

Editorial

This special issue is a showcase of many different ways in which economists use institutionalism. The institutional approach, as one of the Nobel winners, Gunnar Myrdal believed, would gain importance simply because effective solutions to practical problems that gather around us are strongly desirable (Wilkin, 2016, p. 231). According to this approach, the economy results from the development of certain institutions that uphold a specific way of making money and specific social relations. It is thanks to institutions that cooperation is sometimes gainful, while in other cases, it is socially unproductive, generating economic stagnation and decline. Another prominent institutionalist, Oliver Williamson, proposed a typology which may give a feeling of what institutions are about. It may be as well helpful for this editorial team in their strain to present the underlying logic of this special issue.

Williamson deems social order to be founded on culture and embedded in universally shared values. This most general level is conventionally marked as level 1. In this context, the environment of human activity is created by formal *rules* of the game (such as constitutional provisions). This type of institution is associated to level 2. In turn, the *ways* of playing the game constitute level 3. These are institutions that coordinate the activities of members of society (e.g. cooperatives). This layout (levels 1–3) organises the image for institutionalists, who leave issues of current use and allocation of resources for neoclassical economists to explore. For this type of activities, Williamson dedicates level 4. As we know, this is the object of neoclassical economics that induced most of the analyses known as mainstream economics.

This issue presents a selection of studies conducted by members of the Forum for Institutional Thought Association. This is a union of representatives of social sciences who are convinced that the institutional approach currently offers the best way to understand the world around us. Since 2015, the Forum has been working to create and reinforce ventures that develop as a platform for the study of institutions.

The issue opens with an article that discusses a set of specific rules that govern registers of internal migration in China (*hukou*). As explained earlier, such institutions belong to level 2. The authors' perspective is particularly noteworthy, for they aim to consider migration regulation in comparison with other subsystems. Namely, they analyse the interaction of *hukou*, pay, and working conditions, as well as the rules of access to social security and education. Moreover, they assess *hukou* from the perspective of the entire economic system's logic. As a criterion, they adopt 'effectiveness' rather than 'efficiency,' which economists typically do.

Let us emphasize two major aspects of this key analytical criterion. First, the authors make an important distinction between economic intentionality (e.g. orientation on economic-growth) and social intentionality (protection from poverty, equal educational opportunities). From the

viewpoint of Chinese economic growth, *hukou* is effective. However, it is not so for subsystems of social security and education, as it aggravates inequalities in personal income and access to education. The reason is that economic migrants suffer discrimination. The authors consciously avoid labelling the state of affairs with this word, taking rather pragmatic attitude which needs to be stressed here. Namely, their attitude is by no means free of ethical reflection. Rather than that it simply corresponds with the international convention as presented by one American university professor discussing *hukou* on the World Bank's website. The authors are preoccupied with effectiveness, but a reading of their paper should leave no doubt that the institutions concerned have moral dimension. The blatant curtailment of the civil rights of labour migrants by the *hukou* system can and should be outrageous, despite the fact that compulsory household registration provides the Chinese economy with cheap labour and contributes greatly to reducing social-security costs by periodically relieving employers and local authorities of the obligation to provide internal migrants with benefits and allowances, housing and access to education.

The scope Michał Moszyński and Yanrong Guo define allows us to speak of an approach in the macro dimension. The length of the analysed period (1978–2022) gives the study a historical character. This article represents the new institutional economy approach, analysing selected formal institutions on Williamson's level 2, but from perspective closer to Douglas C. North rather than to Williamson himself.

The next article also discusses a specific institutional arrangement, but at a lower level of generality. Its subject is a specific way of playing the game that is the cooperative, and it would therefore have to be assigned to level 3 according to Williamson. The authors interestingly present the multilayering of this form of collaboration, which combines both business (*Gesellschaft*, company) and community aspects (*Gemeinschaft*, group of individuals).

The authors identify the problems induced by the dual nature of cooperatives. In that context, property rights to profits and other benefits are hybrid, as they involve both entitlements as private properties and as collective goods (namely public goods and common pool resources). Where public goods and common pool resources are concerned, there emerges the free-rider problem. Another problematic consequence of such a nature of cooperatives is in the tension between the business (*Gesellschaft*) and the community aspects (*Gemeinschaft*). Again, these authors argue we should recognise what constitutes economic capital cooperatives and distinguish it from social capital. Accordingly, in cooperatives, the importance of institutions that are informal, 'soft,' and embedded in the culture of a given society or social group – rather than in law – is much greater than in commercial companies like corporations. In the light of this analyses, what gains particular importance is maintaining the norm of reciprocity and reputational concerns. However, do socio-cultural norms endure in collectives with numerous members? The authors pose even more interesting questions. Does the community aspect compensate for restrictions on property rights in cooperatives? Do cooperatives stand a fair chance in confrontation with large commercial companies? Are cooperative hybrids, to be efficient, doomed to small numbers of members? Or, perhaps, new technologies will help overcome the barrier seen in the declining impact of community considerations as cooperative members rise in number. The Internet provides tools that remove communication barriers and could (although not necessarily) be used to organise collective actions, including the activities and relations between members of a cooperative.

This institutional analysis by Michał Pietrzak and Aleksandra Chlebicka is much closer to the micro-dimension than the previous one. Moreover, it gives greater importance to informal

ways of conduct. Despite all differences, this article like the previous one fits within the scope of new institutional economics, albeit it draws more inspiration from the works of Oliver Williamson and Ronald Coase. Let's make a point that both the subject itself and its description with help of the '*Gesellschaft-Gemeinschaft*' concept are related with sociologist thinking. In the course of this introduction it will become clear that boundaries between different social sciences are easily crossed by various institutionalists.

The third article shows how to examine the quality of institutions using the expert method. The article does not directly discuss institutions, but it presents how numerous economists try to integrate institutional analysis into mainstream economics. The effort to measure and translate the institutional factors to numbers is characteristic of these trials. In this particular case, Katarzyna Kamińska presents selected proxies and the numerical values assigned to them to assess how well the Visegrad countries improved their economies competitiveness. The comparison is based on indices indirectly evaluating institutions' quality according to the World Economic Forum. For example, the indices refer to confidence in politicians or corruption. Calculations were based on surveys of managers' opinions. Such data is published in regular reports, and in this case, the data come from the *Global Competitiveness Report*. Organisations like the World Economic Forum and their publications constitute an extensive and relatively easily accessible database, which may explain why researchers use them so keenly. However, we should remember that – despite the impression of accuracy that the figures create – there is a large degree of discretion in this method. It is not only about the selection of proxies at will but also about tacit evaluation criteria. The article provides some conclusions with regard to competitiveness improvement which are based on silent assumptions. Namely there exists institutional structure that enhances competitiveness, and the more an economy approaches this institutional pattern, the more competitive it becomes.

Nonetheless, such an attempt deserves due attention at least because of its dimension. Assessing the international competitiveness of entire economies is undoubtedly macro-dimensional. Furthermore, it consists not only of formal rules in a country but also of its cultural practices (such as low/high confidence). This corresponds to the highest degree of generalisation in Williamson's terms, resembling levels 2 and 1. In this sense, Katarzyna Kamińska's article shifts focus away from analysis of selected institutional arrangements and their meaning (articles by Moszyński & Guo or Pietrzak & Chlebicka) to systemic institutional change.

In turn, Maciej Miszewski reviews Thomas Piketty's *Capital and Ideology* with an emphasis on the change leading from 'private capitalism' to 'participatory socialism' (Piketty's notions). What is Miszewski's focus then, is systemic transformation and its theoretic layer, as seen by Piketty. Allow us to explain why we deemed the reading of *Capital and Ideology* important for this special issue. Miszewski leaves little doubt that the book's background lies in the theoretical scaffolding consisting of institutions, albeit with little explicit information from Piketty. First, Piketty states that capital, market, profit, and wages are constructs that depend on the legal, fiscal, and educational (and other) systems, which for institutionalists means a dependence on the system of formal institutions (level 2). Such 'socio-historical constructs' are based on each society's ideas about a just system and economy. Those ideas are nothing more than an ideology that gives cohesion to value hierarchies on a social scale, which we may transpose on the institutions from Williamson's level 1. Ideology is connected to politics, because what provides balance between different social groups and narratives is another category of institutions: mediation institutions.

Will a change in fundamental perceptions – as Piketty suggests – suffice to change the system? Does the evolutionary nature of change Piketty advocates have any chance in the current reality? Is global ‘tax justice’ not another utopia? These and many other questions put by Miszewski are shared by the editors of this issue who hope that this critical review will provoke individual reader’s questions as well. Piketty tries to make diagnosis in aim to define specific paths toward better social order. This venture alone is ambitious and precious. Importantly, Piketty’s vision contains elements close to social economy, such as postulates regarding universal capital subsidies for young citizens, organization of worker cooperatives, and private companies co-management.

The issue’s major section closes with a review of a book that attempts to embrace the contemporary configuration of capitalism from political-institutional perspective. Anna Ząbkowicz’s book (*Państwo wobec grup dominujących w gospodarce*) considers a socio-economic system in which universally shared values and formal institutions remain under the influence of a specific type of state, namely a social democratic state. In this analyses the eponymous ‘dominant groups’ hold central position. They appear as a collective actor in two aspects, namely as large organizations focused on economic benefits as well as their representations in the polity dedicated to economic and ideational interests. Ząbkowicz begins her study from the premise that contemporary economy is largely based on a game between the state and business groups. The latter can impose their objectives on social environment – including the state. While building institutions important to the economy and implementing public policies, the state is subject to pressures from organised interests and social coalitions. On the other hand, alongside the bureaucratic and political institutions that make the state, mediation institutions channel polity activities and institutionalised interest representation. Therefore, what matters in the perspective adopted by Ząbkowicz are power relationships and dependencies, along with institutionalisation of economic and political processes. This approach definitely diverges from neoclassical economics and draws from the achievements of political economy and broadly defined institutionalism whose achievements lie in explaining collective action and are due to holistic approach, a version championed by Gunnar Myrdal. Ząbkowicz synthesised the achievements of both political and institutional economics. Her method is rather difficult to classify in accordance with Williamsonian typology, so the reviewed book may be an interesting example of doing institutional economics, markedly different from the approaches presented in the articles described above. This is the reviewer’s concern that Ząbkowicz seems to underestimate the achievements of new institutional economics.

Michał Pietrzak’s review finds in Ząbkowicz’s book a description of the main problem the modern state faces. It is the debt state that operates in conditions of a conflict over the distribution of income between its creditors and its citizens. Thereby, it is consequently losing its abilities for promoting economic growth in terms of resources at disposal and effective control. Furthermore, state power gradually erodes due to its diffusion among technocratic intergovernmental organisations and large private organisations with cross-border interests. Does the inclusion of power relations into the perspective of economics provide new insights? Do large business groups present a counterpower against the state indeed? Should they raise concern and demand extraordinary scrutiny? Has net effect of their functioning in terms of wellbeing more than one meaning? We recommend this reading.

The final text, by Anna Jurczuk, Zofia Łapniewska, Renata Śliwa, and Anna Zachorowska-Mazurkiewicz, describes the object and scope of activity of the Forum for Institutional Thought Association. Operating since 2016, the Forum is an important platform for the exchange of

ideas and scientific experience among representatives of various disciplines, including economists, lawyers, political scientists, and sociologists – coming from leading Polish academic centres and united by the conviction that the institutional approach currently offers the best way to understand the world around us. The Forum organizes and co-organizes seminars and scientific conferences of national and international scope, and it prepares scientific publications presenting its members' research results. Encouraging interdisciplinary study of institutions, the Forum supports its members in their professional development and inclines them to broad research perspectives.

All the articles in this issue attribute a special role to the analysis of institutions in explaining socio-economic phenomena. Institutions matter, and one cannot understand the economic reality without considering the broadly defined institutional environment. The variety of approaches presented in the articles responds to the institutional system's complexity, which consists of a multilevel, multifaceted structure of laws, rules, norms, and power relations. Institutions differ from one another in their range of influence, method of creation, and susceptibility to change over time. The articles in this issue uncover various elements of institutional architecture, which enables us to gain a multifaceted view of the institutional environment of economic activity.

We hope that this issue will encourage many to explore institutional economics. Hopefully, the variety of themes covered here may be of help for scholars to widen their reflection on institutional economics.

Anna Ząbkowicz, Michał Pietrzak, Anna Jurczuk
Thematic editors

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Conflict of Interest

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