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Seminar:

Institutional and Evolutionary
Economics

(Evolutionary-Institutional Economics)

- Folie nicht vorhanden

Core Conceptions II: „Institution“

- 5) The Interplay of Genes/Instincts,
Habits/Institutions, Deliberation, Valuation, Action,
and Experience/Feedback**
- 5.0) The Economy as an Open System Towards the Natural
Environment, the Human Biology, and the
Social/Institutional/Value System**

The following figure taken from:

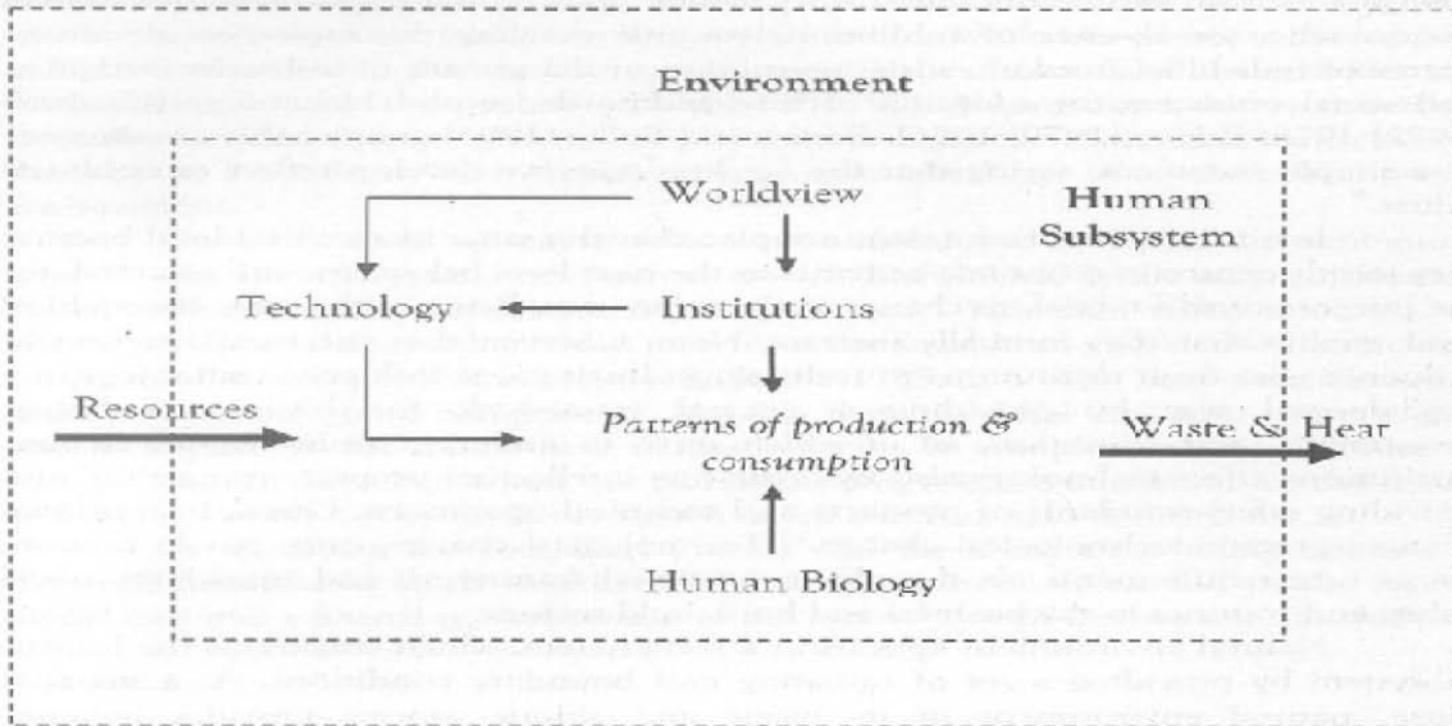
Igor Matutinovic, ‘An Institutional Approach to Sustainability: Historical Interplay of Worldview, Institutions and Technology’, *Journal of Economic Issues*, XLI.4, 2007, p. 1118.

Core Conceptions II: „Institution“

Figure: The Model

Aus „An Institutional Approach to Sustainability: Historical Interplay of Worldviews, Institutions and Technology „ von Igor Matutinovic
Journal of Economics Issue, XLI 4, (2007), p. 1118.

Figure 2. The Model



Core Conceptions II: „Institution“

5) The Interplay of Genes/Instincts, Habits/Institutions, Deliberation, Valuation, Action, and Experience/Feedback

5.1) A First Simple Cycle:

- “*instincts*” – biological genes – *natural* (biologcl.) evolution
- “*habits*” - rules that make agents “*tend*” to, or being “*inclined*” to certain individual *actions* – “*dispositions*” emerged in *cultural* evolution
- the *interplay* of instincts, habits, beliefs/norms/values, deliberation, and specific resulting action (e.g., U. Witt’s *principle of continuity*).

The following figure taken from:

G. M. Hodgson, The Hidden Persuaders, mimeo, 2000, p. 15; repr. as ‘The hidden persuaders: institutions and individuals in economic theory’, *Cambridge Journal of Economics*, 27, 2003, 159-75.

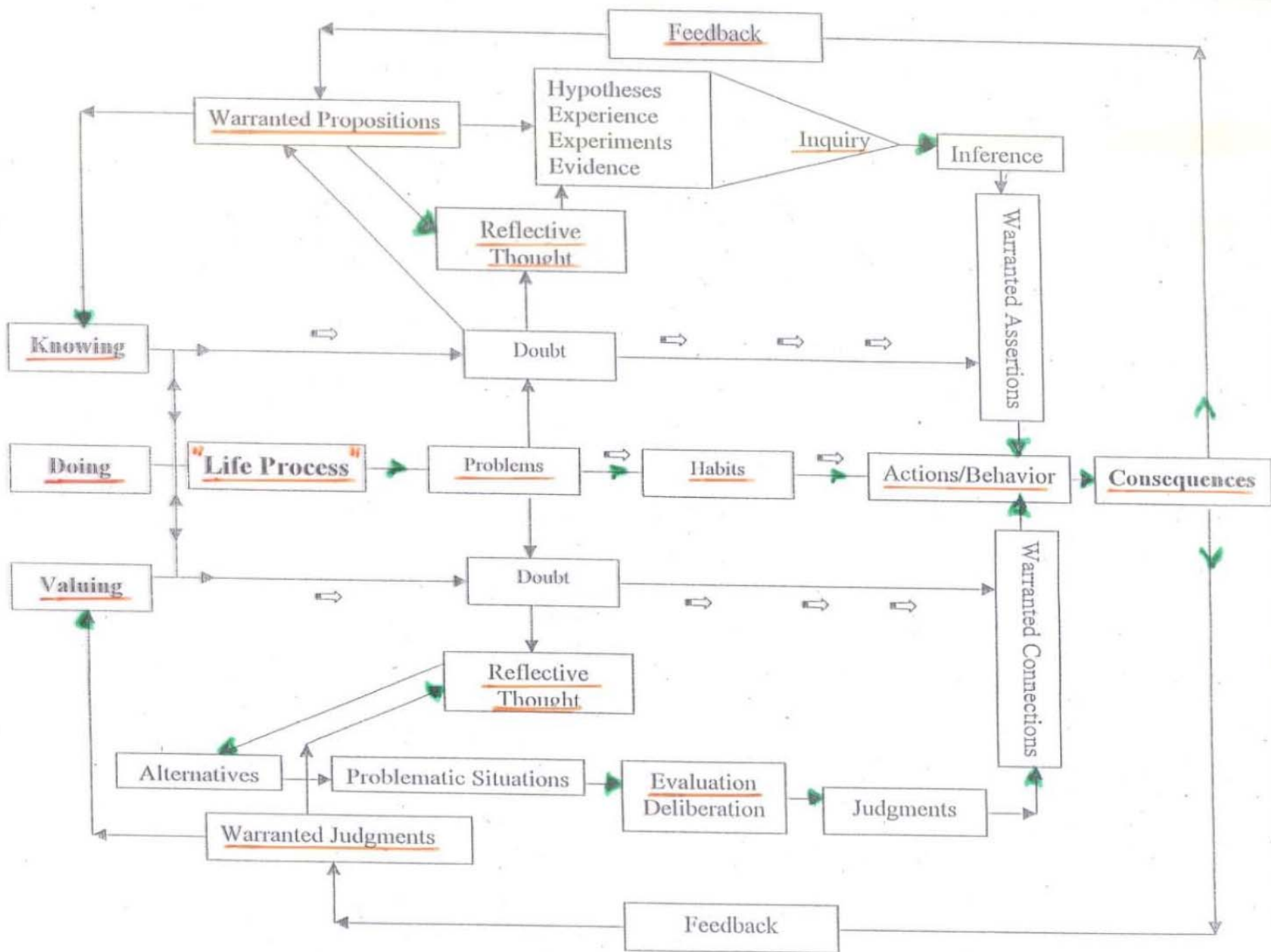
5) The Interplay of Genes/Instincts, Habits/Institutions, Deliberation, Valuation, Action, and Experience/ Feedback

5.2) A More Elaborate Cycle:

- *problems* (which and how specified?),
- *received knowledge* (i.e. institutionalized information)
- *received habits* (i.e. institutionalized dispositions to act)
- *received valuations* (i.e. institutionalised value judgements)
- *reflective thought (deliberation)*
- *specific action/behavior*
- *consequences (performance), and*
- *feedback.*

The following figure is taken from:

J. Sturgeon, UMKC, Class Material, paper presented at the Annual AEA/ASSA/AFEE meetings, New Orleans, January 2008



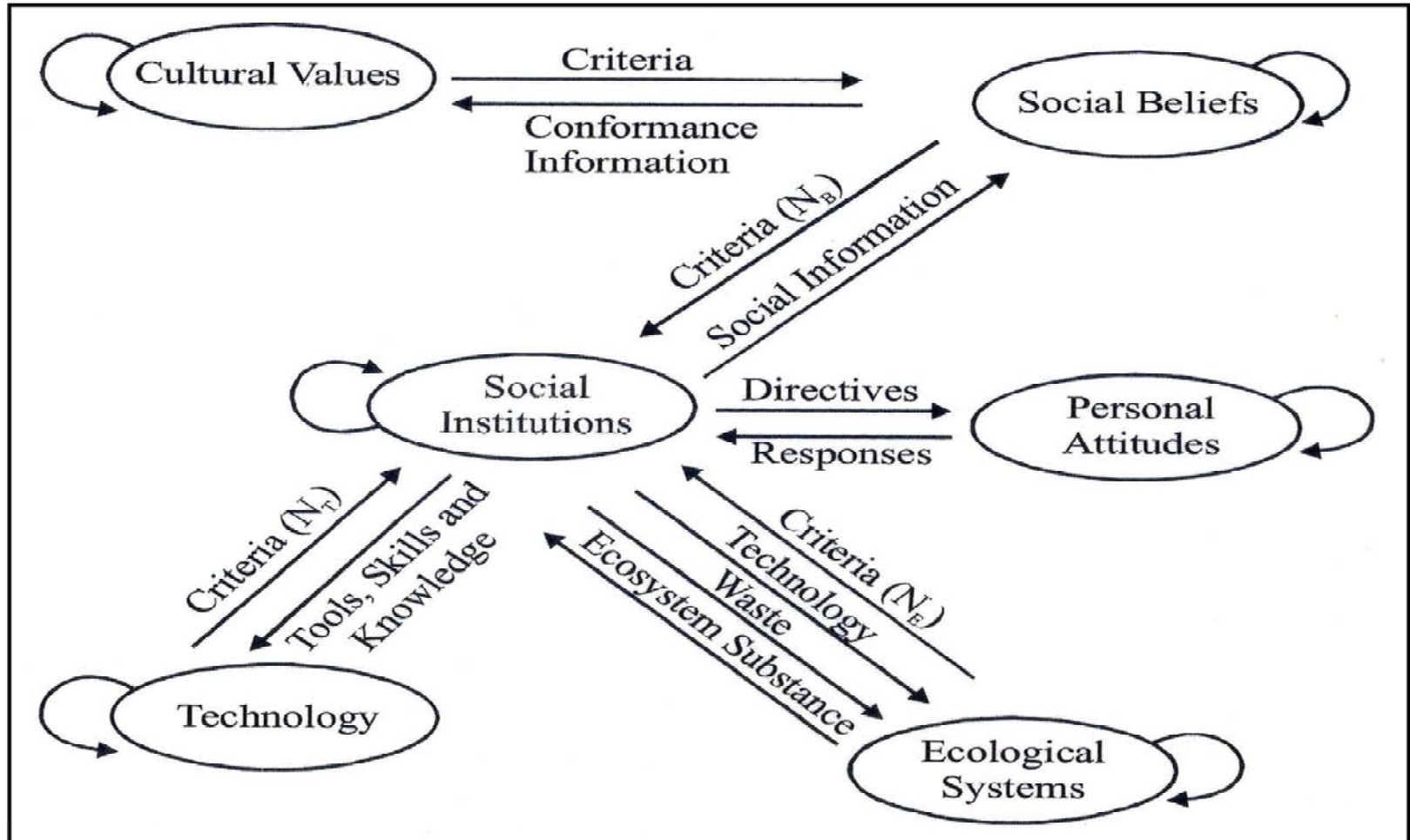
5.3) An „Integrated Systems Model“ of:

- “*attitudes*” (i.e. institutionalized *habits*)
- *beliefs* and *values*
- given “*technology*” and *ecology* (the natural environment as *problem* definition), and
- *institutions* (as rule-based action).

Figure taken from:

F. G. Hayden, “Policy Concerns Regarding Ecologically Sound Disposal of Industrial Waste Materials”, Institutional Analysis and Economic Policy, M. R. Tool, P. D. Bush (eds.), Boston, Dordrecht, London: Kluwer Acad. Publ., 2003, p. 463.

Integrated Systems Model of Institutional Economics



Quelle: F. G. Hayden, M. R. Tool, P. D. Bush, Institutional Analysis and Economic Policy, Kluwer Acad. Publ., Policy Concerns

Regarding Ecologically Ground Disposal of Industrial Waste Materials, 2003, S. 463

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Core Conceptions II: „Institutions“

6) The ‘Veblenian Dichotomy’

William Waller, Art. „Veblenian Dichotomy and Its Critics“, The Elgar Companion to Institutional and Evolutionary Econ., 1994, Vol. 2, 368-72:

- Thorstein Veblen: “business” vs. “industry”, “conspicuous consumption” vs. “serviceable consumption” etc.
- “*institutions*” vs. “*technology*”, *past-bound* habits vs. *matter-of-fact* knowledge → institutions always “ceremonial”?
- Clarence Ayres: institutions always have *both* “technological” and ceremonial aspects → introducing pragmatist philosophy → coining “*instrumental*” (*valuation*) rather than “technological”
- John Fagg Foster: redefining institutions with *both* ceremonial and instrumental aspects in *all* behavior.
- Marc R. Tool, Paul D. Bush: soc. *behavior* and social *valuation*, *dominance* of either ceremonial or instrumental, → s. Bush’s Theory of Institutional Change (“*ceremonial encapsulation*”).

6) The Veblenian Dichotomy, Cont'd.

Examples From the Business Area:

(taken from: S. Parto, “Economic Activity and Institutions: Taking Stock”, Journal of Economic Issues, XXXIV.1 (2005), p. 34, selected)

ceremonial	technological
business	industry
ownership	production
salesmanship	workmanship
pecuniary	industrial
invidious emulation	technological efficiency
sabotage	serviceability

6) The Veblenian Dichotomy, Cont'd. The Interplay of „Instrumental“ and „Ceremonial“ Behavior and Valuation: „Institutional Adjustment“ (P.D. Bush)

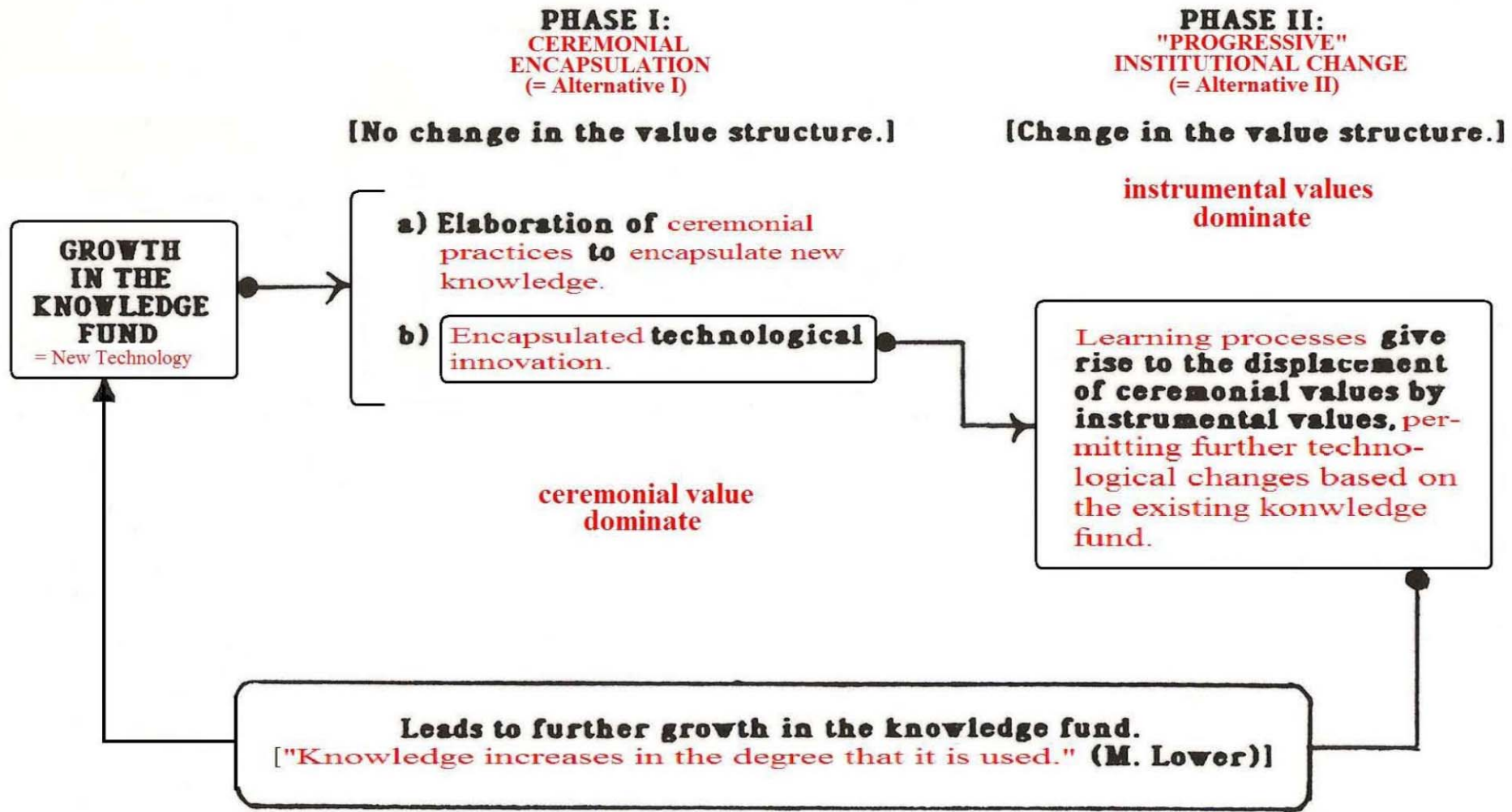


FIGURE 2. THE DYNAMICS OF THE RELATIONSHIP BETWEEN GROWTH IN THE KNOWLEDGE FUND AND "PROGRESSIVE" INSTITUTIONAL CHANGE

6) The Veblenian Dichotomy, Cont'd. The Interplay of „Instrumental“ and „Ceremonial“ Behavior and Valuation (Analytical, Methodological)

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Institut für
 Institutionelle und Sozial-Ökonomie

Bereich Wirtschaftspolitik/Wirtschaftsstrukturforschung



Mode of Valuation				
(1) Process by Which Values are Formed	(2) Values are Formed (Selection of Standard of Judgment)	(3) Valuations (Applying Standard of Judgment)	(4) Consequences	(5) Problem Solving
<u>Institutional</u>				
Examines the evolutionary processes by which cumulative causation brings about changes in value structure.	Postulates two types of normative systems in society: the ceremonial and the instrumental	Analyzes valuations in terms of: ceremonial warrant, and instrumental warrant	Applies a criterion of "coherence" to test the implications of thought and action in terms of developmental continuity of the process of inquiry.	Problem: Institutional structure interferes with the developmental continuity of instrumental processes. Solution: Change in the institutional (value) structure.

Quelle: P. D. Bush

