



Munich Personal RePEc Archive

Facilities of Original Institutional Economics in Research of Institutional Changes

Volchik, Vyacheslav

Southern Federal University

November 2011

Online at <https://mpra.ub.uni-muenchen.de/42802/>
MPRA Paper No. 42802, posted 24 Nov 2012 17:58 UTC

FACILITIES OF ORIGINAL INSTITUTIONAL ECONOMICS IN RESEARCH OF INSTITUTIONAL CHANGES

VOLCHIK VYACHESLAV,
PhD, Department of Economics,
Southern Federal University,
e-mail: volchik@sfedu.ru

Институциональные изменения в экономике стали предметом исследований множества экономистов, однако большинство работ выполняются в рамках неинституционализма. В данной статье предпринимается попытка анализа современных институциональных изменений с позиций старого или традиционного институционализма. В работе делается акцент на исследовании асинхронности трансформации механизмов регулирования, с одной стороны, и институтов, с другой. В качестве важного фактора при анализе изменений институтов рассматриваются коллективные действия групп специальных интересов.

Ключевые слова: институциональные изменения; коллективные действия; институциональная инерция; дихотомия Веблена; группы специальных интересов.

Institutional changes in the economy have been the research subject of many economists, the majority of studies are carried out within neoinstitutionalism. In this paper the author attempts to analyze current institutional changes in terms of the old or traditional institutionalism. The author focuses, on the one hand, on the study of asynchrony transformation of regulation mechanisms, and institutions, on the other hand. As an important factor the collective action of special interest groups are considered in the analysis of institutional changes.

Keywords: institutional changes; collective action; institutional inertia; Veblen's dichotomy; special interest groups.

Коды классификатора JEL: B50, B52, D02, O33, B25.

I

For many years economists working in various theoretical schools have paid great regard to institutional changes in economy. Most researches of institutional changes are carried out within the neoinstitutional or the new institutional economics frameworks. However the use of heuristic potential of original (old) institutional economics can enrich modern theories of institutional changes.

Institutionalism as an important scientific school has considerably strengthened its positions for the last twenty years. It is caused by:

- 1) the development of the neoinstitutional or the new institutional economic theory which became the major direction of evolution of the modern neoclassical economic theory;

- 2) the necessity of interpretation of radical institutional transformations in economic traditions of the post socialist countries, as well as considerable acceleration of the rate of institutional changes in the majority of national economies;
- 3) the increased value of non-orthodox economic theories which increasingly determine the development of perspective scientific schools in the modern economic theory. Old or original institutional economics along with post Keynesianism and the Austrian school which are non-orthodox schools generate the theories that give a relevant explanation of modern institutional transformations and globalization processes in a postindustrial society.

Within the framework of the new institutional economic theory the role of institutes as the restrictions at realization of different economic actions is emphasized. New institutional economics is also concentrated on defining the institutes as restrictions while the main feature of old institutional economics consists in modeling the institutes as defining factors of agents informative ability (*Khalil 1995, 445–66*). Hodgson also proves that the defining line of new institutional economics is that, generally, institutes influence upon behaviour of given individuals as restrictions¹. Besides, according to prevailing opinion of neoinstitutionalists, institutes are the results of the individuals choices and, thus, cannot cause an individual choice (*Dequech 2002, 567*).

First of all, institutes have the information nature. Thanks to them individuals not only receive the information on the permitted and forbidden actions, but also form their behavioral and informative models, which define human actions.

Theoretical heritage of original institutional economics can provide very useful instruments for investigations of modern institutional changes. Within the limits of this article from a variety of concepts of original institutional economics are used the research tools of the theory of collective actions of J. Commons (elements of which have received reflection in M. Olson's works²) and Veblen's dichotomy for an explanation of institutional changes.

II

Formation of effective modern economy requests updating of old institutes and creation of new ones. The evolution of institutes is closely associated with mechanisms of regulation which can include measures of state economic policy, and also actions of organizations and groups of special interests. Therefore the Veblen's concept of dichotomy and institutional inertia can help with the analysis of modern institutional changes.

¹ For more details, see: *Hodgson, G.M. (2003). Theory of economics and institutes: Manifesto modern institutional theory of economics. М. (Более подробно См.: Ходжсон Дж. (2003). Экономическая теория и институты: Манифест современной институциональной экономической теории. М.) Hodgson, G.M. (1998). The Approach of Institutional Economics // Journal of Economic Literature. Vol 36. No. 1. 166–192.*

² Although M. Olson is represent most probably Public choice theory, which converging with neoclassic, in his works and first of all «Logic public action» affect influence Commons' ideas. (Хотя М. Олсон является представителем скорее теории общественного выбора, которая конвергентна с неоклассикой, в его работах и прежде всего в «Логике коллективных действий» заметно влияние идей Дж. Коммонса).

Institutes are traditionally interpreted by economists as rules and mechanisms providing their performance, and norms of behavior which structure repeating interactions between people (*North 1993, 73*). Further we will adhere to this interpretation of institutes. Along with institutes considerable influence on economic development is made by regulation mechanisms. Regulation mechanisms represent a class of power connections and relations resulting in the organization of economic processes within the limits of state and corporate structures and other organizations.

There is a phenomenon described by T. Veblen in the last century which is typical for postindustrial economy. Subsequently the phenomenon has been called «Veblen's dichotomy» (sometimes the term «dichotomy of Veblen-Ayres» is used by authors, stressing the contribution of Clarence Ayres in the research of the given problem). Usually Veblen's dichotomy is connected with the contradictions arising during social changes between progressive technologies and the institutes, which hinder development. Traditionally the agenda of Veblen's dichotomy is at the core of the theoretical agenda of old institutional economics (*Wisman and Smith 1999, 887–902*).

Veblen noticed repeatedly in his works (*Veblen 1984; 2007*), that institutes which are regarded as modern in given period are the results and also the reflection of previous development and functioning of economic processes and the activity of individuals and organizations. Veblen's dichotomy allows us to concentrate on one important feature of economic development of a society. This feature can be characterized as asynchrony of the evolutions of mechanisms of the organization, production management and state regulation tools, on one hand, and rules, institutes and institutional agreements, on the other.

Contradictions between organizational forms and stable rules and mechanisms of enforcement, i.e. institutes, consist in asynchrony of their alteration rates. During the epoch of industrial revolution the given phenomenon was analyzed by T. Veblen as a dichotomy between the industry and business (*Veblen 2007*). In Veblen's dichotomy business institutes focused on profit, represent the regressive force. On the contrary, the industry advanced by engineers according to technical progress and their skills, is the progressive force. We will not analyze in details the fact, whether T. Veblen who developed the theory in the end of XIX–beginning of the XX century was right or not. Important is the fact that Veblen specified the contradiction between inert, slowly developing institutes and more dynamical technological changes and requirements of technological and economic policy.

Usually the introduction of new technologies is considered as an evolutionary process, and the decrease in entropy of system, as well as the increase in quantity of energy and information are regarded as selection criteria (*Weinel and Crossland 1989, 795–808*). We can designate three central concepts of economic evolution: variety sources, a choice of environment and the transfer mechanism (*Nooteboom 1999, 129*). The given abstract sight at dynamical development of a technological choice doesn't pay enough attention to such factors, as social norms, the market power and a state policy (*Wisman and Smith 1999, 887–902*). However, influence

of market forces and institutes on dynamics of technological changes is essential. Moreover, many researchers connect the possibility of working out and introduction of new technologies with the formation of institutional conditions (*Rosenberg and Birdtsel-Jr. 1995*).

Institutes, ordering or forbidding certain actions and (or) interactions of economic actors, form preconditions for long-term and repeating relations and transactions. Institutes create a set of possible variants of social action that makes actions of individuals predictable and, hence, reduces probability of deformation or destruction of the social system. Social changes are an important factor of social progress. Here we again face the fundamental dichotomy between institutes with their inertia and a constancy and necessity of formation of new structures of management and technologies. In our opinion, institutes and management mechanisms (as well as technologies), should be considered irrespective of their progressive or regressive role which they play during given developmental stage. In Veblen's dichotomy the progressive role of techno structure and regressive role of capitalist institutes reduces the explanatory force of this theory in relation to evolutionary institutional changes.

Asynchrony of technological development and regulation mechanisms is the reason of the significant dichotomy, which defines laws of development of different economic orders. At first sight existing institutes represent an inert force, which restrains step-by-step and progressive development of technologies, of global markets and the realization of modernization projects. However, it is not so. The degree of asynchrony between technologies and regulation mechanisms on the one hand, and institutes — on the other, influences the stability of an economic order. High degree of asynchrony can lead to destruction of economy and crisis corresponding to the moment of radical institutional transformation in the model of a bottleneck in evolution of institutes (*Volchik 2005, 185–204*). Thus, Veblen's dichotomy can be considered as a special case of asynchronous evolution of institutes and technologies. And it seems to be correct not to make any estimated judgments concerning progressiveness of technologies and techno structure on the one hand, and institutes, on the other.

Since the concept of Veblen's dichotomy puts investigation of power in the centre of the agenda of the economic theory (*Atkinson 1995*), the analysis of special interests groups actions can become a key to understanding the influence of asynchrony of development on evolution of the institutional structure of an economic order (*Volchik and Berezchnoy 2007*). Incompetent statesmen who develop inefficient measures of regulation will cause a smaller loss to economy if the institutional structure contains strong market and democratic institutes³.

The history shows us an example of continuous interaction of two forces: dynamic force of technologies which promotes changes and static force of official statuses and traditions which hinder the changes (*Ayres 1978, 176*). Individuals and groups

³ In a common, this statement is coordinated with the model offered by G.V. Egorov and K.I. Sonin. See: *Egorov, G.V. and Sonin, K.I. (2008). Dictators and viziers: the economic theory of loyalty and competence // Social studies and the present. No 2. 36–51. (Это утверждение в целом согласуется с моделью предложенной Г.В. Егоровым и К.И. Сониным. См.: Егоров Г.В. и Сонин К.И. (2008). Диктаторы и визири: экономическая теория лояльности и компетентности // Общественные науки и современность. № 2. 36–51).*

introducing new technologies, face resistance of economic agents who are interested in preservation of old technologies. Such resistance can reach considerable scales, as in the case with Luddites movement. It is interesting, that the importance and force of Luddites movement differed depending on institutes and economic culture in various regions of England (*Randali 1991*). Thus, the degree of discrepancy of new organizational forms to economic culture and institutes defines the degree of reaction of the basic actors. Moreover, the asynchrony between introduction of technologies, organizational mechanisms and institutes in the modern world, leads to the phenomenon of neo-Luddites (*Frobish 2002, 207–215*). And though the results of activity of neo-Luddites hardly will stop technical progress, but they can create considerable difficulties in case of slow or inadequate institutional changes. Moreover, mechanisms of regulation formed after introduction of new technologies demand additional researches of a problem of monopoly in hi-tech fields (*Ellison and Fudenberg 2000, 253–272*).

If we consider the times of industrial revolution of the end of XVIII–XIX centuries, it is possible to observe an example of asynchronous development of technologies and methods of the organization of production and economic institutes. Many contemporaries had a negative attitude to «industrial revolution» and the term itself for the majority of people had a negative connotation (*Cameron 2001, 206*).

Technological changes will run faster, the newer and less controlled is the branch of their introduction. For example, in days of industrial revolution in England cotton manufacture was a new branch; it was less regulated by legislation, by shop rules and traditional practice which interfered with technological changes, unlike woolen and linen manufacture where development of these branches was restrained by tradition and regulation (*Cameron 2001, 218–221*).

In the context of the model of asynchronous evolution of mechanisms of regulation and institutes it is possible to give an explanation to Anthony Giddens's «paradox of democracy». According to his concept, «The paradox of democracy is that while it extends worldwide, in mature democratic states which other world should apparently imitate, grows the disappointment in democratic processes» (*Giddens 2004, 85–86*). Disappointment in politicians is first of all the reflection of discontent and aversion of those mechanisms of realization of a state policy (including economic) which are not coordinated with existing institutes. But in the same work Giddens notices, that according to some sociological surveys, which were held in the USA and other western large countries, more than 90% of the population have declared the approving attitude to the democratic form of governing. Also surveys show, that the population of developed countries does not lose interest to a policy and with trust concerns the basic democratic institutes (*Giddens 2004, 87–88*).

Depending on degree of asynchrony of changes we can make conclusions only about stability and rates of changes of different economic orders. The situation when development of institutes overtakes the rates of new techno structure formation is possible. In that case the process of institutional changes will be an important factor

of adoption or intensification of scientific researches and inventions for industrial and trading needs.

Asynchrony of institutional changes, on the one hand, and of technologies, management and regulation mechanisms, on the other, also illustrate a phenomenon of institutional inertia. As O. Williamson noticed (*Williamson 2000, 595–613*), inertia is inherent to the uppermost level of institutional hierarchies — «the social involvement» to which he relates customs, morals, traditions, religion the greatest. This top level of hierarchy defines long-term tendencies of social order evolution. It is necessary to consider, that the longer develops the reformed institutional system, the more inert it will become. And one of the most important roles is played here by groups of special interests which in the majority of longtime stable societies are considered to be the reason of social sclerosis (*Olson 1995*).

Application of the evolutionary approach to the analysis of economic transformations allows us to make a conclusion that behavioral models of the basic economical subjects cannot be changed for a short time interval because of the effect of institutional inertia. At the analysis of institutional changes in economy it is necessary to consider the influence of institutional «genotype» of the previous economic order. Institutional genotype is reflected, first of all, in the existence of steady informal rules, customs and traditions which, first of all, form the stereotypes of economic behavior and economic culture as a whole. Such influence corresponds to cultural national tradition. The involvement of groups with narrow and comprehensive interests in the sphere of this or that rule and institute (*Olson 1995*) creates conditions for functioning within the limits of a social order of such rules and institutes.

The formation of markets is first of all connected with the process of evolution of rules and institutes which set action frameworks for cooperating economical players (*Hodgson 2007, 7–25*). However the above mentioned process can be very long or difficult connected with the creation of institutional structure of the markets with a specific exchanging property rights. For example, modern financial markets can be considered as such markets.

Institutional inertia is also considered to be a protective reaction of the system to the destroying it institutional and technological innovations (*Hodgson 2007, 7–25*). If it was possible to implement all innovations, the system simply wouldn't be able to function normally in the case of contradictions between the implemented institutes and technologies.

It is necessary to consider, that institutes not only set preferences, but also set structure of stimulus which, in turn, can influence the choice of economic agents (*Schmid 2004, 2*). Therefore considering various economic orders and types of economic development, it is, first of all, necessary to consider available institutes and also historical regularities of their evolution.

Some social institutes show different economic efficiency depending on what historical and time frameworks they are considered. Historic facts about the role of the institute of family in various cultures can be considered as an important illustration. For example, broad debate concerning the role of the Chinese family as an agent

of original and productive family capitalism in China (*Lal 2007, 166*). In White's review on the given problem there are two opposite opinions about the economic role of Chinese family (*White 1996, 1–30*). The role of the Chinese family institute evolved from unequivocally regressive, standing on the way of economic progress, to progressive institute on which the modern family business enterprises are based in Taiwan and Hong Kong (*Lal 2007*).

The recognition of inertia of changes of institutes and behavioral samples demands attachment to any reforms a genetic character that means transferring the accent from a desirable end result to really existing heritage of the past (*Oleynik 2004, 81*). Hence, the system can be closed on its previous inefficient institutional luggage. And if changes in market and administrative mechanisms of regulation are accelerated, the probability of negative consequences of institutional inertia increases.

III

According to the concept of one of the most well-known representatives of original institutional economics John Commons, the nature of institutes is first of all connected with social actions. Commons noticed that as the benefits are economically limited; their acquisition is regulated by social action. Social action creates the rights and duties concerning the property and freedom without which anarchy would reign in a society. Institutional economy gives to social action its own place in the arrangement of conflicts and order preservation in the world of limited resources, private property and inconsistency (*Commons 1990, 7*). The central place in institutional economy of J. Commons is given to power structures and groups of influence whose actions form the institutional environment.

According to Commons, except maintenance of order and arrangement of conflicts power structures should use working rules for cooperation encouragement in manufacture and exchange, and also in the solution of serious problems which have arisen owing to a pursuit of own benefit as a result of economic interactions. These functions do not arise automatically according to Smith's «system of natural liberties», but should be generated by corresponding stimulus created by «a visible hand of the state», and should be put into practice by means of various sanctions, including threat of physical violence (*Commons 1990*).

Such social action creates state structures which form the working rules, which direct the individual action. While the basic power in the society is concentrated in state hands, the set of other groups and organizations (for example, such as commercial and industrial chambers and associations of businessmen) also own a share of independence and, hence, create and put into practice their own working rules and rules of behavior.

Commons speaks about hierarchy of governance structure, such as the business enterprises, trade unions, church and the family. These formal organizations, and also collectively defined set of working rules as social norms, ethical principles and customs represent institutes — the concept which Commons defines as

«a social action for restriction, liberation and expansion of individual action» (*Commons 1931, 651*).

Elimination of conflicts and maintenance of an order demands, that the transfer and use of the property rights were regulated by rules and conventions in which concepts of exchange, methods of payment and duties of the parties in the course of an exchange are registered. Since institutes represent a network of working rules defining the rights, duties, liberties and the sphere of their action, they influence contracts.

Two aspects of contracting are the most important. The first one consists in the necessity of a steadfast attention to the fundamental role of independence and conflict in economic activities. Commons attaches special importance to the bounded rationality, to the imperfection of information and uncertainty of the future. As a result, contracts inevitably become defective, and people resort to strategic agreements and opportunistic behavior. All the above mentioned information contains his «psychology of negotiations»; the last falls under a standard term of egotism defined as «gaining as more benefits as possible and as less damage as possible without paying any attention to interests of other people if there is no restriction which is impossible to overcome» (*Kaufman 2003, 75*). Thus, conflicts are inevitable, and for their solution lawful courts and neutral third parties are required.

The second key aspect of the contract is nature of legal relations which he creates between the parties. It was mentioned above, that Commons defines the property rights, and not the exchange of physical welfares, as the basis of institutional economy. It leads him to the concept of transaction which he describes as a fundamental unit of measure in institutional theory.

According to Commons individual actions are integrated into social ones, and transactions were the initial unit of the analysis. Internalization of customs through habits is the central element in social actions while individual actions need to be supervised. According to Commons institutes are being built from unorganized traditions to organized «general unit». Commons defines the term «general unit» as «a joint expectation» of benefits from three types of transaction which are carried out for the account of «working rules» and by means of the control of varying strategic or restrictive factors which in their turn should supervise others. Society supervises the individuals with the help of working rules. These rules vary with change of institutes. Each institute has its rules, and rules differ among institutes. Rules arise from decisions of conflict termination (*Forest, Mehier, Commons and Herbert 2001*).

The change of institutes within the range of Commons' concept is first of all the result of adaptation through a choice of the best institutional alternatives as a result of social actions. The principle of a purposeful choice stresses the decision-making role of those, who can choose and define relevant rules. Hence, individuals through social actions can choose and define rules for economic interactions. It is connected with the problem of rules formation and their coordination with available institutional structure, elimination of conflicts and creation of new possibilities for realization of transaction.

The further development of Commons' ideas is reflected in works of M. Olson who has applied the formal device of neoclassic to the analysis of process of optimal manufacture of social welfare which can be institutes.

The evolution of institutes in a modern society also cannot be considered apart from interests of individuals and organizations involved in their actions. Interests can either coincide with stimulus, rules and restrictions set by institutional structure, or contradict them. However the change of status quo demands organized actions on creation and introduction of an alternative institutional innovation. It is impossible to deny the possibilities of spontaneous evolution of institutes, i.e. without purposeful action of groups of special interests. However such variant in the short-term and medium-term periods seems less probable. Moreover, if to consider evolution of institutes not in Robinson Crusoe's and Friday's hypothetical society, but in realities of modern economic orders, the actions on introduction of institutional innovations will be somehow connected with actions of narrow or comprehensive groups of special interests⁴.

Such groups can exist either in obvious, or in implicit kind. For example, different trade unions represent particular groups of special interests which often play a role of institutional innovators. However the introduced institutional innovation can exist in the form of formal institute for a long time even in the case when the trade union, which initiated its acceptance, stops its existence. But here we face a case, when the formal group is replaced with an informal group with comprehensive (or on occasion special) interests, included in the action of the given rule and enforcement mechanisms, which constitute the institute.

M. Olson's model of collective actions of special interests groups is the general theory (formal and metatheoretical)⁵ which can give us only conceptual frameworks (frames) or patterns for decision-making or research problems in the conditions of limited rationality.

If the society lacks groups interested in execution of rules, which contains the institute (even having formal character) such institute ceases to function de facto, but exists as integral norm de jure. Therefore we can connect the process of evolution of institutes with the process of formation and transformation of interest groups.

Organizational structures and regulation mechanisms can also be formed under the influence of both individual and social action. However their formation is connected with purposeful search of optimum (probably in some cases satisfactory)

⁴ About actions of groups with narrow and comprehensive interests see more in detail: *Olson, M.* (1998). *Eminence and decline of the people. Economic growth, stagflation and a social sclerosis.* Novosibirsk; *Olson, M.* (1995). *Logic of collective actions. The public blessings and the theory of groups.* М. (О действиях групп с узкими и всеохватывающими интересами см. подробнее: *Олсон М.* (1998). *Возвышение и упадок народов. Экономический рост, стагфляция и социальный склероз.* Новосибирск; *Олсон М.* (1995). *Логика коллективных действий. Общественные блага и теория групп.* М.); *Olson, M.Jr.* (1995). *The Devolution of the Nordic and Teutonic Economies // American Economic Review.* May. V. 85. № 2; *Papers and Proceedings of the Hundredth and Seventh Annual Meeting of the American Economic Association* Washington, DC, January 6–8, 1995.

⁵ See: *Budon, R.* (1998). *Disorder place. Criticism of theories of society changing.* М.: Aspect Press. 245–248. (См: *Будон Р.* (1998). *Место беспорядка. Критика теорий социального изменения.* М.: Аспект Пресс. 245–248).

mechanisms of authoritative coordination. Here we can face a problem when purposes and methods and regulation mechanisms contradict existing institutes which have developed evolutionarily. It can be described within the limits of an offered theoretical asynchrony of institutes developments and mechanisms of regulation and technologies.

Any state represents a difficult organization where a certain balance of interests of basic influential groups is reached. However the concept of a state as a settled gangster (*Olson 1995*) is also realistic. But the nature of such a settled gangster is represented not individual, but social. That means groups can (and should) come to a consensus concerning collecting incomes (rent, taxes) from the under control population involved in the given social order. The social order is characterized by a stable set of institutes which form space of possibilities in all spheres of a public life.

At the evolutionary analysis of action of special interests groups it is necessary to define what is selected in the development of an economic order. Within the limits of our concept are selected, i.e. arise, stop their existence, increase or reduce the quantity of participants groups of interests either with narrow, or comprehensive interests. However the most important point is the fact, that groups of interests are considered as innovators, which initiate the creation of institutes, and also support the structure of social connections and stimulus which define the order of their functioning.

As the group is considered in the light of an involvement of action of different institutes, change of personal membership in the group does not render strong influence on rules, routines and institutes which are supported by the group. As an example from the Russian history can be considered the economic and enterprise activity of Old Believers who followed certain informal institutes, for example, specific economic ethics (*Benam and Benam 1999*).

It is necessary to consider the problem of long functioning of stable groups. In transition economy the influence of special interests groups on the process of institute creation is shown most obviously in a short time interval. However *ex ante* is very difficult to define, how the introduction of this or that institute will be reflected in economic efficiency. Institutes introduced by narrow groups of special interests, for the purposes of redistribution and extraction of the rent are more probable to be less effective, than the institutes introduced by groups with comprehensive interests.

The fundamental reason of an inefficiency of groups of interests as institutional innovators is their long stability and irremovability within the limits of political system. After M. Olson's works became standard the thesis that big groups provide their members with collective benefits worse, than small groups. Also big groups are less stable. Therefore, if the problem of stability of interest groups or «a social sclerosis» can be solved at the expense of flexibility of political institutes that gives an opportunity for a society with an abundance of groups of special interest groups to form and function economic and political institutes effectively⁶. But in traditional and underdeveloped societies where the majority of social communities are represented

⁶ For example: economic of Scandinavian countries.

by primary groups and religious communities, the principle of «a social sclerosis», destruction and removability of groups should be considered taking into account the peculiarity of such societies and their economic systems.

Following the logic of M. Olson, the main causes of regress of institutional structures of rich, developed economy are actions of groups of special interests in an affected by «a social sclerosis society» and, as consequence, a choice of inadequate economic policy which, eventually, leads to relative and absolute delay of economic growth (*Olson 1995; 1996, 3–24*).

Groups of special interests gradually form institutional environment with higher characteristics of inertness and, hence, steadier against external shocks of institutional import. However such groups inevitably form preconditions for formation of a social sclerosis which, in turn, inevitably leads to stagnation. There arises a question: what built in mechanisms can the society generate for opposition to the tendency of an inevitable social sclerosis as consequences of long periods of stable development of a society with amplifying groups of narrow special interests? It is possible to offer the following explaining hypothesis: effective economic development in the long-term period is possible if mechanisms periodically destroy or update the structure of special interests groups evolutionarily developed in a society are formed. The updating process of groups of interests should reduce the degree of asynchrony changes. On the other hand, actions of stable and long existing groups (mainly with narrow interests) will promote increase of asynchrony which can lead to system crisis and destruction of institutes.

The evolution of special interests groups has in many respects defined directions and quality of updating processes. The West phenomenon is in many respects defined by formation of independent and competing groups of interests. Globalization forms not only new mechanisms and channels of communications, but also changes the quality of institutes which, in turn, set rules and restrictions for the basic economic actors.

Modern trends of development of economy and society are neither absolutely new, nor irreversible. Often irreversibility of globalization and economic progress is proved by facts of development of technologies (*Grinin 2008, 125*). However the given thesis is not obvious taking into account a large quantity of historical examples when technological and institutional innovations underwent process of regression.

Discussion of the role of groups of special interests groups in the evolution of institutes cannot be conducted apart from the question of allocation and identification of specific groups and definition of the degree of their influence. There is a requirement both in the historical description of formation and functioning process of such groups, and measurement and statistical representation of parameters of various groups of interests. Sociologists and political scientists have saved up a lot of data which can be used by economists. However it is still difficult to find the data, which allows defining or illustrating significant dependences between actions of groups and formation of institutes. Here we face difficulties of acquisition of relevant data. Probably, here exist not only technical, but more methodological obstacles. The classification of groups of interests depends on the existing in the society tradition of lobbying and

its institutional economics. In case of transition economies the problem of accurate classification of groups of interest groups becomes complicated because of the mobility of institutional restrictions.

According to the concept of a bottle neck in the evolution of institutes of a special interests group is that unit which passes selection (*Volchik 2004*). If interest groups collapse or transform, so that there is nobody in this or that society to support the fulfillment of this or that rule or to carry out sanctions for its nonfulfilment. However interest groups as already mentioned above, are difficult to define accurately, especially in relation to specific institutes. Therefore carrying out a particular research we should compare benefits and costs from actions on identification of specific groups, gathering and estimation of quantitative data.

If we investigate the evolution of institute which has a certain rank in the system of economic communications, it is necessary for us to define a group which is interested in or benefits from an existing state of affairs. Eventually groups will change their structure. But the personal structure will not have a crucial significance if the institute is supported by the group in its new structure. In other words, the evolution of institutes and groups of interests is considered as interconnected and interdependent processes. However the development of new rules, agreements and institutes demands considerably stronger unity of groups, and also can be connected with higher costs of social actions, than the maintenance of functioning of institutes.

Between the buildings of original and new institutional economics there should not be any impenetrable walls. It is also important to understand, that researches of evolution of institutes should promote decrease in monopolization of the market of scientific ideas. Therefore the given article is an attempt of research of institutional changes from convergence positions of institutional approaches in the economic theory. The phenomenon of asynchrony of changes focuses its attention on that «the growth» of effective institutes should correlate with the formation of corresponding mechanisms of regulation and social actions of groups of interests.

REFERENCES

Atkinson, G. (1995). Views on Economic Order and Evolution // *Journal of Economic Issues*. Vol. 29. No. 4. 1231–1240. (Dec95).

Ayres, Clarence E. (1978). *The Theory of Economic Progress*. 3d ed. Kalamazoo. Mich.: New Issues Press.

Benam, A. and Benam, L. (1999). The Property rights in transitive economy: comments about knowledges of economists // *The economical science of modern Russia*. No. 3. (*Бенам А. и Бенам Л.* (1999). Права собственности в переходной экономике: комментарии по поводу того, что знают экономисты // *Экономическая наука современной России*. № 3).

Budon, R. (1998). Disorder place. Criticism of theories of society changing. M.: Aspect Press. (*Будон Р.* (1998). Место беспорядка. Критика теорий социального изменения. М: Аспект Пресс).

Cameron, R. (2001). Short economic history of the world. From a paleolith to our time. M.: ROSSPEN. (*Камерон Р.* (2001). Краткая экономическая история мира. От палеолита до наших дней. М.: РОССПЭН).

Commons, John R. (1931). Institutional Economics // *American Economic Review*. Vol. 21. No. 4.

Commons, J. (1990). Institutional economics its place in political economy. News Brunswick (NJ) USA: Transaction Publishers.

Dequech, D. (2002). The demarcation between the «old» and the «new» institutional economics: Recent complications // *Journal of Economic Issues*. Jun. Vol. 36. No. 2.

Egorov, G.V. and Sonin, K.I. (2008). Dictators and viziers: the economic theory of loyalty and competence // *Social studies and the present*. No. 2. (*Егоров Г.В. и Сонин К.И.* (2008). Диктаторы и визири: экономическая теория лояльности и компетентности // *Общественные науки и современность*. № 2).

Ellison, Glenn and Fudenberg, Drew (2000). The neo-Luddite's la-ment: excessive upgrades in the software industry // *RAND Journal of Economics*. Summer. Vol. 31. Issue 2.

Forest, J., Mehier, C., Commons, John R. and Herbert, A. (2001). Simon on the concept of rationality // *Journal of Economic Issues*. Vol. 35. No. 3. Sep.

Frobish, Todd S. (2002). Neo-Luddites and Their Rhetorical Paradox // *Peace Review*. Jun. Vol. 14. Issue 2.

Giddens, E. (2004). The escaping world: as globalization changes our life. M.: Publishing house «Ves' mir». (*Гидденс Э.* (2004). Ускользящий мир: как глобализация меняет нашу жизнь. М.: Издательство «Весь мир»).

Grinin, L.E. (2008). The national sovereignty and globalization processes // *Political researches*. No. 1. (*Гринин Л.Е.* (2008). Национальный суверенитет и процессы глобализации // *Политические исследования*. № 1).

Hodgson, Geoffrey M. (2007). Evolutionary and Institutional Economics as the New Mainstream? // *Evolutionary and Institutional Economics Review*. Vol. 4. No. 1.

Hodgson, G.M. (1998). The Approach of Institutional Economics // *Journal of Economic Literature*. Vol. 36. No. 1.

Hodgson, G.M. (2003). Theory of economics and institutes: Manifesto modern institutional theory of economics. M. (*Ходжсон Дж.* (2003). Экономическая теория и институты: Манифест современной институциональной экономической теории. М.).

Kaufman, B.E. (2003). The organization of economic activity: in-sights from the institutional theory of John R. Commons // *Journal of Economic Behavior & Organization*. Vol. 52. No. 1.

Khalil, E. (1995). Organizations versus Institutions // *Journal of Institutional and Theoretical Economics*. Vol. 151. No. 3.

Lal, D. (2007). Inadvertent consequences. Influence of security by factors of production, culture and a policy on long-term economic results. M.: IRISEN. (*Лал Д.* (2007). Непреднамеренные последствия. Влияние обеспеченности факторами производства, культуры и политики на долгосрочные экономические результаты. М.: ИРИСЭН).

Nooteboom, B. (1999). Innovation, learning and industrial organization // *Cambridge Journal of Economics*. Vol. 23.

North, D. (1993). Institutes and economic growth: historical introduction // *THE-SIS*. Т. 1. Pub. 2. (*Норт Д.* (1993). Институты и экономический рост: историческое введение // *THE-SIS*. Т. 1. Вып. 2).

Oleynik, A.N. (2004). Institutional traps of the postprivatization period in Russia // *Questions of economy*. No. 6. (*Олейник А.Н.* (2004). Институциональные ловушки постприватизационного периода в России // *Вопросы экономики*. № 6).

Olson, M. (1995). Dispersal of the power and society in a transition period. Means from corruption, disintegration and delay of economic growth // *Economy and mathematical methods*. Pub. 4. (*Олсон М.* (1995). Распределение власти и общество в переходный период. Лекарства от коррупции, распада и замедления экономического роста // *Экономика и математические методы*. Вып. 4).

Olson, M. (1998). Eminence and decline of the people. Economic growth, stagflation and a social sclerosis. Novosibirsk. (*Олсон М.* (1998). Возвышение и упадок народов. Экономический рост, стагфляция и социальный склероз. Новосибирск).

Olson, M.Jr. (1995). The Devolution of the Nordic and Teutonic Economies // *American Economic Review*. May. Vol. 85. No. 2. Papers and Proceedings of the Hundredth and Seventh Annual Meeting of the American Economic Association Washington. DC. January 6–8. 1995.

Olson, M.Jr. (1996). Distinguished Lecture on Economics in Government: Big Bills Left on the Sidewalk: Why Some Nations are Rich, and Others Poor // *Journal of Economic Perspectives*. Spring. Vol. 10. No. 2.

Olson, M. (1995). Logic of collective actions. The public blessings and the theory of groups. M. (*Олсон М.* (1995). Логика коллективных действий. Общественные блага и теория групп. М.).

Randali, A. (1991). Before the Luddites: Custom, Community and Machinery in the English Woollen Industry, 1776–1809. New York: Cambridge University Press.

Rosenberg, N. and Birdtsel-Jr., L.E. (1995). As West became rich. The economic transformations of the industrial world. Novosibirsk. (*Розенберг Н. и Бирдцел-мл. Л.Е.* (1995). Как Запад стал богатым. Экономические преобразования индустриального мира. Новосибирск).

Schmid, Allan A. (2004). Conflict and Cooperation: Institutional and Behavioral Economics. Malden. MA: Blackwell Publishing.

Veblen, T. (1984). Theory of the Leisure Class. M.: «Progress». (*Веблен Т.* (1984). Теория праздного класса. М.: «Прогресс»).

Veblen, T. (2007). *The Theory of Business Enterprise*. M.: Delo. (Веблен Т. (2007). *Теория делового предприятия*. М.: Дело).

Volchik, V.V. and Berezhnoy, I.V. (2007). Groups of interests and quality of economic institutes // *Economic bulletin of Rostov State University*. Т. 5. No. 2. (Вольчик В.В. и Бережной И.В. (2007). Группы интересов и качество экономических институтов // *Экономический вестник Ростовского государственного университета*. Т. 5. № 2).

Volchik, V.V. (2005). Neutral markets, not neutral institutes and economic evolution // *Post-Soviet Institutionalism* / Edited by R.M. Nureev, V.V. Dementiev. Donetsk: Kashtan. (Вольчик В.В. (2005). Нейтральные рынки, ненейтральные институты и экономическая эволюция // *Постсоветский институционализм* / под ред. Р.М. Нуреева, В.В. Дементьева. Донецк: Каштан).

Weinel, Ivan and Crossland, Philip D. (1989). The Scientific Foundations of Technological Progress // *Journal of Economic Issues*. Vol. 23. No. 3 (September).

White, M.K. (1996). The Chinese Family and Economic Development: Obstacle or Engine? // *Economic Development and Cultural Change*. Vol. 45. No. 1.

Williamson, O.E. (2000). The New Institutional Economics: Taking Stock, Looking Ahead // *Journal of Economic Literature*. Sep. Vol. 38. No. 3.

Wisman, Jon D. and Smith, James F. (1999). American Institutionalism on Technological Change // *Journal of Economic Issues*. Vol. 33. No. 4.