level). However, this structural reality depends for its existence on human agency, which is characterised by diversity in behaviour and rationality. On these grounds institutions are perceived

[27] In that sense culture is seen as a web of shared meanings external to each of its members but internal to all collectively.

[28] Interestingly Archer (1995) espouses a similar dualistic approach in cultural analysis by differentiating between Cultural Systems, the corpus of historically developed 'intelligibilia' (knowledge, beliefs, values and so forth), and the Socio-Cultural relations that exist between individuals and groups at a point in time.

here both as causal condition and caused outcome of collective human agency. Such a transformational conception of institutional structures, depending upon both human intentionality and other 'contingently related conditions' and material circumstances, provides the basis to recognise the open and contingent nature of the socioeconomic world.

The institutional environment is multidimensional. Four key components are identified although it is important to emphasise that these are necessarily interdependent and mutually reinforcing. Economic institutions refer to the structure of the economy. They concern the organisation of all markets (financial and asset markets as well as markets for goods and services and factors of production), and all non-market mechanisms for the allocation of scarce resources, along with the environment in which economic expectations and behaviour are shaped. Political institutions broadly define the structure of the polity, its basic cognitive and decision making structures and the explicit characteristics of agenda control, specifying political rights and establishing a set of power relations. Legal institutions, in turn, deal with the broad legal setting, providing a general framework of legislation and mechanisms for its interpretation and enforcement (including criminal and civil law codes as well as the court system). Finally, the institutions that are socially constructed and enforced[29] to resolve issues of conflict and to enhance coordination and workability in the socioeconomy are defined as social. They embrace cognitive frames (beliefs, ideologies), social conventions (customs, myths), codes of conduct (trust, reciprocity) and norms of behaviour (habits, morals, social values) that are either self- or societally imposed.

It should already be clear that human capabilities, behavioural proclivities and the overall institutional framework set the parameters by which the socioeconomy operates. By defining states of affairs, they structure action and interaction among actors providing a degree of stability and predictability in socio-economic life. Against this background every situation presents a terrain of options, and it is upon this terrain that each actor pursues his/her own strategies. On these grounds it is argued here that both the deeper layer of human qualities and the institutional environment are connected to the topmost 'actual' level, which concerns both the organisational and factual outcomes that are evident in the socioeconomy. In particular, the topmost level is envisaged as a two sub-layer structure: one representing the actors involved and their organisational forms, and the other the concrete events and how these are actualised, experienced and understood by those players in their day-to-day life. Both the form of the organisational structure that comes into existence and the way it evolves are fundamentally influenced by the institutional framework. In turn, the way actors perceive events and outcomes has a retroactive effect on the organisational and

[29] On account of the social relations in which humans are engaged.

institutional structure and subsequently on the mentality, behavioural propensities and qualities of these actors, and thus on overall socio-cultural evolution.

## 5. Methodological implications

The ontological perception laid down in the previous sections has substantial epistemological implications. Along critical realist lines it can argued that although structures, institutions, mechanisms, etc., exist independently of the way they are manifested or experienced, the only way to understand and express them is via 'human mediation in cognitive discourse'. Intransitive social entities, though existentially independent of, are causally interdependent with the processes by which they are known. In these terms, knowledge is seen as both a social process and a product. It is historically and culturally specific, and its generation is an endless social activity of understanding and expressing these true entities. On this epistemic account, the task of social science is to advance knowledge, that is to (re)define and refine conceptual resources, in an attempt to expand and improve understanding of the structures, institutions, and mechanisms that account for the phenomena under investigation. To achieve this, emphasis has been placed on theory development (through abstraction) as the fundamental first step in doing social research. These theories are then assessed and reviewed in specific, actual situations, in a progressive, reflexive and essentially iterative manner, and if found to be empirically adequate (i.e. empirically realised or correspondent to reality)[30] they are accepted as valuable parts in the continuous unfolding of explanatory knowledge[31].

This mode of research is identified as a combination of 'retroduction' (or 'abduction') and 'retrodiction' (Lawson, 1997a). Retroduction refers to the inferential process that designates the causal mechanisms and posits them within a conceptual framework. Retrodiction, on the other hand, works at the empirical or applied level and refers to the explication and specification of the necessary generative structures and contingent conditions that account for the existence of actual phenomena. Analysis at this stage is based on the identification of empirical tendencies,

[30] This, however, does not imply that theories can be discarded simply because expected empirical patterns do not materialise. Theories make their claims at the abstract level about causal powers that exist in virtue of their intrinsic structures or real essences, which may or may not be actualised or exercised. In addition, due to the open and contingent nature of the social world, a single mechanism may generate many outcomes, while similar outcomes may emerge as a result of different causal mechanisms.

[31] Note that original institutionalists, such as Veblen (1898), Myrdal (1958), Samuels (1990) and Hodgson (1998), also advocate a similar approach. For instance, Myrdal (1958: 156) sees theoretical research as an attempt to establish "…the causal relations between elementary factors in the social process", whereas in practical research these causal relations "…are transposed into *purposeful* relations" (emphasis in the original). It is in that sense that practical explanations can be developed only on the basis of the theoretical analysis of structures and their causal powers. Theory, therefore, must always come before any empirical research.

represented as ‘stylised facts’, which are deemed to be meaningful manifestations of the effects of causal mechanisms (Sayer, 1992; Yeung 1997).

Translating this research mode to applicable methods and techniques of investigation, a pluralistic but critical research approach is utilised, combining both qualitative and quantitative perspectives[32]. The purpose is not to seek out event regularities from which to claim universal laws, but to corroborate explanations that contribute towards proper understanding of the causal structures, mechanisms, institutions, and their relations. As these causal entities are contextual and historical in their realisation, understanding in this context refers to the process of constructing a unified system, and identifying the place of the entities under investigation in the pattern that characterises the ongoing process of change in that system. In that sense, and due to difficulties in quantifying essentially qualitative variables such as institutions, research relies less heavily upon statistical techniques, emphasising the use of ‘historical and comparative institutional analysis’ (HCIA) (Greif, 1998). Collection and organisation of information for HCIA is achieved by means of the case study method.

The HCIA research employs historical techniques to explore the dynamic processes of emergence, evolution, and organisation of institutional structures, and comparative procedures over time and space to gain insights from different contexts. It is characterised by an ability to shift between a specific context and a general comparison, something which enables it to combine sensitivity to particular historical and cultural contexts with theoretical generalisations. In interpreting case studies and reaching conclusions within HCIA research, the institutionalist techniques of ‘story telling’ and ‘pattern modelling’ should be used, where historical situations are recounted and compared in an effort to define a wider pattern of relationships in a holistic manner.

In an attempt to safeguard quality it is important to keep in mind the limitations and weaknesses that the approach entails. In virtue of its essentially qualitative and holistic nature, research relies on analytical description and emphasis on the context. On the surface, some of the detail may appear irrelevant, and, indeed, there is a risk of the researcher becoming too embroiled in descriptive detail. However, a considerably detailed account of what goes on in the setting being investigated is important because it provides a rich and contextual understanding of the institutional structures and dynamics. In that sense, institutional aspects and changes that may appear odd in the first place, can make perfect sense when the wider context within which they occur is taken into consideration.

[32] Quantitative research helps to identify general patterns or tendencies with regard to the research questions. These patterns suggest the operation of causal mechanisms that are better explicated through qualitative research.

Another problem relates to the vast amount of information (both qualitative and quantitative) that is required for the examination of the phenomena under question. This, in addition to questions of information availability that may rise, attaches a subjective element to the research. Inevitably, the researcher inquires, selects, and focuses on specific aspects of socio-politico-economic life, and findings may rely heavily on his/her views about what is significant and essential. In this context what signifies 'objectivity' is an explicit statement of the value judgements used, and commitment to keeping the path of inquiry open and subject to identification and correction of errors.

Another particularly important issue refers to whether it is possible to generalise the findings of the research across societies and different contexts. In general terms, empirically established knowledge of the causal powers and essential qualities of a mechanism is more widely applicable to other cases that represent similar theoretical conditions (Sayer, 1992; Lawson, 1997a). In this sense, generalisability is not a matter of 'statistical generalisation' (generalising from samples to the population), but a matter of 'analytic generalisation', in which examined cases are used to illustrate, represent and generalise to a theory. This means that verified causal/structural explanations are expected to apply to the majority of similar cases, although the particular details of the context being examined are too specific and could hardly form part of a generally applicable theory or a description of the phenomenon in general terms.

## 6. Overview and conclusions

This paper has put forward a CR interpretation of OIE to lay down a framework that advances conceptualisation of the institutional structures of the economic system and enriches understanding of the complex interrelation between the institutional environment and human agency. To achieve this, key elements from OIE were subsumed under the philosophical platform of CR. As indicated, CR has certain advantages over the other philosophical perspectives in discussing the institutional organisation of the economy. These mainly stem from its ontological arguments that, by dissociating institutional structure from human agency, allow focusing analysis on the institutional qualities, mechanisms and causal powers that characterise the economic system.

Delineating the CR philosophical arguments, six fundamental premises about social reality were emphasised. In concise terms these are:

1. the 'intransitivity' of social structures, that is the argument that structures, institutions, mechanisms, etc. exist independently of their identification and the knowledge of which they are the object,

2. the ‘stratification’ of the social world, that is the differentiation of social reality in distinct domains, or strata, which though unsynchronised are interconnected with one another,
3. the ‘transfactuality’ of generative qualities, that is the argument that mechanisms are always active, independently of whether they are being exercised, actualised, or perceived,
4. the ‘relational conception of the subject-matter of the social sciences’, that is the argument that all social entities presuppose a social context and depend upon social relations for their existence,
5. the ‘transformational model of social activity’, that is the argument that social reality possesses a non-teleologically evolving character by virtue of the agents’ potential to re-interpret, and collectively reproduce and transform, the structures they utilise and are shaped (constrained/enabled) by, and
6. the ‘temporal priority and separate identity of structure over agency’, that is the argument that at any moment in time social structures pre-exist individuals, who do not create them, but merely reproduce or transform them in their substantive activities.

These philosophical tenets provided the basis for the development of a stratified ontological framework discussing the institutional organisation of the socioeconomy. In particular, a three-layer, interlocked reality has been identified describing the complexity, multidimensionality, and dynamic character of the socioeconomic world. It was argued that deeper tendencies, capacities, ‘instincts’ and qualities of the human essence (understood as ‘creativity’, ‘emulation’ and ‘culture’) condition the institutional environment (differentiated in economic, political, legal, and social terms), which in turn constitutes the terrain upon which organisational arrangements are manifested and socioeconomic events are actualised. In these terms, institutions were defined as ingrained regularities or established rules of human life that define agents’ perception, thoughts, behaviour and expectations, providing certainty and order in social interaction and economic organisation.

In unveiling the nature and essence of institutions, a number of qualifications apply. Institutions are products of human agency, meaning that they exist (reproduced and transformed) by virtue of it. However, neither element can be reduced to, or conflated with the other. The fact that each individual is generally born into a world of pre-set institutions, proclaims the temporal priority, relative autonomy and causal efficacy of institutions over human agency. On that basis, the ontological and epistemological separability of institutions and human agents is recognised, placing institutions in a distinct layer of reality with its own emergent properties and qualities. Institutions are characterised by relative stability, continuity and self-reinforcement, since once established they come to endure merely through being an outcome of the daily activities in human life. However, they are manmade and changeable, evolving in an apparently slow but incremental fashion (identified as ‘cumulative causation’), where old institutions dismantle and new ones are

developed in the continuous process of adaptation to changing experiences, exigencies and circumstances of human life. Yet, such a conception does not imply any deterministic or teleological view with regard to institutional change. The socioeconomy is seen as a complex and open-ended system where the variety of possibilities for interdependencies could account for widely differing outcomes

Overall, the research programme put forward is holistic, evolutionary, critical and pluralistic. It is holistic because it takes into account the politico-socio-cultural dimensions of economic phenomena, it is evolutionary because it appreciates the dynamic character of the socioeconomic system, it is critical because it seeks understanding of the generative mechanisms, institutions and their relations which account for the phenomena under study, and it is pluralistic because it urge employment of both qualitative and qualitative information and methods in this quest for knowledge.

Although the proposed methodological strategy sees theory development (through abstraction) as the first step in doing research, it also entails a significant empirical component. HCIA is regarded as the most appropriate approach for concrete analysis. It has been argued that such a combination of historical techniques (to explore the dynamic processes of institutional structures) and comparative procedures (to gain insights from different contexts), enables the establishment of theoretical generalisations and the achievement of rich understandings of institutional contexts. In reaching conclusions within HCIA research, the institutionalist techniques of ‘story telling’ and ‘pattern modelling’ are to be employed, where historical situations are recounted and compared in an effort to define a wider pattern of relationships.

This paper has set an agenda for study of the institutional structure of the socioeconomic system along CR lines. We hope it can provide a sound ground for further research and developments in the area that would enrich our understanding of the role and function of institutional structures.

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