INSTITUTIONAL ECONOMISTS’ TERRITORY

Professor PhD. Ionel BOSTAN
Ştefan cel Mare University of Suceava, Romania

In the paper entitled *Repe re în economia instituţională* (published by the Economică publishing house, Bucharest, 2010, 336 pages), its author, the famous exponent of the school of economics of Iaşi, Professor Ion Pohoaţă, explains what unites the new institutionalists in a common paradigm. At the same time, where appropriate, he also finds what separates them. Firstly, he observes that a common paradigm may be the result either of a reaction of detachment, until the separation from a school or schools and tendencies of established and recognized thought, or of an integrative synthesis of ideas belonging to different ideational spaces, united however by a catalysing vein.

The most fertile, in the identification of the place of new institutional economics (NIE) in the thematic area of contemporary economic science, seems to be, by far, its positioning regarding the internal geometry and the epistemological base of the neoclassical school. Then he states that the contemporary neoclassical school, to which NIE refers, no longer enjoys the perfect unity of views and the methodological homogeneity of the old neo-classicism. Although there was a series of internal changes, the heterodoxy did not affect the foundations of the high values on which relies the neoclassicism. “The hard core”, as well as most of the “protective shell” (lakatosian terms used in the analysis of the scientific revolution) remained intact. The natural order, the private property, the freedom of undertaking actions, the free market, the individual ascendancy which is detrimental to the collective interest, the competition and efficiency refer to the “hard core”. To these is added the “protective shell”: subjectivism and relativism in assessing values, the *a la marge* judgement principle (marginal productivity, marginal cost, etc.), the scarcity of production factors, the exogenous supply of factors, the concern for balance, the essentially static analysis environment, placed at the micro level, pure and perfect competition, complete information, profit or satisfaction maximization, consumer or producer surplus, uniformity and interchangeability of exchange values, human needs and perfectly divisible and rankable utilities of goods, perfect rationality, mathematized economy, comparative analysis between real, empirical situations and ideal conditions etc.
In the author’s opinion, the key concept that imposed NIE on the scene of the economic theory is not the institution, but the cost of transaction. The old institutionalists used in a pioneering manner the explanatory power of what is called institution. Not identifying a split between the old and the new institutionalism, and since the institution offers names both for the old and for the new branch of the thinking tendency had in view by Professor Pohoaă, we find the explanation for the reason why we start from here, from the institution. A solid concept about the institution belongs to D. North, who establishes the standard definition: “In a society, institutions are the rules of the game or, more conventionally, they are the constraints created by people to shape human interaction”.

Bringing into discussion M. Aoki, the author sees he provides the most representative theoretical development of the institution in terms of game theory and the predominantly endogenous character of its motivation. According to him, “an institution is a system of shared beliefs that are self-supporting in the way the game is played. In its substance, it is a synthetic representation of striking and invariable properties of a particular equilibrium situation, that almost all agents in a field consider important in terms of their strategic individual choice and that is, in its turn, reproduced by their actual choices in a constantly evolving environment.”

A considerable space is devoted in the book to approaches regarding the essential features of institutions: endogeneity, captured by the terms “self-supporting” and “reproduced”; the nature of condensed information, the consistency concerning the continuous changes of the environment; universality, multiplicity.

When referring to the theory of economic dynamics in institutionalist version, Professor Pohoaă uses a compression in the norhian synthetic sentence, as a motto, quoted in the paper: “in the process of economic growth, institutions matter” (to the extent that all or almost all is explained and attributed to them). He also notices that institutionalists do not invent a new theory of the growth. They do not issue such a claim, but are justified to say that their approach, compared to the classical and especially the neoclassical one, has its necessary dose of specificity for offering and bearing the school brand, which originates in the integration of institutions in the intimate, explanatory and prospective structure of the growth theory. So, the author in question tried to follow them on such a well-defined path. That is, a route “of dynamics and not of the economic growth, just to resonate with their own philosophy: the dynamics is a two-way road; its route could mean rising, but also declining; and in their approach, institutionalists are interested in both of them.”

The understanding of the whole construct made by Professor Pohoaă is facilitated by “The summary sketch of the development in an institutionalist version”, otherwise very successful, in which we find the approach of all factors and relationships by which they are connected to one another, in the process whose final objective is the economic dynamics. Institutionalist economists’ scientific works (R.H. Coase, A. Alchian, H. Demsetz, D.C. North, O.E. Williamson, R. Nelson, S.G. Winter, M.C. Jensen, M. Aoki, E. Brousseau, G. Hodgson, C. Menard, S. Pejovich) - many of them holders of the Nobel Prize for Economics - are carefully analyzed/summarized in the first part of the book.

Let us add that, finally, when dealing with evolutionism and institutionalism, Professor Ion Pohoaă devotes several pages to Nicolae Georgescu-Roegen’s contributions. His opinions clearly lead the author towards the lamarckian (not towards the Darwinian) version of the evolution on development. Thus, he claims it is essential for us to discern between true and false needs, not to squander scarce resources, to learn to live in harmony with the nature..., which ultimately will lead to an increased quality of life dimension.

Ion POHOĂ (born on January 13, 1951, Fălticeni) is Professor of Economics at the “Al. I. Cuza” University of Iaşi, Director of the (FEAA) Doctoral School and President of the CNATDU (MECTS) Commission for confirmation of the Doctor title and of the IOSUD quality. Favorite
areas: Economic doctrines, Economic epistemology, Institutional economics, Sustainable development. He is PhD Director in the Economic field. He published 11 books at publishers in the country and abroad, as well as over 120 articles and studies in scientifically traded journals and volumes. He was project manager in 7 grants and member of the research teams in eight contracts obtained through open competition.