

INSTITUTIONS AND INSTITUTIONAL DESIGN

Erling Berge

Stinchcombe 1997

NTNU, Trondheim

Fall 2009

Literature

- Stinchcombe, Arthur L 1997 “On the Virtues of the Old Institutionalism” Annual Review of Sociology Vol. 23, pp.1-18

ON THE VIRTUES OF THE OLD INSTITUTIONALISM

- Institutions are staffed and are created to do the job of regulating organizations.
- This staffing of the institution, and all the creative work that is involved in funding, governing, training, and motivating institutional actions by that staff, has been lost in recent institutional theorizing.

Ritual Means of Survival vs. Institutionalized Values

- Variations in the bindingness of institutional rituals are to be explained by beliefs about what the institution is for
- When the value system informing an institution ranks something as of high priority, it is more likely that the keepers of the institution will formalize conformity with the institution in a ritual designed to monitor, enforce, and enact the value of that something

How contracts in the market come to be legitimate

- by the way they are constituted,
- by **the mutual belief of the contracting parties that each is committed** to the line of action promised in the contracts,
- **especially the commitment of a firm to be competent** in the future to carry out the activities specified in the contracts.

Legitimacy in the law of market competition as a system,

- is related to the legitimacy of being able to do things better than competitors as a moral and legal claim on the profits of such competence.

The failure of institutions (1)

- Institutions, and commitment to institutions, are essential to the creation of public goods
- Economic progress involve the production of public goods, including obvious ones such as roads or civil order, and not so obvious ones such as the willingness to discuss what we should do next in a spirit of honesty and compromise

The failure of institutions (2)

- When the institutional means to create public goods are not available, welfare seems to people to depend on looking out for themselves and their immediate kin, rather than on trying to create greater welfare for all
- Some sorts of institutions undermine capitalist organizations, and do so by failing to provide integrity in the achievement of public goods

Concluding (1)

- The basic postulate is that organizations that work well do so by paying people to serve values, to try to be competent, to conduct their business with integrity
- An organisation seen as a working sustainable combination of resources and believable commitment can only be created if people believe that the institutional enforcers themselves believe the values.

Concluding (2)

- The guts of institutions is that somebody somewhere really cares to hold an organization to the standards and is often paid to do that
- Sometimes that somebody, or his or her commitment, is lacking, in which case the centre cannot hold, and mere anarchy is loosed upon the world