

Original Article

Research frontiers of new institutional economics[☆]*Pesquisa fronteiras da nova economia institucional*Claude Ménard^{a,b}^a *Université de Paris (Panthéon-Sorbonne), Paris, France*^b *Lee Kuan Yew School of Public Policy, National University of Singapore, Singapore*

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Abstract

This contribution is about the ‘progressive research program’, as Imre Lakatos would have called it, initiated by New Institutional Economics. After a short reminder of the ‘golden triangle’ of concepts and tools introduced by the founders (Coase, North, Ostrom, Williamson) and their followers, the paper turns to a quick overview of the attainments of this paradigm along its dominant branches: organization theory and institutional analysis. The emphasis is on the new paths opening up, with a focus on two key issues: hybrid arrangements, which may well be the prevailing organization of transactions in developed market economies; and intermediate, ‘meso-institutions’, which likely provide the missing link between the general rules framing socioeconomic activities and the actors operating within these rules. The underlying argument is that whatever happens to the label ‘NIE’, this research program will remain with us for a long time ahead.

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Keywords: New institutional economics; Organization theory; Institutional analysis

Resumo

Este artigo trata do “programa de pesquisa” – conforme Imre Lakatos o chamaria – iniciado pela Nova Economia Institucional (NEI). Após um breve resumo do “triângulo de ouro” de ferramentas teóricas e conceitos introduzidos pelos fundadores da NEI e seus seguidores, o trabalho apresenta uma visão geral das conquistas do paradigma em suas correntes dominantes: teoria da organização e análise institucional. Ênfase é dada a novas avenidas de pesquisa, com foco em dois temas-chave: arranjos híbridos, que possivelmente constituem a principal maneira de organização de transações em economias de mercado desenvolvidas; e “meso-instituições” intermediárias, que provavelmente fornecem a ligação não identificada entre as regras gerais que influenciam atividades socioeconômicas e os atores que operam com base em tais regras. O argumento central é o seguinte: independentemente do que ocorrer com a etiqueta “NEI”, este programa de pesquisa permanecerá entre nós por um longo período adiante.

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Palavras-chave: Nova economia institucional; Teoria da organização; Análise institucional

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E-mail: claud.menard@univ-paris1.fr

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Introduction

The task assigned to this lecture is a hard one. Drawing a broad picture of research at the frontiers of New Institutional Economics (NIE) in the context of ‘post-crisis reflections’, which is the theme of this year forum, is very demanding at a time when the founding thinkers of NIE are gone or not much active anymore, with part of the agenda they initiated already fulfilled and/or integrated in mainstream economics. In what follows I shall focus on selected issues on which NIE already made significant contributions and, even more importantly, on questions raised by contributors to NIE that still remain to be answered, whatever the label under which this will be done.

In doing so, I intend to deliver two central messages. *First*, I shall argue that understanding the conditions of *implementation* and *enforcement* of rules and norms and the institutional devices through which this is done is central for explicating how economies actually work. *Second*, I shall emphasize that numerous concepts developed over the decades following the pathbreaking contributions of Ronald Coase provide *tools* to go further on these issues.

The next sections substantiate these messages along the following lines. The first section, on ‘*New institutional economics: foundations*’, briefly summarizes the conceptual hard core of NIE that will likely remain part of any future development in institutional analysis. The second section, on ‘*New frontiers in the economics of organization*’, provides an overview of some recent contributions in the branch of NIE focusing on the economics of organization to point out possible micro-foundations to economic disequilibria. The third section, on ‘*New frontiers in institutional analysis*’, turns to the institutional dimensions, of which organizations are an important component, to show sources of misalignment that can derail an economy from its expected trajectory. The last section, on ‘*What future for NIE?*’, draws lessons and perspectives with the underlying assumption that the conceptual apparatus developed within NIE is likely to pollinate the agenda of researchers and policy-makers for quite a while since so many issues pointed out by this research program remain to be explored.

New institutional economics: foundations

The leading figures at the origin of the development of the NIE research program (Ronald Coase, Douglass North, Elinor Ostrom, Oliver Williamson) are now well-known since they all received, at different times, the Nobel Prize in economics.

In a recent paper, Mary Shirley and I pointed out the complex set of influences that shaped their thought and some of the contributors that developed and diffused their initial intuitions (Ménard & Shirley, 2014; see also Furubotn & Richter, 1997). What is striking is the variety of contributions of those leading figures and the numerous fields they pollinated, from organization theory to public choices, law and economics, political science, economic history and so on.¹

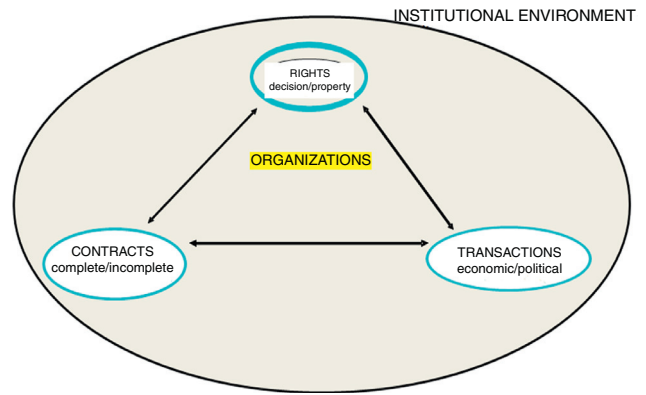


Fig. 1. Conceptual framework: the ‘golden triangle’.

Leading concepts

However, I would like to use the limited time I have to focus on the set of concepts that progressively emerged from this network of contributors, a network that eventually ended in the creation of the International Society for New Institutional Economics (since 2015, the Society for Institutional and Organizational Economics).

This conceptual apparatus can be tagged as the ‘golden triangle’ of NIE (Fig. 1). The components of this triangle and their interactions provide powerful tools to investigate the institutional dimensions framing economies. The *first corner* of the triangle is about rights, more precisely about two types of rights, property rights and decision rights. These rights rarely fully coincide, which is an important source of potential mismatch and flaws that may derail economic activities. The *second corner* is about transactions and transaction cost. Recent developments in NIE suggest a distinction between economic transaction costs and political transaction cost²: both can be important sources of distortions in decision-making. The *third corner* is about contracts, which are most of the time incomplete, thus opening room for potential maladjustments. This emphasis on contracts has been criticized. True, they do not explain everything, by far. However, they provide a good point of entry to the analysis of the role played by rights and transactions; and they also provide a powerful point of entry to the analysis of organizations (firms, markets, and interfirm agreements) and their institutional embeddedness.

Structuration of the domain

These concepts have structured two main branches in the New Institutional Economics program: one focusing on the micro-analytical level at which transactions are actually organized (the organizational level, very much identified to the williamsonian filiation); the other focusing on the macro-level of the political, judicial, and administrative institutions that delineate the domain within which transactions are developed and implemented (a domain associated to the name of Douglass North and, to a

¹ For an overview of this diversity see Ménard and Shirley (eds.) (2008).

² Although the idea of political transaction cost can be traced back to Stigler (1971).

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