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UNESP

2001

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1. Introduction

This paper investigates the most important characteristics of institutions, as well as some of their most conspicuous peculiarities – namely their proverbial resistance to change, mainly when compared to the capacity and speed of transformation of what I call the other social factors (or components). The article also tries to describe the relations between institutions and these other social factors — ideologies, interests, politics, and historical moment (with, among the other factors in a specific period of time, the material side of the societies) – in addition to contrasts and similarities between institutions on very different levels, and in distinct countries and regions. It also intends to show the factors that conduct to a greater or lesser institutional homogeneity in (and among) these different *loci*, and to a greater or lesser institutional instrumentality. Besides, the paper tries to give a better definition of institutions, which is important, especially nowadays, given the increasing interest for institutions in economics

The paper is divided as follows: in the second section, I try to give a workable definition of institutions, for in the huge and increasing economics and non-economics literature that treats the subject there are several definitions that are in major or minor disagreement with each other. In the third part, I investigate the relationship among different institutions, between them and other social and structural factors (that is, related to the material structure), and the resistance (generally) of institutions to change. The main reason for this analysis is that each of these factors can influence institutional configurations and, hence, the possibilities and range of institutional changes. In the fourth section, I outline the advantages and disadvantages of the tendencies towards institutional change and homogeneity. In the fifth and final part, I make some brief conclusions.

2. Definitions and some Characteristics of Institutions

Institutions are defined as the rules and patterns of behaviour or interaction among people verified in one (or part of a) society, rules and patterns of behaviour which must acquire some stability, i.e., need to be repeated, even for a short time span. That is, institutions set up and restrict, at the same time, the choices of individuals, at least in terms of what is socially recognised or considered acceptable and/or rational. Of course this does not mean that these individuals must be conscious of these norms and rules, or of their meaning or function.[1] Institutions reflect and establish, at the same time, the structure of

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[1] Hall (1986:19); Elster (1989:99). Elster shows that social norms need to be shared by some (or many) people. Johnson (1992:26) includes among institutions the habits, routines, rules, norms and laws, as well as the organisations. I include communication among people in these patterns and rules of behaviour and interaction: As explained by Tool (1990:166): "Socially correlated patterns of behaviour are internalised by individuals and become habitual. Institutions, then, are made up of habits but they are not determined by habits. Being constituted of habits, institutions are often resistant to change. Rules, codes, customs, and attitudes, once established and embedded as habits, define expected behaviour and are presumed to be

values of a society.[2] And, therefore, they prescribe the expected behaviour and performance for some social functions and situations, also determining – together with some ways of rewarding and stimulating,[3] and the sanctions against deviant behaviours – the motivations[4] and the level of confidence that one can have regarding these behaviours and performance.

So, institutions can have an important role as a means to reduce uncertainty, through the coordination of formerly divergent expectations of some agents and the concentration of these expectations in certain intervals (Simon, 1991:39; North, 1990; 1991). For divergent expectations emerge more easily when some laws, norms and rules – formalised or not, and that reduce the possible range of behaviour of the agents – are not established, determining this behaviour with a high level of confidence.[5] Undoubtedly these are some of the classical problems analysed by Keynes (1936:148-9; 1937), that is, those concerning uncertainty and the state of confidence, with institutions in their role of "uncertainty reducers" contributing immensely to diminish "the likelihood of our best forecast turning out quite wrong."(Keynes, 1936:148).

Institutions can be formal — as, for example, written rules and laws — as well as informal – as in the case of conventions, behaviours and codes of conduct.[6] According to North (1990:46), this distinction is only a matter of grade, which could perhaps be represented by a *continuum* that would go from taboos, customs and traditions — on the informal side — to constitutions, laws and written rules — on the formal one:

> "The move, lengthy and uneven, from unwritten traditions and customs to written laws has been unidirectional as we have moved from less to more complex societies and is clearly related to the increasing specialization and division of labor associated with more complex societies."

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continuing." See also North (1990:4; 1991; 1994); Landesmann & Pagano (1994:199); Langlois (1986a:17; 1986b); Akerlof (1976:24) and Popper (1963:149-52).

[2] Tool (1990:166). See also DiMaggio & Powell (1991a) for the visions and importance of values for Parsons and Bourdieu. For these authors, values are set before institutionalisation, i.e., they are preconditions to institutionalisation.

[3] Popper (1963:156); Rizzo (1985a:881-2); Elster (1989:99-100). That is why I prefer to define institutions as patterns of behaviour, not as rules which define or impose them, as, for instance, in North (1990:3). For rewards, despite the fact that they can be established by rules (at least in the majority of cases), can hardly be seen as restrictions.

[4] Granovetter (1985); North (1990; 1991). In this definition of institutions I do not include ideologies, as, for instance, in Veblen (1899:110), or in some other important contemporary institutionalists (Friedland & Alford, 1991:243; Johnson, 1992:27-8). This does not mean that "mental habits" or the ideas of different individuals do not acquire some stability and routine characteristics — historically, culturally or personally determined — which cannot be included in a definition of institutions. The objection is to overburden this concept with the one of ideology, for ideologies, in spite of some collective aspects that they hold, have a marked individual nature, which escape the definition of institutions presented before. I define ideology as the way through which a person tries to explain "the world" as a whole, understood as everything which enters his/her field of perception, or on which he/she reflects (in this case it can surely also include things that do not exist). In a similar sense, cf. North (1990:16-23,137-8) and Fligstein (1991). See also Vasconcelos *et alii* (1999).

[5] Therefore, institutional stability reduces uncertainty, through the narrowing of the range of expected actions in particular situations (Dopfer, 1991). It can also provide, as Lundvall (1992a:10) underline, "guide-posts for change. In this context, we may regard technological trajectories and paradigms which focus the innovative activities of scientists, engineers, and technicians, as one special kind of institution." Johnson (1988) also emphasizes the trade-off between the institutional flexibility and the function of institutions as guide-posts.

[6] North (1990:36). It is important to notice that contracts can be in both categories, i.e., be formal — for instance, when they are written, with rights and obligations clearly stated — as well as informal – when this does not occur. Cf. also Williamson (1979) and Pondé (1993).

Such a transformation of societies into increasingly complex systems increases the utility of formal rules, which have as their principal goal to delimit with increasing precision the rights and obligations of each agent, mainly related to situations and activities which happen with some regularity. In the same line, the progressive spread of organisations and hierarchies through increasingly complex societies increases the necessity of formalisation of these organisations and hierarchies and of their internal and external conducts. Formal rules should complement, modify or substitute the informal ones, restricting to the maximum the possibility of the occurrence of events outside of that foreseen by these rules (North, 1990:46-7).

On the other hand, in many cases informal rules constitute extensions of the formal ones (North, 1990:40), complementing through costums, traditions, etc., what is not or cannot be (owing to costs or uncertainty) formally stipulated. That is why some authors (Alchian, 1965:129-30; North, 1990; 1991) emphasize the lack of differentiation of formal and informal rules — for instance, between laws and costums — in terms of their effects over the actions of agents. Nevertheless, there is no simple correlation between the development of these two types of rules. Disconnections can easily occur in between them, with the institutions of one sort becoming obsolete in relation to the institutions of the other. One reason for this is that informal rules, even more than their formal counterparts, are not, in many cases, established consciously, or even noticed by many agents (they are taken as "natural things", as a matter of course).

There are no simple correlations among certain institutional structures and their achieved economic performance. Among other reasons, there are many formal and informal institutions connected to and intervening in this performance, in addition to the very complex and hardly traceable relationship between these several institutions. Moreover, it is necessary to consider the entire material and human structure, complemented by a careful investigation of the other social factors – ideologies, interests, politics, and historical moment – and not only to analyse the institutional structure separated from this environment.

Institutions can be consciously created — as formally established laws and rules, Constitutions, etc. — or emerge and develop spontaneously, as happens with consuetudinary rights and with habits and customs.[7] They display practical and material (instrumental) as well as symbolic and ritual aspects, which, in many cases, are found simultaneously.[8] Thus, some are exclusive or predominantly instrumental and material,

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[7] Rizzo (1985a:868-73); Langlois (1986b:251). The Austrians call the institutions consciously created pragmatic and those that sprout unconsciously organic (Langlois, 1986a:17-9). Hayek (1968:48; 1989), specifically, describes them as proceeding from "organised order" or from "spontaneous order". According to Pondé (1996:544), "[i]n concrete cases, this distinction between institutions which emerge consciously and institutions which appear 'spontaneously' is a matter of grade, for both processes can be present in the formation of a specific institutional arrangement — and there is still the possibility that a institution be created through organic processes and maintained through pragmatic processes [and vice-versa]. Perhaps, it is more useful to recognise that institutions result from a mix — whose elements are difficult to separate — of conscious construction and spontaneous evolution. The most important thing is to identify the logic which govern these processes, and one of them is the logic of [economic] competition.".

[8] Miller (1978:14), based in Veblen, defines **instrumentality** as the way of thinking or acting capable to achieve an specific aim or solution (in Veblen's terminology, this is defined as a technological way of thinking or acting). Therefore, an instrumental mode of thinking or acting can also be employed in institutional changing (Ramstad, 1986:1097). On the other hand, **ceremonial** (or institutional, according to Veblen's very particular definitions) behaviours would be those directed only, or chiefly, to emphasize status

others are ceremonial, whereas others are composed of a more or less balanced mix of these characteristics (Friedland & Alford, 1991:232,241-3,249-53; Granovetter, 1985).

However, the symbolic character of institutions is not completely equivalent to ceremoniality, for the concept of ceremoniality not only means that particular institution possesses a symbolic nature, but that it presents an anti-instrumental feature. That is to say, this concept implies that an institution has as its unique or main objective the differentiation of *status*, privileges and the exercise of power, whereas instrumental institutions are well known for their capacity to help to solve problems. Thus, institutions normally have practical as well as symbolic characteristics, but this does not necessarily mean that those institutions display a ceremonial nature, in the aforementioned sense.. The symbolic character of institutions, for example, can help justify useful practices to societies, at least for a period of time.[9]

Another important aspect, briefly mentioned above, is that institutions are linked, though some very weakly. So, the creation or change of some institutions implies (many perhaps unintentional) dynamic impacts (that is over time) and many not intentional on a whole chain of more or less correlated institutions. These consequences, several of them not foreseen, happen also through feedback in the direction of formerly modified institutions and, afterwards, of the whole set (or a great share) of institutions, occurring in a differentiated manner according to the level of interrelationship between each institution. Therefore, institutional creation and transformation intermingle with the whole structural evolution or at least with a great portion of it: some institutional and structural changes result from planned actions whereas others happen in an undeliberate way. But, one should undoubtedly not disregard the total impossibility of predicting all the consequences of premeditated institutional and/or structural changes.[10]

I will, following Dosi (1988a:137-8), separate the eminently **economic** institutions from the others within societies, and also divide those **economic institutions** into two additional types: **1) microinstitutions**, composed of corporate structures (e.g., functional and hierarchic structures — Pondé, 1993:14); specific capacities, and rules of behaviour (for instance, of decision making) inside the corporations, or even for the interaction among companies and markets; interaction modes among corporations, financial organisations, or among this entire set simultaneously, including their relationship with the market; personal relationships and those of trust;[11] competition patterns, etc.; that is, microinstitutions are those that are found only inside firms and markets; and **2) macroinstitutions**, which comprise public organisations (agencies, Departments, research institutions, etc.) and the devices contrived for economic regulation and development (specific norms and general legislation; finance, taxation and incentives ; prescribed conducts for interaction with the government — for procurements, R & D, user-producer relations), etc.

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or social distinctions. They will make necessary, in order to be accepted, some form of societal pressure (even if only from a small section of society), and hence the appeal to authority (Edgren, 1996:1019-23). For a critic of several of these aspects, cf. Edgren (1996:1019-23).

[9] As Friedland and Alford (1991:246-247) explain: "Categorical structures only make 'sense' when they organize our lives. The deployment of material resources not only involves real material relations; it also communicates meanings. The inability of non-Western societies to absorb technologies and material goods of the West without profound cultural transformation indicates the problem. So does the West's inability to absorb non-Western values without material transformation."

[10] Hirschman (1984; 1995); Popper (1963:150-1); Johnson (1988).

[11] North (1990; 1991); Silva (1994); Pondé (1996:543); S.Possas (1998).

Dosi (1988a:138; 1988b:1147-8), moreover, shows that the entire set of institutions is responsible, to a great degree, for the way that the different economies work, with their rules of behaviour, learning and selection processes, etc., also pointing to the importance of relations among institutions and the greater compatibility among some of them when compared to others.[12] Undoubtedly, such a complementarity acts as a reinforcing mechanism of established institutions which deepens the current path, the initial lock-in, regardless of any major concern about efficiency.[13]

In another sense, incompatibilities among institutions, or among institutions and the material structure, provide a barrier to such an inefficient deepening (David, 1994:214), making possible subsequent and more radical transformations in particular institutions, or even in the whole institutionality (Veblen, 1899).

3. The Relations among Institutions, their Resistance to Change and the Other Social and Structural Factors

Not all institutions have the same impact over economies. Nonetheless, economies, as components of societies, can present links (sometimes feeble) with all social and structural factors (or with the majority of them), even if they cannot be determined with precision. Specifically in relation to the economic structure, I shall emphasise the relevance of technologies and investments, because of the great lack of mobility which they generally display, turning them into factors which deepen the lock-in (structural as well as institutional) processes. Thus, the connection between structural and institutional components explains certain systemic configurations often found in societies, e.g., the interdependency among the arrangement of various factors and characteristics (not necessarily technical) presented by particular systems that one intends to adopt or modify.

This point can be made clear with the help of some examples. Changes in the types and size of automobiles relate to habits and concerns with energy conservation and to public transportation, but also to all the investments made by corporations and the public sector with the goal to provide the necessary material components and a proper infrastructure for automobiles of particular sizes (Powell, 1991:191). The problems that occurred related to inefficient and non-standardised widths of railways and to other connected systemic investments made in Great Britain, in the XIX century, were also related to the familiarity and experience gathered through decades with this amalgam of technological systems, management techniques, finance and coordination modes, routines, etc. One should also mention similar problems happened in several other countries, or even on an international scale, with respect to complex systems like those of electricity, information and communication.[14]

As Powell (1991:192-4) explains, a lock-in process also takes place with institutions, not only with technologies, though it surely can happen simultaneously in both, despite the fact that some of them may have shown rather clearly a sub-optimal character. For sometimes it can be extremely difficult to modify habits and/or technical, financial, managerial, cognitive, etc., interests, in spite of considerations regarding their functionality

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[12] Tool (1990:166); Dopfer (1991:535-6); David (1994:213-4,218); Landesmann & Pagano (1994:200). For example, a highly hierarchical structure inside a firm better matches highly hierarchical systems of communication, payment, or even a more hierarchical society.

[13] For examples of efficient and inefficient lock-ins, in the automotive industry, see Womack *et alii* (1990).

[14] Landes (1969); Arthur (1988; 1989; 1996); David (1993a; 1993b; 1994); Perez (1985); Rosenberg (1992).

in strictly instrumental terms (or even with relation to other aspects not only instrumental, like organisational, symbolic, motivational, etc., ones).

> "Moreover, established conceptions of the 'ways things are done' can be very beneficial; members of an organizational field can use these stable expectations as a guide to action and a way to predict the behavior of others. These are not necessarily stories about inefficiency or maladaptation, but rather plausible accounts of how practices and structures reproduce themselves in a world of imperfect information and increasing returns."(Powell, 1991:194).[15]

Hence, institutions, as well as technologies, are path dependent, that is, they are dependent of their histories. This characteristic of institutions is reinforced by their often sluggish pace of change – institutions are normally the components of societies most resistant to transformation – which frequently makes them inadequate in relation to technological developments.[16] Thus, institutional developments present a strong relation with their past configurations and with the material structure taken as a whole. That is the reason why institutions are responsible, in great measure, for the peculiarities of each country and, obviously, for their entire institutionality (Dosi & Kogut, 1993). But, those institutional conformations can be partially changed when creations, destructions or whatever other transformations happen in (some of) these conditions, be these transformations more or less radical. But, in this case, a new path begins, confirming once more the characteristics explained before.

On the other hand, the slowness of the processes of institutional change, though they can hinder the efficiency of some systems, also possess some functional aspects, such as the protection of the coherence of an institutional structure against a complete, fast and frequently irrecoverable destruction (Johnson, 1988:288; 1992:43), or an excessive instability and the uncertainty that follows it. These can be sufficient motives for caution: even when one perceives that an institutional structure is not functional, one must be careful with its substitution. However, in many cases, the faster and more completely that one can destroy an old and ceremonial institutionality, the more helpful it will be. So, in some instances, this manner of transforming institutions is much preferable to a piecemeal process. For it can be important to modify a whole cluster of institutions, in order to disconnect a series of chains among them, therefore making possible the appearance of a new cluster of institutions and their inter-linkages in place of the old ones.[17] Therefore, this kind of action can be necessary to break the reaction of those who formerly benefited from the old institutionality, for they can gather forces and contrive ways to reinstall this old institutionality and, so, maintain their privileges.[18] But, in other cases, in which those risks

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[15] DiMaggio & Powell (1991b:64-5), Scott & Meyer (1991) and Scott (1991:173-4) define **organisational fields** — also called **society sectors** — as clearly delimited areas of this society as, for instance, some organisations (firms or other institutions, foundations, etc.) "producing" similar goods or services, their owners, contracted or volunteer staff, main suppliers (also of finance) and clients, regulatory agencies, professional associations and unions which can have any influence over them, in addition to any other regulatory organisms or source of knowledge. It is important to point to this functional, not local, definition — which, thus, can pass across national borders – largely resembling, and being developed with a base in the economic concepts of industry and market (Scott & Meyer, 1991:118).

[16] Johnson (1988; 1992); Samuels (1995a:573). Nonetheless, this peculiarity of institutions has also a useful counterpart, which is to provide some stability in environments that are changing very fast.

[17] Certainly, these new institutions, through time, will also slowly tend to become rigid and not functional or, at least, not as functional as in the beginning and/or as new institutions could be.

[18] Some radical changes made in France (and in its institutionality), after the II World War, could only be attained because most of the interests (of the small business in commerce, agriculture and industry) that

are not huge, it can be more useful to adopt a slower pace of change than to approach, or even to attain, complete institutional chaos, because of excessive and sudden transformations, given the aforementioned connections between the set of institutions and the uncertainty that comes with the results of these radical changes.[19]

In this sense, Johnson (1988:287-8; 1992:43) emphasises a trade-off between the flexibility of an institutional structure, i.e., its capability of (self)transformation, and its function as a stabiliser, as an anchor (a stable core) of social structures, making it possible, among other things, for a reduction of uncertainty in situations where the other social factors are unstable.[20] However, the persistence of such institutions and institutionalities must not be connected with any notion of legitimacy (Jepperson, 1991:149). This becomes clear when we consider that institutions like corruption, fraud, crime, clientelism, nepotism, and so on, continue to exist. As a matter of fact, many illegitimate institutions last because of the difficulty and risks of modifying costums, beliefs and interests which have been crystallised for too long (Akerlof, 1976; 1980; 1983), and which are often neither perceived nor, of course, understood, by the majority of people (Jepperson, 1991). Thus, several patterns of behaviour can be adopted without the need for any intervention, since their acceptance and enforcement are anticipated with great security, justifiably or not, for they are considered as natural and legitimate (Powell, 1991:192), or even as a consequence of the difficulties and risks incurred in their change.

Therefore, any statement that institutions tend to an optimum is not justified, because institutions present a notably path dependent behaviour. And this is true for the social institutions as a whole, as well as for those more specifically related to the economic side of societies, like organisations (or the behaviours and routines embraced by them). Such characteristics were pointed out long ago by the first institutionalists (Veblen, 1899; Ayres, 1934-35; 1951), by the modern (including neoclassical) ones, and also by those, economists or not,[21] who have no clear filiation with institutionalism, but who tried to analyse the subject in a way that does not necessarily conduce it to any equilibrium.

One should also stress the importance of the interests in opposition to better institutional solutions, for undoubtedly not all people and groups are benefited (to the same degree) by changes in institutions. In reality, in many cases, a great number of people and groups, or at least those politically stronger, are contrary to institutional changes.[22] That is

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formerly benefited from the old institutional and economic structure of the nation were considered responsible and acceptant (still for their relative inefficiency, when compared to the more advanced countries of the time) of the occupation of the country by the Germans. Nevertheless, even after those important transformations, the interests of the small business and agribusiness are still, nowadays, rather strong in that country. This is another example of continuity of an institutionality and of obstacles to radical institutional and structural transformations. Cf. Zysman (1978; 1983); North (1990:89-91) and Gerschenkron (1962).

[19] For the unforeseeable consequences of some policies, cf. Hirschman (1958; 1984; 1995). For instance, the overthrow of the regimes in the ex-European communist countries — that were instigated, in great measure, by the attempt to make radical changes in a very rigid institutionality — can also be understood through this perspective (Hirschman, 1995). On the other hand, such a point of view could help us to reach a better understanding of the very slow and cautious pace of institutional change implemented by China (Medeiros, 1999).

[20] Therefore, one could say, using mathematical language, that institutions work, when they exercise this role, as "parameters", or even "constants", whereas the other factors would function as "variables".

[21] Kapp (1968; 1976a; 1976b); Nelson & Winter (1982); Simon (1991:41-2) and Williamson (1993:121,139-44).

[22] Cf. Nagy (1994), for the example of the East-European countries, and Bueno (1996:345), for the Brazilian case.

one more reason for many economists to postulate the need to accept, in the majority of cases, not the best possible solution, but one that comes near to what could be an ideal solution, i.e., a "second best" solution.

So, one can easily perceive that there are two conflicting trends in relation to the tendency (or not) of some institutions and/or of the whole institutionality to an enhanced functionality (in the sense of an enhanced instrumentality, which shall not necessarily be confused with any trend to an optimum): first, the trend of many countries to emulate some institutions of their more successful competitor(s), generally with some adaptations to the characteristics of their own institutionality, even in their search to improve the emulated institutions (Jepperson & Meyer, 1991:228); and, secondly, an opposite tendency to this one, i.e., in which each nation deepens their own institutional characteristics.[23]

This second tendency would, thus, be responsible for the deepening of the institutional characteristics of each country or region, in spite of their functionality or dysfunctionality, unless those countries deliberately want an institutional transformation. This could happen, for instance, as a consequence of the perception of the loss of the capacity to compete – nowadays, mainly economic, but also, at least in some cases, military – in relation to competing countries, or because of revolutions, wars or occupations by foreign powers (Zysman, 1994:259). In this sense, the liberal countries (e.g., USA, UK, Australia and New Zealand) remain so, despite the dysfunctionality of many of their institutions, and the same succeeds with the nations with a feeble participation of the State.[24] In this same line of thought, the corporatists countries (for instance, Germany, Austria, Switzerland, Netherlands, Belgium, Denmark and the Scandinavian countries) look for solutions which conform with their peculiar institutionality, occurring something similar with the countries with strong States, (France, Japan, South Korea and other Newly Industrialised Countries — NICs — from Asia). Therefore, forces opposed to an increase in institutional instrumentality will always exist. One of them is the fact that institutions are path dependent. However, such forces clash with the attempt of some agents to make them more instrumental.

Among the powerful influences in favour (or against) an increased instrumentality, one shall firstly mention **ideologies**. Their relevance can be summed up by the fact that ideologies are clearly a precondition for the action of individuals over the "world". Or, in other words, that all the agents will logically depend on the way by which they perceive the world (on their *Weltanschauung*) in their attempt to act upon it. On the other hand, Hall (1986:277-82) shows the importance of the relation among institutions and ideologies, when, for example, some institutions (e.g., organisations) try to create, before any action is taken, ideologies that support these actions, or even after being successful with some specific goal, the search to generate ideologies that legitimate them. Such ideologies, of course, can adjust better or worse to reality and/or to the interests of the agents.

So, secondly one shall consider the importance of **interests,**[25] among the factors which can lead some people or groups to be in favour or in opposition to institutional

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[23] Marsden (1993); North (1990:7-8). For a study of the conflict between emulation and differentiation of the institutionalities concerned to wages and labour markets, in several countries, cf. Medeiros (1992).

[24] As is the case of Latin America, but also of several countries with a reduced level of economic development in Asia and Africa.

[25] I define interests as a set of manifest and latent preferences that result from the combination of a given structural or functional position in a society, in addition to the ideology of each person and to concrete interactions inside a given system of decisions (Tapia, 1993:21, n. 11).

changes, or to have obscured their perception of the need (or not) of such changes. This is to say, in this latter case, interests mix up with ideologies, indirectly having an impact over institutions. In this sense, many social agents, individually or together, can try to manipulate institutions (or the inherent logic of some of them, when there are contradictions among institutions — Friedland & Alford, 1991:255-9) in their own advantage, i.e., according to their own interests. Nonetheless, this will depend, among other factors, on the capability to justify ideologically such acts and/or on the relative power of the several agents. Notice that the use of certain institutions and their logic, according to the interests and ideology of some agents, can also ultimately have goals that seem to be completely disconnected with these institutions and logic, such as, for instance, the use of religious, territorial, linguistic, ethnic, racial, sexual, etc., arguments to achieve more tangible and prosaic objectives as, for example, favourable political and economic positions.

Finally, a last but important link between interests, on one side, and ideology and **culture**, on the other, is that interests are also settled culturally, that is, *through the transmission of knowledge, manners of perception, concepts, ideas, values, myths, rituals, theories, descriptions, from one person to another and/or from one generation to another* (Jepperson, 1991:150-1; North, 1990:37,138). This means that personal ideologies acquired through such interpersonal cultural transference, or even the collective ideologies shared by many people (in what composes culture), in great measure determine interests.[26]

Third, **politics** implies important impacts over institutions and the other social components here analysed. For politics determine, for instance, which interests will prevail either through clash of the forces (generally not physical) or through the uneven capabilities of the forces to articulate and defend these interests, also given the perception of these interests. This introduces, once more, the role of ideological conceptions in relation to this set of factors.[27] Of course, in the other sense, there is also the dependence of politics (and even of the interests and their representation) to former institutional structures. For these structures can be used in many ways by the several agents, including ways that differ from those originally contrived for these institutions (Zysman, 1994:259), and politics and interests are important factors in the modification of these original functions.[28]

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[26] Some authors use imprecisely the concept of institutions instead of the one of culture (Gordon, 1973; Jepperson, 1991). On the other hand, North (1990) underlines the influence of culture or past ideologies over the possibility of establishing chosen institutions and certain modes of political concertation, e.g., in the difficulties found for the use of Constitutions of the North-American style in many countries of Latin America, when the prevailing political forces, ideologies or culture are not able to bear such institutions. In this sense, see the interesting remarks of Kissinger (1994:88), that whereas the President Wilson believed that democratic values could spread internationally through institutions, Metternich, because he represented a very old nation, with institutions which evolved gradually and almost undiscernibly, did not believe that rights and obligations could originate from laws. For this latter statesman, rights were only generated by something he described as "the true nature of things". Thus, if one tried to create laws to formalise institutions, one would only make them feebler, because instead of making these institutions natural one would turn them into impositions.

[27] There are many case studies in many types of organisations (firms, hospitals, schools, museums, etc.), showing that that the managers of these institutions try to change them in their own benefit, whether these changes are instrumental or not (DiMaggio & Powell, 1991a:30-1).

[28] The dependence of politics in relation to former institutional/ideological factors can be also illustrated by the constancy of many traditional political conceptions, as patrimonialism, elitism, clientelism, etc., in some places and countries, despite any further consideration about their functionality or instrumentality.

As a synthesis of these multiple factors that, in great measure, are simultaneously determined, and that shape the societies, making it desirable (or not), for instance, the effective implementation and support to industrial and developmental policies, one could imagine a virtual graphical representation of this whole set. Thus, one could conjecture a graph with six dimensions (if we consider industrial policies, or five, if we do not), with each axis representing a specific factor: **1)** institutions; **2)** interests; **3)** ideologies; **4)** politics; **5)** industrial policies; and **6)** historical moment (the material conditions of a region or country, in a specific period, in addition to international historical circumstances, all determining the possibilities of development and the policies directed to achieve this goal).[29] In principle, there would be multiple, infinite, possibilities of combination among all these six dimensions (or of other additional dimensions, in a more detailed representation, which would use, for example, separated axes for private and public interests, or for the many components that form institutions – habits, rules, laws, etc. – and so on). But, even in a "simple" representation, of only six dimensions, it must be clear that in spite of the virtual possibility of the existence of any point in this graph linking these six dimensions there would be, in reality, many voids, given that, for example, some ideologies can only prevail in countries with a specific level of economic development, or linked to certain institutions. Some institutions can only exist in conjunction with certain interests and/or in specific historical or political moments, etc.

4. Other Favourable or Contrary Tendencies to Homogeneity and to Institutional Change

Every institutional emulation, in the great majority of the cases, does not involve a sheer copy of the institutions which were taken as models, since there are a series of adaptations in this transfer. Such adaptations are needed in order for the emulated institutions to adjust to the whole institutionality and/or to the existing technological and structural conditions of the place to where they are transplanted (Veblen, 1899). As DiMaggio and Powell (1991a:32) put in relief in Orrù *et alii* (1991):

> "Firm structures and interfirm networks are 'strikingly uniform or isomorphic within each economy, but different from each of the others [economies] — they express the organizing principles of that economy's environment.' The authors challenge the notion that institutional and technical imperatives are inconsistent; by contrast, they find that institutional and technical considerations 'converge harmoniously in shaping organizational forms.'"

After an institutionality is established, in a specific place or country, there emerges a strong trend in direction to a relative institutional uniformity in this *locus* (Orrù *et alii*, 1991:361-3; Kogut, 1992). But, this demands the necessity to explain this ulterior trend to homogeneity as well as the initial institutional transformation.

One of the first determinants of a certain institutional (and organisational) homogeneity would be, then, the strong pressure that some institutions (among them some organisations) exert over their congeners, in order that they assume some common

[29] Certainly one needs to abstract the difficulties to give a consistent theoretical or empirical content to an axis (a dimension) which represents "politics" or "interests". However, one could imagine a figure that would run, in all axes, from the less to the more developed, or which represent at each point of these axes every possibility of one dimension, without having to worry about something as a vector of development for some of them. For, after all, what would be the meaning, for instance, of interests or ideologies more developed? That is, how could one represent in a linear form so complex variables, more suited to mathematical or graphical analysis?

characteristics. Among the elements that compound this pressure, it is important to stress those exerted by the State, its divisions or by professional organisms, etc., in favour of a homogenisation or adjustment to a common model. This fact is mixed up with the different capabilities of each of these institutions and organisations to influence their congeners, making them follow certain rules and prescriptions.

Another way for coercion, which can be easily linked to political/legal aspects, is the search for adjustment to the cultural environment in which institutions are found, whether by "inviting" them to conform or because of the handicaps of an opposition to this conformity.[30] So, the necessity to adapt to the costums and habits of a country — among them, implicit models of organisation (Jepperson & Meyer, 1991:218-20) — is one of the causes of an institutional homogeneity in a certain geographic space (DiMaggio & Powell, 1991b:64-8; DiMaggio, 1991:288-9). This occurs, for instance, with the structures of families and family enterprises which result from these costums, habits and implicit models of organisation.[31] The same applies to the habits and norms of relationship among people, including those which take place in their businesses, companies or even other kind of organisations.

Uncertainty can also stir up institutional homogeneity, since it can be safer to recur to established institutions in situations and periods in which the confidence in the forecasts of the coming events are feeble (DiMaggio & Powell, 1991b:69). Moreover, many of these factors can occur at the same time, i.e., two or more of them can lead the whole set towards institutional homogeneity. For example, one can emulate established institutions with the intention to adjust to a more comprehensive institutional structure, instead of facing up to legal and cultural (or simply resulting from the unknown) uncertainty, which is inherent to institutional innovations.[32] Through this strategy it is possible, simultaneously, to attend to legal requirements and to the need to accept "informal" rules, which comprise rules of professional behaviour, including those referring to (and inside) organisations, up to norms of behaviour prescribing how to speak, dress, and so forth.

It is also necessary, once more, to underline the frequently functional relationship among institutions and techniques, for instance, in organisations, either for profit or not, which take on some particular characteristics in each country. An illustration is the liaison in between technologies and property rights, with the latter seeking to influence the former, but being affected by them, at the same time. For instance, in the fordist companies (and in the countries in which them predominate) with their specific institutionality, in comparison with the "toyotist" ones and their respective institutions (Pagano & Rowthorn, 1994:226-7).

Logically, there is no need to exist harmony among institutions and the chosen techniques, as well as there is not only one possible "result" for the relationships among these variables. Thus, they influence each other, but not in a deterministic way (Dosi & Orsenigo, 1988:21). However, this does not mean that any combination among

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[30] To this set of mechanisms, DiMaggio and Powell (1991b:67-9) give the name of coercive isomorphism. One should also notice the presence of *lock-in* mechanisms in this tendency to homogeneity (David, 1994).

[31] Cf. the case of the Taiwanese, Japanese and Korean family enterprises and/or familial networks in Orrù *et alii* (1991), or the simultaneous use of several institutions for exchange, in Friedland and Alford (1991:258-9).

[32] That is to say, one can consider, simultaneously, mimetic and normative factors, to which, on different occasions, one can still add other factors.

technologies and institutions (property rights among them) is possible, with at least some stability, but only that the range of feasible combinations is limited.[33]

Technologies do not adjust in the same manner to any institutionality. They always need some adaptations to conform to them (Valle, 1996). For technologies are not only affected by a technical environment, which would imply in an institutional "void", but are also part of a determined society, place, with its costums, rules, laws, etc. This is a problem that is made clear when the importation of technology takes place. As Dalum *et alii* (1992:311-2) expound:

> "The capabilities of a firm reside not only in its machinery and in its individual employees, but also, and primarily, in its organising capability to transform inputs into output. And this capability, in turn, depends on its institutional relationships with suppliers, customers, public agencies, research institutes, and on the domestic institutional set-up as a whole.(...) Since technology always has to function in firms or other organisations in contexts where people and groups relate and communicate in order to carry out production, institutions necessarily affect how, and with which results, technologies are used. Thus, when technological innovations are diffused across national borders, adaptations are usually necessary: either parts of the receiving institutional system, or the innovation itself (or perhaps both), have to adapt. Learning becomes an extension of borrowing. Borrowing becomes a part of learning."

Alternatively, this process of institutional "borrowing" surely is something more problematic than its technological equivalent. For, as explained before, technological emulations, given the slowness generally found in institutional changes, are faster and easier, with few hindrances, even when one considers the necessary adaptations of these technologies to the new country, its institutionality and its different structural conditions. Certainly the "importation" of institutions undergoes similar processes: adjustments to the existent institutional structure, including, in some cases, the simple rejection of these borrowed institutions by the established institutionality (North, 1990).

Some authors (Dosi & Kogut, 1993:252-5; Kogut, 1992:294,305-7) also stress the importance of the relationships among institutions and techniques, which create very resistant and widely spread modes of action and organisation, in the most varied areas.[34] That is why mass production techniques, after their initial spread through production, first mainly in the USA, but later in other countries (Medeiros, 1992), were embraced by activities distant from factories — as in schools and hospitals (Fajnzylber, 1983; DiMaggio & Powell, 1991b). A parallel example is the dependence of a specific productive technique or organisational structure (even in "non-productive" sectors) to the educational and training system (instruction and qualification level of the employees, etc.), the labour market, legal system (which also rule these systems and techniques), etc.

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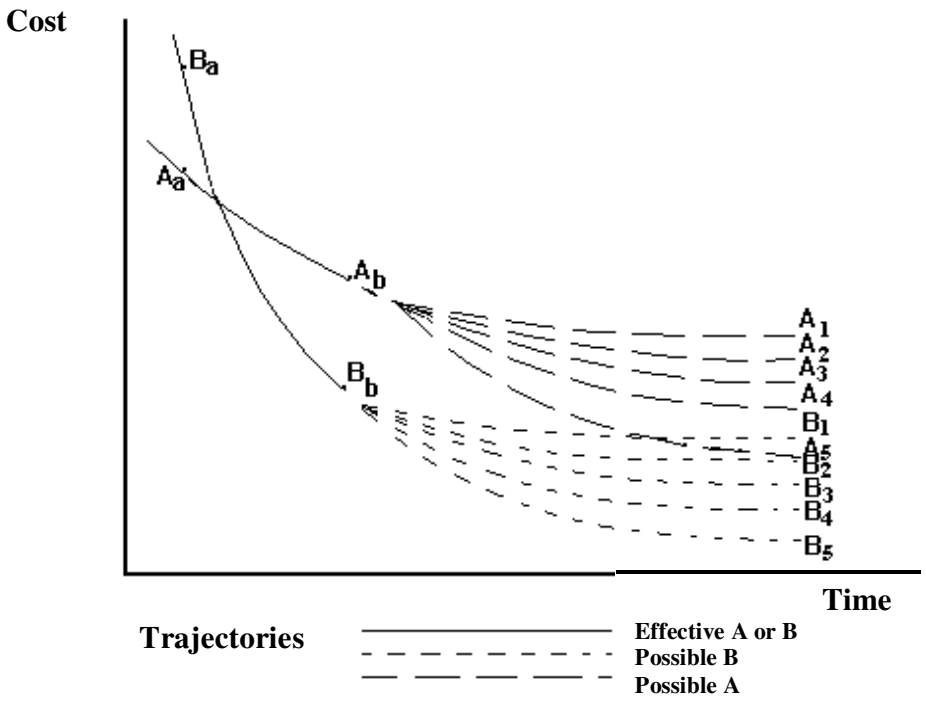
[33] Pagano & Rowthorn (1994:227). As explained by Johnson (1988:283-5) with empirical examples, technologies will not necessarily be in the vanguard in relation to institutions. But the opposite is also not true.

[34] Historically, one can explain the easier path for the adoption of tayloristic ideas in the USA, in comparison with a great share of the European nations, especially with UK, because of the inexistence of craft and guild traditions in the USA (Dosi and Kogut, 1993:254). In the same way, one might also contemplate "the effects of differences in environmental organization on the adoption of quality circles in Japan, Sweden and the United States. Whereas efforts at institutional change were organized by business associations in Japan and by government/union coalitions in Sweden, in the United States a weaker movement was mounted by technical experts seated in professional associations, universities, and advocacy and consulting organizations. The relatively weak central states of the United Kingdom and, especially, the United States, enhance the capacity of professionals to structure environments in those countries."(DiMaggio, 1991:288-9). One can still reflect on the strong resistance to change of fordist entrepreneurial institutions, even when their dysfunctionality was clearly evident (Womack *et alii*, 1990).

In Graph 1, I present an illustration of some of these institutional choice problems. Through this illustration one can better visualise the options an organisation (e.g., a firm), a country or even a specific region are face with when they try to calculate the costs and benefits of an institutional change (although this calculus shall be only a rough proxy). I expect that it will also help to understand the barriers to institutional change represented by the *lock-in* processes and the progressive deepening of certain institutional models.[35]

So, one can imagine that a specific kind of institution(s), ***A***, is completely dominant in one of the three elements listed above (organisations, countries or regions). The trajectory of type ***A*** institutions (or institutionalities), through time, *in terms of cost*,[36] is known until the "current" moment, being represented by the continuous curve which passes through $\boldsymbol{A}_{\mathbf{a}}$ until point $\boldsymbol{A}_{\mathbf{b}}$.[37]

Graph 1



However, through the observation of more advanced competing organisations (or, instead, of countries or regions) it is possible to guess, with great certainty, the future behaviour of type ***B*** institutions, until point $\boldsymbol{B}_{\mathbf{b}}$, which likewise represents the "current

[35] An analogous picture can be used to make it easier to comprehend certain aspects of the process of technical change.

[36] Alternatively, this example could be used likewise, with some transformations in the graph, to analyse questions concerning productivity or "functionality".

[37] In the case of countries or regions, one might contemplate productive or social costs.

moment" of these kind of institutions, in these other organisations (or countries or regions). So, one can perceive that institutions of the ***B*** type, in the most advanced competitors, present, until now, advantages over those of the ***A*** type.

Yet, the performances of these institutions beyond the current moment (given by A_b and B_b) are uncertain. Nonetheless, it is possible to venture into forecasting future performance, in order to think about the functionality of a virtual institutional change.

If one believes in the future viability of the type ***A*** institutions to become again more efficient than those of the type ***B*** (as in the parts to the left of points ***A*** and ***B***, in the graph, before the two curves crossed each other for the first time), what would only occur, according to the graph, if the effective path of ***A*** were A_5 and of ***B*** were B_1, there would be a reason, though fragile, to remain in ***A***.[38] So, though the probability may seem quite remote for the simultaneous occurrence of the many factors that would make it possible for the favourable hypothesis of path ***A***, one may rationally consider profitable to remain in ***A***, given the high costs for an institutional change (Dosi & Kogut, 1993:255-7). The advantage to stay with ***A*** (or conversely, the hazards of choice ***B***) can still be amplified, at least initially, due to the inadequacy in between the very different institutions (the "old", of the ***A*** type, and the imported ones, of the ***B*** type), increasing the uncertainty regarding the performance of these new institutions, in organisations (or countries or regions) not accustomed to them (Hirschman, 1995).

Thus, the resistance to change, in these cases, can undoubtedly be considered rational, given the possibility, at least *ex-ante*, that the course followed by the type ***A*** institutions be A_5, and that of type ***B*** be B_1, once more leading the future efficiency of the path ***A*** to be greater than that of ***B***. Certainly, if there is the possibility that other paths of type ***A*** (still unknown and not represented) can also, in the future, exhibit a greater efficiency than several other possible paths of the ***B*** type, it will be even more rational to remain in the "current" path, i.e., with the "current" institutions. To reinforce this case, one shall consider that if many interests (mixed up with ideologies and power positions) are connected to a possible favourable course as the virtual path ***A*** just mentioned, the benefited interests will assuredly guarantee that this last argument is the correct one, i.e., that after a short period, the ***A*** path will once more show it's superiority in relation to ***B***. They can also postulate that the temporary greater efficiency of ***B*** is a consequence of other advantages that are not institutional.

Hence, one can add to these aspects the difficulties in interpreting the problems as being institutional – for instance, in identifying as institutional (or as technical, material, political, etc.) the main cause for a specific advantage (Dalum *et alii*, 1992:313; Womack *et alii*, 1990). This problem once more brings about issues related to the interpretation of the

[38] Of course, I am not considering, for the time being, the possible performances of the other variables which could enforce this institutional stiffening in ***A***, as the previously mentioned interests, ideologies, political conditions, uncertainty, inertia in relation to changes, etc. I am "abstracting" from these possible complications, in order to figure out such a decision only from a "rational" point of view, regarding uniquely considerations of relative efficiency. This "abstraction" will be abandoned thereafter. Certainly, one can imagine that the people responsible for the decisions, in face of the uncertainties and of the many virtual scenarios, would prefer to wait until the ***A*** and ***B*** paths were clearer. Nonetheless, there will be a moment when a decision of the kind hypothetically illustrated would have to be taken. In such a case, one could conjecture that a further delay in the choice of certain institutions would cause unfavourable and almost irreparable consequences to those that erroneously choose the worse path. This would imply the need to decide. So, in this case, even the choice of a further delay would be an implicit one.

"real world" (Valle, 1996) — i.e., of ideology — as well as to interests and politics, since equivocal interpretations, whether made ingenuously or purposefully, have a higher probability of appearing the stronger the interests and power of those involved in such interpretations:

> "It is easier both for management and workers to accept changes in the work process, which merely means that technical things should be done in a different way, than changes resulting in a reshuffling of hierarchical patterns and in the introduction of new ways to communicate. Furthermore, if many interlocking persons and groups feel responsible for, or identify themselves with, a specific organisational form, they may try to resist even minor changes."(Dalum *et alii*, 1992:313).

In this sense, there is a strong perception that people responsible for technical areas are more receptive to changes in their areas than those that are occupied with institutional or organisational aspects, at least when the suggested modifications are (generally) restricted to technical areas. Moreover, in opposition to what happens with the technical areas, the institutional and organisational orbits (for example, those which are related to managers and lawyers) have a vocabulary and knowledge much less internationalised, homogeneous and consensual, leaving them with a better protection against concepts different than those usually adopted, in spite of any consideration of efficiency.

In opposition to these hindrances, it is necessary to consider the trend of the transnational corporation, or of the corporations that compete with them, to try to emulate the international *best practices*. This search has been growing with the increasing international competition among corporations and the consequent relative reduction of the world market. That is, the intercompany and intercountry competition – be them economical and/or political, institutional and/or organisational – strongly stirs up this process of institutional mimesis by those that are handicapped in comparison to competitors (North, 1990:137-8).

An additional obstruction to this process of institutional emulation is the fact that tacit knowledge, which is very important if one is concerned with technologies, can be even more relevant in the case of institutions, since one can hardly describe an institution as a blue-print. As a matter of fact, a great share (if not all) of these institutions and organisations, and of the many processes which make them up, is found only in the mind and practice of the people that work in or with them. This implies that a great part of the knowledge incorporated in organisations and institutions has a higher risk of disappearing than in the case of technologies, together with the transformations in these institutions and organisations. And once this knowledge is lost, probably it will be lost forever (Dosi & Kogut, 1993:250; David, 1994:212-3,219). So, this is another case of non-reversible decisions.

One shall also consider that when a specific kind of institutions is chosen — or even a whole institutionality — a *lock-in* in a certain type of institutional solution begins, which will be fostered by learning/forgetting processes in institutions and technologies that are connected to this elected institutionality (in comparison to the institutions and technologies which were not selected). Such institutions and techniques can include those present in very dissimilar sectors (and in their organisations) of the societies, as corporations, schools, hospitals, etc. (Dosi & Kogut, 1993:252-4). Add the fact that many institutions are specific to a country or region, or even to a corporation, at least receiving some specific "colours" from each of them. This may result in the need to be very careful with processes of institutional and organisational change, for instance, in the case of transplant of alien

solutions, what can be magnified because of the just mentioned problems of institutional compatibility.

It is also important to notice that such barriers to institutional (and organisational) changes are not only shaped by the hindrances listed before, but likewise by the time, effort and/or financial resources spent with the acquisition of knowledge related to the existent institutions and organisations, even with those not directly involved in this institutional change (David, 1994:212-3). This makes those involved with the established knowledge — generally more engaged with existent institutions and organisations — more fearful of losing it, as well as the resources that were used to acquire it. And one should add to these factors the fear that changes will represent loss of status, of political position, of earnings, of certain habits (what can be reinforced by the frequent intolerance to changes of elder people – Johnson, 1992:43; North, 1990), etc.

This resistance to institutional changes is also strengthened by the instrumental stability and efficiency often attained, including in cases of an inferior institutional lock-in, by the several agents involved and their relationships. Therefore, it can be useful, at least in the short term – as explained before and in the graph – to ignore new institutions or information that can put at risk such stability and co-ordination among agents. It can be profitable to extend to the maximum the efficiency of an inferior institution or institutionality, in the same manner of what can be done with techniques, since following such a solution which would generally be inferior, can achieve similar results as the best paradigms, at least in their "current" stage of development.

Such a fact can prove even truer if one takes into account the uncertainty related to institutional changes (Hirschman, 1995). Though institutional changes can be potentially favourable, the jeopardy that they imply to a certain institutional harmony can hinder –for rational motives – their adoption. This is one reason why conservative agents, strongly opposed to risks and changes, will always try to avoid such harmony breaks, since this kind of argument rationally reinforces their stance.

As a corollary, it is possible to list the following factors that result in a greater homogeneity or, instead, inequality among institutions: **1)** the intra and inter-organisational competence disparity (whether these organisations are productive or not, working for profit or not), which can increase, instead of decreasing, as a consequence of institutional transformations and/or other factors, making the less competitive actors either more prone to accept institutional changes or, conversely, more refractory to change, i.e., making them even more stubborn in relation to any change in their current institutions and knowledge (Womack *et alii*, 1990) **2)** the competition among different institutions and organisations, since several of them will try to generate some (real or imaginary) advantages which can differentiate them from their competitors, whereas these handicapped competitors will generally try to emulate those leading competitors (one should remember all the exceptions presented above); and **3)** the bias towards the permanence of the core competences of each of these institutions and organisations, making some of them less pliable (or more resistant) to transformations than others, what is also related to the former institutional path and to the issue of cumulativeness. As Tool (1977:840) explains:

> "All structural change is dislocative. Contemplated change could be invoked with reference to rate and extent so as to intrude upon or disrupt as little as possible other instrumental functioning in nonproblematic but interrelated and affected institutions. If adjustments are more extensive than people think is needed or necessary... and if nonproblematic areas are adversely affected in the instrumental efficiency sense, the change will be resisted and may be aborted. Effective change must then await a more adequate recognition of the constraints and a revision of proposed changes... (...) This principle explains in part why proposals for comprehensive reordering of entire political economies

usually fail in the achievement of their aims. No people can stop and start over; none can wholly or even mostly reorder the interdependent patterns of belief and behavior which correlate their relations with others. Change must proceed piecemeal."

In the same sense one can also perceive the complex interrelation among the several institutions — costums, values, expected behaviours, organisations and modes of participation of people inside and outside these institutions — and the ideologies and interests which join them. All this set constitutes a net of relations, learning processes and interests that makes it very difficult to modify a portion of it without bringing about changes (some unpleasant) in other parts. This does not mean absolutely that changes should never happen. But, it somehow explains the great resistance generally found with respect to these changes, at least by those that (believe) they will be harmed by such changes.

These issues shed some light on the huge difficulties, not to say sheer objections – unless one considers specific and radical events and moments – to make fast changes in all this set. One can likewise, through them, have a better understanding for the impossibility to know *ex ante* all the consequences of specific policies (Hirschman, 1984; 1995; North, 1990:138). When one modifies any institution, even if it is a "mere" contract — in what would configure, for some people, in an example of a completely objective and predictable institutional change – one generally cannot anticipate all the implications for such act (Williamson, 1979; 1993).

As a result, it is crucial to know if there exists factors that could make a nation or a place to change drastically its institutionality, and which would those be. Historical studies hint that crises of great proportions, as, for instance, occupations of a country by another — or even the risk that these could occur — are factors that can bring about such kind of transformation. This stance seems supported by the post second war cases of both France and Japan, or even by the occupation of the same Japan by some Western powers, in the nineteenth and twentieth centuries. The first of these occupations, as we know, risked being extended or repeated, as occurred in China in those years. This was the most important factor which fostered the Meiji Revolution.

So, as stressed by Zysman (1994:259), one

"first mechanism [which stirs up institutional evolution] is the sheer force of dramatic crisis — revolutions, depressions and wars — that disrupts political and economic life and reopens established agreement and arrangement. The continuity even after dramatic crisis is often remarkable. In any case we can say little systematic about such crisis."

But, one shall keep in mind that difficulties for the "importation" of institutions are larger when institutions or the institutionality as a whole, that one tries to emulate, are more different in comparison to the original one. The divergences among the different models of the Nordic nations expose the main problems connected with this issue:

"The differences between, for example, the Swedish and the Danish systems of innovation are considerable in spite of the similarities in history, culture and social policy. The earlier often celebrated Nordic model in reality consisted of several different national models, the Swedish model, the Danish model and so on, quite different both in terms of economic structure and institutional set-up."(Johnson, 1992:41).

One shall imagine, thus, the greater difficulties to transpose institutions from countries even more different among themselves. In this same direction, one shall stress the role represented by cultural exchanges, which are often followed by some sort of institutional exchange. For cultural exchanges have been increasing over the last hundred-odd years, stirred up by such factors as the great development of communications and

transportation; the spread of tourism as a form of entertainment and learning; permanent or temporary migrations; the high and ever growing rates for the international commerce, mainly since the end of World War II; and, last, the progressive development of an international mass culture industry (Hobsbawm, 1994:24-5;193-6;484-95; OECD, 1992a).

Such a need for institutional emulation is also a result, in great measure, of the variations, through time, of institutions or even institutionalities, when they are analysed through a perspective which emphasises instrumentality. Well, institutions which have been initially, or still for a long time span, instrumental, being co-responsible for the successful international performance of a nation, can be afterwards even emulated or surmounted by the institutions of competing nations. In such cases, the previously avant-garde institutions can transform themselves in obstacles to the development of those countries which were formerly ahead (Abramovitz, 1986). That is, the frequent (through time) transformation of certain institutional structures from functional to inadequate, as a consequence of the ever changing needs which they have to attend, presents a stimulating role to institutional change (Zysman, 1994:259), which, however, can be hindered by the established interests, costums, ideologies, etc.

As North (1990:16-7,68) underlines, the influence of those that have bargaining power to rouse or obstruct institutional changes is extremely important, chiefly for more radical changes. At least, such influence augments the hurdles to achieve these radical changes for those with less political power. However, small transformations in institutions keep occurring with relative continuity, e.g., stimulated by unceasing incremental or radical technical changes which take place in the economies (Rosenberg, 1976). These technical changes, as we know, cause, in the long run, a need by the more connected institutions to adapt to such technologies and also, indirectly, by the other institutions related to these central ones (Veblen, 1899). Nevertheless, such institutional changes often come about unnoticed, because of their slow pace, generally. As North (1990:6) expounds,

> "institutions are [always] evolving and, therefore, are continually altering the choices available to us. The changes at the margin may be so slow and glacial in character that we have to stand back as historians to perceive them, although we live in a world where the rapidity of institutional change is very apparent.
> Institutional change is a complicated process because the changes at the margin can be a consequence of changes in rules, in informal constraints, and in kinds and effectiveness of enforcement. Moreover, institutions typically change incrementally rather than in discontinuous fashion."

It is also important to mention the role of changes in the relative power of the several groups which make up societies, changes that can have social, political or economic roots (Walker, 1977:220), or even a mix of all these. However, in opposition to such trend, one shall stress that the more a culture is institutionalised (Jepperson, 1991:150,159; North, 1990:37) the more perfectly and with less change will be the transmission of this culture among people and also generations. The conflict among these divergent trends will be solved whether through small and more frequent changes in the relevant institutions or by means of less habitual and more radical ones. This last form will predominate when the old institutionality and the established interests are more adversarial to the needed transformations, being in opposition for longer periods to these unavoidable transformations.

That is why in some critical cases and in exceptional situations formerly stable and relatively unchangeable institutions may tumble in an astonishing fast pace.[39] Thus, the

[39] For instance, before or after wars or revolutions (Zysman, 1994). Cf. Nagy (1994) and Hirschman (1995) for an account of the collapse of the formerly European communist countries, and Monnet (1976) and

inadequacy of an institutional structure to different periods could explain, for instance, to a great degree, the initial success of the Great Britain, even before the First Industrial Revolution and during the nineteenth century or, subsequently, of the *catching-up* and *falling behind* of the British economy and industry by other nations (Hobsbawm, 1968; Landes, 1969).

Several authors try to explain the rise and fall of nations as a result, in great measure, of these institutional advantages, which some competing countries try to emulate and still surpass through institutional innovations even during this initial period of emulation. These latecomer's innovations can still invert the initial position of institutional superiority, as often happens in the case of technologies, bringing about a process of decline of the institutions of the firstly benefited countries. Nevertheless, as we have seen, any change in the ranking of nations or regions does not happen uniquely as a result of a better or worse relative adequacy of their different institutional structures. It is necessary to consider also the technical and economic structures, as well as the other social factors, in order not to fall in an erroneous interpretation, excessively institutional, of a complex and multifactorial issue.

5. Conclusions

This paper contained some of the main characteristics of institutions, e.g., their much known resistance to change — at least when compared to the other social factors — in addition to their relationship with these same factors. A privileged focus of the analysis was to understand the reasons which can bring about or obstruct institutional changes, whether the considered institutions are of a restricted reach or related to entire nations. These institutions with a broad reach were referenced, in order to better understand some causes of the institutional inter or intra-national homogeneity (or differentiation). This was made for micro-institutions as well as for macro- ones.

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