

Luca Storti

Francesco Duina, "Institutions and the Economy".
Cambridge: Polity Press, 2011, 206 pp.

(doi: 10.2383/77055)

Sociologica (ISSN 1971-8853)

Fascicolo 1, gennaio-aprile 2014

Ente di afferenza:

()

Copyright © by Società editrice il Mulino, Bologna. Tutti i diritti sono riservati.

Per altre informazioni si veda <https://www.rivisteweb.it>

Licenza d'uso

Questo articolo è reso disponibile con licenza CC BY NC ND. Per altre informazioni si veda <https://www.rivisteweb.it/>

Book Review

Francesco Duina, *Institutions and the Economy*. Cambridge: Polity Press, 2011, 206 pp.

doi: 10.2383/77055

Providing a systematic overview of the role of institutions from the standpoint of economic sociology is a daunting task. Francesco Duina, author of *Institutions and the Economy*, makes no attempt to conceal how challenging it is. As he writes in his eloquent introduction,

“Institutions are everywhere. They affect how we eat, talk, conduct ourselves in public or in private, earn a college degree, play sports, and get married” [p. 3].

Truly, a dizzying array. Accordingly, the book’s first aim is to provide a compass that can help us get our bearings and understand how institutions “enable and shape” a particular dimension of social life: the economy. As is often the case when an author is successful in his aim, Duina also hits another target – which perhaps was not among the original intentions – with a text that serves as a map of economic sociology itself. In other words, a discussion of institutions is also a gateway and a vantage point for observing the discipline’s charter, its internal branchings, the main approaches, the most stimulating areas of research. We will return to this point later; first, however, we will present the volume’s architecture.

Institutions and the Economy is part of a series of volumes published by Polity Press devoted to emerging topics in economic sociology, as well as to the field’s foundational insights. It is a collection of manuals that are accessible to students, but by no means without stimuli for scholars. Thus, Duina’s highly readable text does not indulge in elaborate theorizations, but offers a well-honed presentation of the concepts, and intersperses the analytical sections with a multitude of examples drawn from everyday life and current events. In addition to being divided into chapters, the text is arranged in three sections: the first is introductory and theoretical in nature, the second deals with the impact of institutions, while the third addresses the challenges for future research.

The first chapter, then, presents the toolkit. Obviously, the central concept is that of institutions,

“the formal and informal rules and practices which impact the economic behavior of individuals and organizations, the economies of nation-states, and economic life at the international level” [p. 24],

a “broad definition” which sets the stage for approaching the topic in terms of the contribution made by three disciplines: economics, political science and sociology. This implicitly comparative outlook makes it possible to reconstruct the distinguishing features of sociological analysis by contrasting them with the other two disciplines. In particular, he calls into question the functionalist bias that runs through the New Institutional Economics, whereby institutions are seen as tools (regulatory rules and incentives) that can compensate for inefficiencies, lack of information, risk, and uncertainty of a pure market. Equally fragile, in the sociologist’s eyes, is the efficientist paradigm,

which tends to believe that an institution's life cycle coincides with its ability to produce Pareto-optimal allocations. On closer inspection, though endogenized in the analysis, institutions are for economists a species of external sphere that impacts economic processes, reducing the costs of coordination among actors and the problems of economic efficiency [p. 13]. For the sociologist, by contrast, economics and institutions are deeply interdependent: institutions are the context in which economic life takes place, as "the economy is embedded in institutional arrangements" [p. 19]. Accordingly, institutions do not influence the economy only to the extent that they establish the formal opportunity structure (constraints/incentives) that the actors must deal with, but they also shape the actors' desires, beliefs, expectations and constitutive conventions, as well as defining the logic of appropriateness that guides how an economic action should be conducted.

The analysis then proceeds along two intertwined lines: the formal/informal nature of the institutions in question, and the "dimension" of the economic process under investigation, from individual transactions on the micro scale, to global markets of macro proportions. The protagonists of the second chapter are thus the individuals. The aim here is to demonstrate the process behind the "making" of market exchanges: market boundaries, the stock of circulating information, transaction steps, parties in exchanges, preferences, and the actions and reactions that are expected in exchanges are also molded by the contribution of institutions. Obviously, institutions are not the only variables at work in this process; nevertheless, their independent impact on economies can be conceptually isolated and dissected [p. 61]. In so doing, the investigation's focus shifts to the collective actors: organizations now take center stage [Chapter III]. Adopting a neo-institutionalist perspective, Duina points out that institutions directly shape the *raison d'être* of organizations. Introducing the concept of isomorphism, he emphasizes that organizations operating in the same fields (e.g., corporations doing business in a specific sector of the economy, for instance, but also hospitals, museums and so forth) tend to look alike. As we know, these processes of institutionalization of economic actors' *modus operandi* can also encourage *inertia*, resistance to change and conformity for legitimacy's sake [p. 93]. Gradually broadening its scope, the analysis then turns to national economies [Chapter IV]. The literature on the varieties of capitalism dominates this section of the volume, and hence an emphasis on the variations across countries in output levels and in the types of goods and services being produced. There can be no doubt that this variability is filtered by institutions, both in their formal capacity – in the guise here of laws, regulations and policies – and in their informal manifestations – as represented by traditions, expectations, and widely shared assumptions about how to interpret and make sense of the world. This takes place in three settings: in the state (e.g., regulation and the relationships among policymakers), in policy outputs (e.g., industrial, development and inflation control policies), and in the private sector (e.g., in the sphere of industrial relations [pp. 131-132]). In addition to synchronistic comparisons of the different approaches, the author also pursues a dynamic analysis, of the processes of transition: the rise and fall of different national economies, and transitions from socialism to free market economies. In this connection, Duina reminds us that the "trajectories of exit" were defined and limited – with appreciable differences between the countries of the former Eastern Bloc – on the basis of existing industrial relations, legal traditions, independence and size of the local elites. This part of the volume is particularly praise-

worthy for its middle-range viewpoint and a certain parsimony in the explanations, which eschew empty speculation concerning how national economies progress towards a prevalent model of capitalism or, conversely, towards a plurality of models. Nonetheless, institutions are also seen as variables that intervene between national economies and their exposure to the international economic system, which generates opportunities but also constraints and pressures (e.g., on the competitiveness of enterprises and on national labor markets). Gradually, then, the focus moves to the international scene (Chapter V). Clearly, cross-border trade in goods, services and capital requires formal rules and shared practices. Accordingly, the international economy is increasingly structured as a transnational field, not just from the economic standpoint, but politically and socially as well. This is doubtless the part of the book that is closest to the public debate, if for no other reason than the involvement of familiar collective actors: the major RTAs in the world (i.e., the Eu, Nafta, Efta, Comesa), the Wto, the Imf, the World Bank. The latter have taken the lead in promoting neoliberal policies oriented towards “soft law” practices that, at times, have sought to reduce trade barriers and tariffs. We thus come to the conclusion of the book (Chapter VI), which outlines a possible future research agenda suggested by the many topics covered in the volume. In particular, attention is devoted to methodological questions and institutional change, highlighting the prospects for incremental evolution in a path-dependent fashion: themes that prompt several concluding considerations.

Through the book, Duina steers an admirably firm course, following a consistent approach that gives more emphasis to viewing his subject matter in the round than to examining it under the magnifying glass. Moving across a broad spectrum, *Institutions and the Economy* presents a cross section of the main approaches to economic sociology, observed from the standpoint of institutions. Space is thus devoted to analyzing institutions as the “frame” surrounding the economic game; in this case, the author treads the route laid down by political economy. In addition, he deals with the relevance of “other institutions” that provide the “internal constitution” of economic processes: the relational structures, for instance. Here, obviously, the reference is to New Economic Sociology; the analytical approach that is least used in Duina’s book, but present nonetheless. Lastly, the volume’s pivotal idea, i.e., that there is an interdependence between the economy and institutions, whether formal or informal, is surely a mainstay of the Neo-institutionalist perspective. All the more because of these considerations, I believe that Duina’s book leaves a legacy, which is also a way of seeing economic sociology: the advisability of placing the analysis of institutions’ impact on the economy on the larger research agenda, thus preventing these investigations from becoming a mere subspecies of economic sociology. This, however, calls for an appropriate analytical lens, which I will briefly attempt to describe in order to round out the toolkit that Duina provides. Essentially, the objective can be reached by seeking to found the explanations of the problems under study on a micro-base: macro-level economic phenomena must be understood starting from the mechanisms that affect the micro units. And the micro units – pragmatically – may be the individuals or certain collective actors, depending on the issue we are investigating and the specific research questions. This perspective suggests that we reconstruct how certain institutional environments – collective actors, conventions/convictions, rules and accepted practices – originate as effects emerging

from actions and interactions among individuals. Similarly, albeit in the opposite direction, this perspective lends itself to outlining how institutions give rise to constraints/incentives and patterns of action which if adopted, re-adapted and processed by the actors on the micro scale, can generate macro scale economic outputs that were not expected and, at times, were not even hoped for. An analytical lens of this kind is effective in investigating one of the performative topics indicated by Duina: institutional change. In this connection, a promising idea would be to combine the analysis of institutional innovation with that of social novelty: an area of investigation capable of shedding light on how ideas, routines and practices that satisfy needs that are neglected or only marginally satisfied by the market and, in some cases, by the state are “institutionalized”. This, then, is an approach which is eminently well suited to drawing up a catalogue of the mechanisms whereby institutions – again, in a broad sense – emerge, develop, continue and/or change. The research agenda is clear, all that remains is to fill in the pages.

Luca Storti
Università di Torino