

New Institutionalism: a Platform for Productive Integration in Social Sciences

Piotr Chmielewski*

Abstract

The author formulates a thesis that a new institutionalism (NI) offers a viable platform for integration of various disciplines of social sciences. The thesis is supported by a number of arguments. First, new institutionalism creates a convenient theoretical framework, which facilitates addressing the essential dilemmas in economics, sociology and other disciplines of social sciences. Second, sociologists continuously recall and reinterpret classic social scientists. In that respect NI appears as an useful approach. Third, NI owes its existence to the key debates in social sciences, thus it is also an area suitable for exploring linkages among various related disciplines. Fourth, NI is a broad heuristic framework. Finally, NI contains normative aspects.

Introduction¹

By inviting us to discuss the methodological dilemmas of contemporary social sciences, particularly in the area of socio-economic phenomena, professor Gardawski

* Institute of Sociology, University of Warsaw and Department of Social Sciences, Kozminski University, Warsaw.

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has undertaken a valuable exercise of interdisciplinary dialogue in order to (re) construct a broad integrating plane of discussion where a discourse that unites our disciplines could take place. As we see, the first outcome is an emerging catalogue of similarities and discrepancies between disciplines. It is worth noting that during our debate we are talking not just about methodology but also about problems of epistemology and ontology of social sciences. While we are establishing our positions as the necessary prerequisite for an exchange of views, let me make a few points as a representative of new institutionalism (NI).

Firstly, the term 'new institutionalism' in the title of my paper (or 'neoinstitutionalism', as it is often used in literature, and I will disregard the differences between the two at the moment) implies that this institutionalism offers 'something new' which has emerged recently and makes references to 'old' institutionalism, primarily the economic institutionalism of late 19th and early 20th century. At present the broad and varied theoretical orientation which is present within all disciplines of the broadly defined social sciences (including linguistics) which contains credible and serious premises enabling a productive integration of theoretical approaches which, until recently, have been considered opposing and irreconcilable. The 'integration platform' in the title of this paper implies that the new institutionalism creates a convenient theoretical framework which facilitate addressing the essential dilemmas in economics, sociology and other disciplines of social sciences (ones where this framework is meaningful). When formulating such statements, we want to emphasise the well-known fact that social sciences display, and have displayed, general integration and disintegration trends which are both intra- and interdisciplinary. The NI approach is worth discussing if we consider that, on the one hand, the social sciences more and more often hear statements about fragmentation of the surrounding world, their implication being the abandonment of interest in general theories in favour of extreme cognitive relativism. On the other hand, we equally frequently encounter beliefs about the growing uniformization of social life, of transnationalization and globalisation, all of them being blamed for all evil things in the modern world.

Secondly, I would like to state at this point that I am one of those researchers who are somewhat nostalgic about the past of social sciences. In fact, this is shared by many sociologists, not only those engaging in economic sociology but usually not shared by mainstream economists. What I mean here is that sociologists, and not only those who are professionally interested in the history of social thinking, continuously recall and reinterpret classic social scientists (Lindenberg 1990, Morawski 2001, Smelser and Swedberg 1994, Swedberg 1996). Such a declaration obligates me to

answer the question about the benefits that can be derived from reading of what is now considered the classics of social sciences. In fact, this is an intriguing question about the role of social sciences and their contribution in the understanding of modern problems and this question implies the specific features of those sciences².

Thirdly, those features mean that diversity is one of the essential characteristics of social sciences, reflected in the multitude of approaches, theories, orientations or paradigms. According to G. Ritzer (2000), sociology is a multiple-paradigm science and this differentiation entails a number of dilemmas. Such dilemmas are the subject of dispute between scholars who opt for a specific solution (usually one of two) for specific cognitive problems that are faced by the social sciences. These issues have been addressed in numerous instances, which is evidenced also in this discussion³.

A recent attempt at characterising the basic disputes and methodological practices in social sciences (not only in sociology) undertaken by Andrew Abbott seems to be particularly interesting from our perspective. He subdivides the essential debates into: 1) **methodological** ones (positivism/interpretivism; analysis/narration); 2) **ones that**

² It may be worthwhile recalling here that one of outstanding Polish sociologists, Jan Szczepański, used to say to junior researchers: 'Remember! Read the classics. They had the time to do the thinking!' This statement reflects the special nature of sociology as a discipline of social sciences was, most probably, a paraphrase of the well-known statement by Sir Isaac Newton, quoted by R. Merton (1965) in his famous work *On the Shoulders of Giants*, stressing the indispensable role of classics in social sciences, particularly in sociology. When thinking of types of authorities in sciences, Jerzy Szacki (1991a) observes that the founding fathers may play two different roles: a classic and a master. The authority of a scholar as a classic encourages integrating trends whereas the authority of a master supports disintegrating tendencies. Therefore, as the three aforementioned authors observed, the works of classics remain useful in efforts to build new, integrated paradigms.

³ Piotr Sztompka (1985: 45) identifies the following major sociological dilemmas: 1) **ontological** [individualism vs. collectivism (holism); autonomism vs. passivism; indeterminism vs. determinism; voluntarism vs. fatalism; eventism vs. processualism (developmentalism)], 2) **epistemological** (cognitivism vs. activism; neutralism vs. axiologism [involvement]), and 3) **methodological** (naturalism vs. antinaturalism; reductionism vs. antireductionism). According to this author, traditional dilemmas may be overcome dialectically i.e. by adopting certain common (meta)assumptions occurring at a higher level. Inspired by Sztompka's approach, another Polish researcher considers six dilemmas to be most significant for contemporary theoretical sociology, i.e. ones that lead to the following discussions and disputes (Ziółkowski 2006: 18): 1) methodological dispute: naturalism vs. antinaturalism; 2) ontological dispute about the nature of the social: objectivism vs. constructivism; 3) epistemological dispute about the nature of sociological knowledge: value-based vs. neutral stance towards values; 4) a dispute between holism and methodological individualism; 5) a dispute between determinism and activism; 6) a dispute between the nature of human activity: rational vs. irrational. This author points to the variety of theoretical and methodological frameworks in contemporary sociology, with a special kind of philosophical tinge.

concern social ontology (behaviorism/culturalism); individualism/emergentism; realism/constructionism; noncontextualism/contextualism); 3) **debates about problematics** (choice/constraint; consensus/conflict); 4) **debates about knowledge** (transcendent/situated).

On the other hand, when it comes to methods, Abbott argues they can be grouped by: a) type of data gathering (ethnography, surveys, record-based analysis, history); b) ways of data analysis (direct interpretation, quantitative analysis, formal modeling); c) the number of cases taken into consideration (case study analysis, small-N analysis, large-N analysis). Each of those categorised methods may be used for classification. Combinations of those methods ($4 \times 3 \times 3$) produce 36 possible subtypes which researchers have used, and still use, in a variety of ways. This is how many varied methodological traditions emerge (Abbott discusses them in more detail on five selected examples: ethnography, historical narration, standard causal analysis, small-N comparison and formalisation). On this basis many social scientists organise their research, formulate critiques, borrow methodologies from other traditions and participate in the main disputes, modifying their stance in the process or not. Abbott writes:

‘These basic debates are not grand, fixed positions taken once and for all in one’s choice of method. They arise as choices day in, day out. They pervade the process of research. And hardly anyone makes them the same way in all context and at all moments. ... this complex and fractal character of the basic debates makes them into a crucial heuristic resource for social sciences. ... the fractal debates at the heart of social sciences provide endless ways to come up with new ideas and even new ways to imagine our questions. That is exactly what we mean by heuristics’ (Abbott 2004: 78, 79).

Therefore, this particular differentiation within social sciences in explicating, interpreting and understanding their subjects of interest may be not only a reason for hot disputes but also a productive way to broaden our cognitive horizons, build new hypotheses and falsifying them. NI owes its existence to the key debates in social sciences. Shortly speaking, it shows a way to overcome them.

Fourthly, in this context we take NI as a broad heuristic framework which is a positive outcome of efforts aimed to solve the essential dilemmas and related disputes in social sciences (in particular, in economics, sociology and political science), enabling us to present them in a new light. On the one hand, we focus our attention on models of human beings and, on the other, on the institutional environment of those individuals, providing stimuli and constraints for individual and collective actors. As we will see later, this does not mean that we negate the

advantages of methodological holism. However, bearing in mind that sociology is expected to explain the action of social systems (Coleman 1994), we suggest that the foundations of methodological holism as an element of a broader cognitive model: micro \leftrightarrow mezzo \leftrightarrow macro.

This particular ‘contraction’ in social sciences dilemmas has its cognitive foundation. As a supporter of moderate methodological individualism, I believe that the opposition between methodological individualism vs. methodological holism and the resulting models of human beings represent an important starting point in the analysis of dilemmas faced by social sciences (both in ontological, methodological and epistemological sense). To put it shortly, those models say a lot about the ontological foundation on which specific theories of various disciplines of social sciences are based (as well as competing theories within each discipline) and this foundation determines the methodologies used as well as the epistemological dimension of each theory.

Moreover, in its theoretical versions NI also contains normative aspects. When we analyse NI theories it is helpful to bear in mind that NI often entails the relationship between theory and social practice, an aspect which has been part of social sciences for a long time and which is often sensitive. We support this version of NI which does not stop at setting a framework for a descriptive and explicative theory but which also implies a normative nature of those theories and their link to social practice. Such approach requires special caution, especially when it comes to postulates addressing social problems.

1. New Institutionalism versus Integrating and Disintegrating Trends in Social Sciences

One should probably agree with the claims made by researchers who, inspired by classics, believe that social sciences used to have excellent opportunities for development (and more than this: sustainable development) but, regretfully, squandered that opportunity a little later. Such opportunities sprang up in the second half of the 18th century when classic authors in philosophy and economics were laying the foundation for the science of the society, making references to three essential elements: 1) choice, 2) institutions, and 3) models. The latter reflected mutual relations and influences between the former two (Lindenberg 1985: 99). At the start of their existence, social sciences (emerging from social philosophy and prevailing

intellectual and ideological trends) were a cognitive reaction to the stormy changes in the surrounding world which disrupted the long-existing feudal social order.

This fact confirms a well-known claims that philosophy and social sciences are daughters of crises (Ochocki 2001), and a special reply of human minds to dramatic challenges (Toynbee 2000). They are cognitive response to stormy changes in various areas of social life which seem threatening and incomprehensible for their participants because they generate a high degree of uncertainty. Uncertainty entails fear and anxiety and human beings do not like such threats and cannot tolerate them in the long run.

This is the way in which changes and transformations of the existing society and the emergence of the modern society were most probably interpreted by Adam Smith, David Hume, Adam Ferguson and many other representatives of the so-called moral philosophy who made an outstanding contribution to the formulation of core problems in the theory of society and 'relatively many authors ... expressed a belief that the thinkers of Scottish Enlightenment rendered quite extraordinary service in the history of pre-sociology' (Szacki 2002: 102). Let us add that this statement also applies to economics. Those thinkers reacted to dramatic changes triggered by the early stages of the industrial revolution which also marked the beginnings of the economic capitalist system and the new, modern type of European society.

This society was perceived and defined in terms of forces (technical, economic, social) connected with human actions and forcing imperfect human beings to solve their problems. As a result of those actions, rules of behaviour and social norms defining mutual relations are developed in all spheres of social life (family, morality, economy, law, etc.). They lay a foundation of social order, emerging spontaneously through aggregation of individual actions. F. Hayek (1948: 12, 13) correctly puts it as follows:

'The chief concern of the great individualist writers was indeed to find a set of institutions by which man could be induced, by his own choice and from the motives which determined his ordinary conduct, to contribute as much as possible to the need of all others; ... They were more than merely aware of the conflicts of individual interests and stressed the necessity of "well-constructed institutions" where the "rules and principles of contending interests and compromised advantages" would reconcile conflicting interests without giving any one group power to make their views and interests always prevail over those of all others'.

In their attempts to reconstruct and understand the surrounding world in crisis, those researchers saw: 1) on the one hand, passionate, emotional rather than rational human beings, striving to satisfy their desires; they saw an egoistic and

even rapacious human being, and 2) on the other hand, those humans always acted among other humans. While striving to pursue their interests, those human beings eventually evolved into humans from classic economics, seeking opportunities and recognising (based on their participation and experience) the relationship between their needs and other people's needs. One good example is the peasant from David Hume's parable who, by failing to help his neighbour, not only causes the neighbour's losses but eventually loses his own crops. By experiencing his own misfortune, the peasant will understand other people's misfortunes and will understand that while he is looking at a neighbour who refuses to help, the latter (and probably others) is looking at him. Based on his own emotions and experience that man will understand and gain judicious knowledge that the right attitude towards the other person builds trust and ensures additional benefits through co operation. Sayings such as 'You scratch my back and I will scratch yours' represent examples of popular sociology or social knowledge resulting from individual experience.

In this way, the eighteenth century philosophers, economists and historians who combined those three roles (not to mention psychology) begin to see human passions and emotions as a foundation of social life, one that succumbs to experience-based social habits and moral rules. Above all, those are rules of reciprocity which are a step away from the economic principle of exchange and the notion of market as a perfect regulator of men's economic activities which are spontaneous and reactive rather than rational and reflective.

We would like to emphasise that in the period which began in the second half of the 18th century social sciences saw an arrival of a cognitive perspective which was built by moral philosophers, economists and historians and which, nearly two hundred years later, was named as methodological individualism. Representatives of that orientation, to mention just E. Burke, A. Ferguson, D. Hume, J. Locke and, naturally, A. Smith, talked about individuals by placing them among the existing institutions of social life (norms, rules of behaviour, values, customs etc.), which, by their very nature, modified individual aspirations and transformed them into social behaviour. In the mutual influences between those types of variables, individual and social ones, those authors saw co-dependence and complementarity⁴. It seemed,

⁴ A well-known economist from Chicago University competently captures the essence of the matter by writing that 'Adam Smith, the founder of classical economics, was first and foremost a philosopher. He strove to be a moralist and, in doing so, became an economist. When he published *The Theory of Moral Sentiments* in 1759, modern capitalism was just getting under way. Smith was entranced by the sweeping changes wrought by this new force, but it wasn't only the numbers that interested him. It was the human effect, the fact that economic forces were vastly changing the way

therefore, that social sciences would follow that path. However, social sciences closely imitated the social and economic reality, which means that also science began to see attempts at fencing⁵.

In the first half of the 19th century the utilitarian philosophy, closely linked to economics (as well as philosophy, ethics or jurisprudence) significantly 'flattened' the social creature by turning it into an individual who seeks pleasure and avoids tribulation. Those were seen as the main behavioural drivers for humans seeking on practical utility and convenience. Utilitarians (J. Bentham) also adopted the principle of the greatest good for the greatest number of people, which was difficult to reconcile with their vision of human beings. This sociological concept, devoid of sociological traits (the only thing left from Smith's thinking was the pursuit of own interests) was gradually transformed into a form later labelled as *homo oeconomicus*, the transformation initiated by utilitarians themselves. This model of human beings, existing in the economy, was shaped with a considerable contribution from John Stewart Mill who, according to adherents of true individualism, was excessively influenced by rationalistic (pseudo)individualism of the Cartesian school which professed excessive confidence in the power of human reason as a foundation of conscious projects displaying the advantages of individual planning⁶. Much as his

a person thought and behaved in a given situation. What might lead one person to cheat or steal while another didn't? How would one person's seemingly innocuous choice, good Or bad, affect a great number of people down the line? In Smith's era, cause and effect had begun to wildly accelerate; incentives were magnified tenfold. The gravity and shock of these changes were as overwhelming to the citizens of his time as the gravity and shock of modern life seem to us today. Smith's true subject was the friction between individual desire and societal norms' (Levitt, Dubner 2006: 14).

⁵ A renowned economic historian who analysed the factors exerting influences on industrial revolution pointed to the role of efficiency in British goods-producing farming: 'In eighteenth-century England, it was enclosures that held center stage – the shift from the collective constraints of open fields to the freedom of concentrated, fenced or hedged holdings. Historians have debated the contribution of the enclosure movement; but logic suggests that, given the costs, it must have paid' (Landes 2000: 214).

⁶ On this issue Hayek writes, among others: 'because the classical economists of the nineteenth century, and particularly John Stewart Mill and Herbert Spencer, were almost as much influenced by the French as by the English tradition, all sorts of conceptions and assumptions completely alien to true individualism have come to be regarded as essential parts of its doctrine. Perhaps the best illustration of the current misconceptions of the current misconceptions of the individualism of Adam Smith and his group is the common belief that they have invented the bogey of the 'economic man' and that their conclusions are vitiated by their assumption of a strictly rational behavior or generally by a false rationalistic psychology. They were, of course, very far from assuming anything of this kind. It would be nearer the truth to say that in their view man was by nature lazy and indolent, improvident and wasteful, and that it was only by the force of circumstances that he could be made

predecessors, Scottish moral philosophers, Mill did not lose sight of sociological issues in economic processes. However, as an economist and an adherent of liberalism, he made a considerable contribution to the creation of *homo oeconomicus* while being aware that such a figure has nothing to do with real, flesh-and-blood people. By introducing a distinction between descriptive and normative economics he stressed that the latter implied certain policy consequences.

This can be clearly seen in his work of 1848 entitled *Principles of Political Economy* where he indicated a connection between the political economy doctrine with the concept of *homo oeconomicus*. According to the latter, humans have a natural need of owning more rather than less wealth provided that they do not show an aversion to work and are resistant to pleasures derived from bad habits (expensive and instant). This led Mill to the following assumptions: 1) economic theory assumes that economic behaviours of humans are determined by their desire to have wealth yet such behaviours may be driven by a variety of co-existing motivations; 2) humans desire to own more rather than less wealth but prefer smaller gains today to bigger gains tomorrow (in other words, direct gratification rather than aims achievable in future); 3) any economist knows that there is more to humans than this but if we want to develop the science of economics, this is the path to follow. Therefore, utilitarians and founders of classic economics, such as J.S. Mill, were interested only in certain principles and rules in human psychology even though they realised that such principles and rules are unable to explain all economic and social phenomena. The arrival of a rational, calculating human being began to gain significance in economics since that time. Starting from mid-nineteenth century this form became firmly embedded in classic economics and then neoclassic economics using the *homo oeconomicus* model (Appendix 1).

It is also important to stress that the proposed model differs from the understanding of *homo oeconomicus* by many sociologists (and not only them), who treat human beings as cunning and ruthless individuals, not influenced by any moral norms and acting unscrupulously towards others. This vision of economics makes an exclusively negative impression and even repels many, and neglects the role of this model for microeconomics and, further on, also for other social sciences. This vision

to behave economically or carefully to adjust his means to his ends. But even this would be unjust to the very complex and realistic view which those men took of human nature. Since it has become fashionable to deride Smith and his contemporaries for their supposedly erroneous psychology, I may perhaps venture the opinion that for all practical purposes we can still learn more about the behavior of men from the *Wealth of Nations* than from most of the more pretentious modern theories on 'social psychology' (Hayek 1948: 11).

of *homo oeconomicus* adopted by many sociologists seems to have been influenced by the developments of the 19th century and the emerging capitalist economy. A significant role in those processes was played by, as J. Schumpeter put it, 'ultras du laissez-faire' who considerably transgressed the behaviours of the human model in microeconomics in their egoistic and ruthless behaviours. In this way, behaviours of a specific group of people gave to *homo oeconomicus* an additional, real rather than model-theoretical, meaning. Sociologists built the science of the society in opposition to that.

In their attempts to oppose the imperialism of economists (and psychologists), sociologists tried to cut out their own field from this fertile ground of social sciences, separating themselves from other disciplines with a solid fence. Without going too much into their motivations let us recall that the differentiation and specialisation in social sciences which occurred then was an example of the general rules of socio-cultural evolution which were being formulated then, with the accompanying concepts of progress. Those formulations, treated as the first scientifically discovered rules of social development, offered a promise of positive social science which will help to control chaos and to build a new, solid type of society much as Newtonian physics helps to build reliable bridges, not to mention other artefacts which make human lives easier.

This is how Comte saw the social role of positive philosophy and sociology. The latter was supposed to be the crowning of positive sciences, its main task being to overcome the intellectual chaos which reflected the enormous crisis of the society in those times. It is worth recalling that positivist sociology slightly later adopted (and still maintains) a negative attitude towards philosophy⁷, or Durkheim's almost allergic reactions to psychology or references to biology, not to mention economics with its individualism and utilitarianism.

This is when the perspective of methodological holism emerged in opposition to methodological individualism in economics, with its *homo oeconomicus*. This perspective brought along the *homo sociologicus* which has persisted until today (Appendix 2). Much as *homo oeconomicus*, this sociological man is sometimes seen

⁷ According to J. Szacki (1998: 221) 'Sociologists were certainly more active in erecting the wall between philosophy and sociology ..., one important factor facilitating the separation between sociology and philosophy were the developments in division of labour, so typical of modern science, paralleled with institutionalisation of disciplines that reinforced and deepened the differences between them. As a result of this divide, anything that went against the strengthened habits of a discipline would become accused of dilettantism or, at least, devoid of any practical significance for its representatives'.

in serious academic debates as a real, living creature rather than a model or an intellectual construct used for certain cognitive purposes (Chmielewski 1998).

Therefore, **models** of man, built by economists or sociologists (and we emphasise the word 'model' here) represented a fragmented world of thought, expressed in its own theoretical language, and one that was separate from and incompatible with other emerging disciplines of social sciences. Such attitudes were evident already in the first half of the 19th century, both within the evolving sociological thinking and within economic thinking, better-shaped at that time⁸. Towards the end of the second half of that century, when Europe and the USA witnessed the institutionalisation of sociology, even a private and individual act such as suicide (an object of study for psychology) was seen by Durkheim (2006: 410), a sociologist, as a social phenomenon by its very nature. A suicide is a result of forces which are external to the individual and which take shape of coercive, imposed external social facts, in that case immaterial social trends: egoism, altruism and anomy.

In this context it is important to add that Durkheim was the first thinker to define sociology as a science of institutions⁹. The author of *Rules of Sociological Method*

⁸ In our view, and we want to stress it wholeheartedly, many disputes in economics or sociology and, more broadly, in social sciences, resulted from a failure to distinguish between models of phenomena and specificities of those phenomena (including their contexts). For instance, when a sociologist argues today that *homo oeconomicus* does not exist, she/he is right because there is a model of *homo oeconomicus*. However, when the same sociologist adds that men are social animals so *homo oeconomicus* should be replaced by *homo sociologicus*, this is an error because another model is being proposed as a 'true' attribute of reality. This light-hearted approach works both ways. While economists, much like sociologists, have long distinguished between construction of models or ideal types for theoretical purposes in order to describe or explain a select area of reality, this distinction is often blurred in the heat of debates.

⁹ The foreword to the second edition of *Rules of Sociological Method Principles* reads: 'We describe them (social facts) as consisting of ways of acting or thinking, recognizable by the distinguishing characteristic that they are capable of exercising a coercive influence over individual consciousness. Confusion arose on this subject and should be dealt with. ... Certainly the individual plays a role in their (social facts') creation. But for a social fact to exist, several individuals, at the very least, must have interacted together, and this joint action must have resulted in a new product. Since this synthesis takes place outside each one of us (since a number of consciousnesses are involved) its necessary effect is to fix, to establish outside ourselves, ways of acting and judging which do not depend on each individual will considered separately. ... there is a word which, provided that one extends its ordinary meaning slightly, expresses rather well this very special manner of existence: the word 'institution'. Without distorting the meaning of this expression, we can, in fact, call all beliefs and all modes of behaviour instituted by the collectivity 'institutions'; sociology can then be defined as the science of institutions, their genesis and their functioning (Durkheim 1968: 19, 22, 23). This idea of institutions has survived until today whereas the vision of an individual had been shaped by methodological holism, typical

realised, of course, that man is not only a social animal but also a bio-psychological one. This is evidenced in his concept of *homo duplex* – a dualistic man with a ‘double centre of gravity’. In this way Durkheim’s writing of man reflects a special kind of dichotomy or a polar opposition between the individual and the society, a foundation of Durkheim’s sociology. This opposition assumes various but always opposing characteristics (impulses vs. consciousness, senses vs. reason, passions vs. morality, egoism vs. altruism, psychological processes vs. social processes, psychology vs. sociology). The first component of those dichotomies is the sphere of biological and psychological life of humans, one that is individual, impermanent and variable. The second component is man’s social nature, reinforced through socialization (internalization of moral norms) and social control. This is just one step away from *sui generis* reality, external towards the individual, or the society as a form of hypostasis and reification. This was stressed particularly in the reception of Durkheim’s concept by other researchers, despite all the reservations he himself made and lack of clarity in many of his formulations.

An effort to capture social reality, external and independent of the individual, entailed not only a rejection of the methodology of individualism, a departure from micro in favour of macro perspective, but also a focus on the objective dimension of social facts at the expense of subjective dimension. Institutions as a form of reality *sui generis* represent the foundation of social order which cannot be explicated through references to individual behaviours. It is a self-standing phenomenon which is not reduceable to other phenomena (e.g. psychological ones). It consists of values, social and moral norms, religious dictates as well as many other social characteristics which are relatively sustainable and common. This sociological reality, constructed by immaterial, external and compulsory social facts includes, among others, collective consciousness and collective ideas, various social trends or morality. All of them exert influence on people’s thinking and their use of various notions. Durkheim was not interested in how people develop concepts and how thinking (in terms of those concepts) influences the condition of social affairs. Durkheim’s ‘sociological man’ loses his subjectivity and becomes an object influenced by social forces. *Homo sociologicus* ‘is insensitive to circumstances, sticking to the prescribed behaviour even

of his sociology, with the following fundamental belief: ‘A society is the most powerful bundle of physical and moral forces observable in nature. ... But as soon as we recognize that above the individual there is society, and that society is a system of active forces-not a nominal or rationally created being-a new way of explaining man becomes possible. ... Thus, sociology seems called upon to open a new way to the science of man’ (Durkheim 1990: 425). It is this type of thinking that produced *homo sociologicus*.

if new and apparently better options become available. (He) is easily caricatured ... as the mindless plaything of social forces or the passive executor of inherited standards' (Elster 1994: 97). *Homo sociologicus* defined in this way will long influence the theory of social sciences, particularly sociological structural functionalism (developed by T. Parsons) as well as social and cultural anthropology as well as culturology (developed by L. White).

A general comment must be made here to illustrate not only Durkheim's problems but also our own which are related with the articulation of views and their social perception, with exchange of arguments and the understanding between researchers which is developed on this basis. At this point we only have one issue in mind: communicative relations connected with the use of language, notions created through language and understanding (meanings) and recognition and (non) acceptance of those notions by others. It seems that a considerable part of our problems (if we disregard emotions, ideologies and group interests) results from the fact that human language, being a finite creation and a result of linguistic evolution, is not a perfect tool, not to mention its relations to thinking and perception of reality. For this reason, *homo sociologicus* easily becomes a real being and a product of external social forces, thus no longer fulfilling the role of a model which can be used to explain the processes of socialization, social control, learning etc. to students. In a nutshell, the society as an object of sociological research, together with the resulting social behaviours of people, minimised and simplified the active role of the individual as the latter was not of interest for sociologists. What was of interest, though, was how social roles were performed.

Of course, sociologists were not the only ones to guard their territories and populate them with 'their own folk'. As we have seen, this was also the practice among economists. Representatives of other disciplines of social sciences, such as psychologists¹⁰, anthropologists¹¹ etc., did not lag far behind and contributed to a certain disintegration of social sciences (in line with evolutionary trends of differentiation and specialisation), seemingly forgetting that differentiation and specialisation must be accompanied by integration with specific mechanisms of evolution, thus creating new levels of social life. In this particular case, economics and sociology gave up the earlier *seperatio a toro e mensa* towards the end of 19th and early 20th century and opted for a divorce.

¹⁰ See, e.g., Koziellecki (1996 and 1996a); Łukaszewski (2006).

¹¹ In our view, Freilich (1972) provides the most representative account of visions of man in anthropology.

Therefore, the models functioning in the two disciplines are irreconcilable. On the one hand, there is *homo oeconomicus*: ingenious, industrious, seeking opportunities, knowing what they want and assessing their chances (based on the necessary information), thinking of themselves and choosing the most beneficial and useful solutions, i.e. ones that improve their condition and position. On the other hand, we have *homo sociologicus*: acting in accordance with internalised moral rules, imposed by the society, performing social roles in accordance with external guidelines (assigned by the society), shaped by the reality rather than shaping it, thinking in terms offered by the society and making choices in this way. The aforementioned models have their implications which characterise the two fields in questions. They are very aptly reflected in the distinction made by theoreticians of rational choices in sociology: 'economics is all about how people make choices and sociology is all about why they don't have any choices to make' (Tallman, Gray 1990: 405).

The processes of divergence, or differentiation and specialization, took place not only within the broad social sciences but also within specific disciplines, generating (through disintegration) various theoretical trends or theoretical frameworks of theories which were similar in terms of general epistemological, methodological and ontological foundations. In this way, alongside disciplinary integrists who sought self-sufficiency we also saw the arrival of theoretical intradisciplinary integrists who thought that frameworks or theories other than their own were unacceptable simplifications.

Those processes became well visible in the second half of the 19th century when we saw institutionalization of sociology and that field of social sciences was paving its way to universities. However, the processes of differentiation and theoretical multiplication continued and are still running today, perhaps even more enhanced. At present, institutional structures and research organisations, not to mention smaller units, have a surprising and overwhelming array of interests and theoretical options associated with various intellectual trends and ideological orientations. This makes one ask: is this still the science of society or is it again magic or religion? An expert on these matters writes:

'Sociology as a research discipline has never been an organic whole... There was no moment in its history when sociology would have a uniform set of problems of interest; it dealt with anything falling within other social sciences or unsuccessfully attempted to capture them all (as was the case with Durkheim's school). Various sociologists sometimes had little more in common apart from calling themselves sociologists and working within the same institutions.... The evolution of sociology had a markedly multi-linear nature' (Szacki 1991: 31, 32).

The author supplements this overall image by indicating more specific trends such as the following foundations of the discipline: statistical desk research, lustration, empirical studies, Marxist trend, country-specific science (or what he labels as national schools in sociology, with their singularities in various countries) etc. This great theoretical variety is associated with other attributes of sociology which Szacki also stresses in his writing (1991: 33, 34):

‘Sociology had, and has largely retained, a relatively open status. By this I mean how easily it absorbed ideas and discoveries from other sciences (not just social ones), and that vital problems were discussed and solved beyond its boundaries. Can one imagine the history of sociology which would not go fairly far into the history of philosophy, social anthropology, psychology and social psychology as well as many other sciences? ... Briefly speaking, the history of sociology can be separated from the history of other social sciences only to a limited extent, which means that the quantity of data which it has to consider increases disturbingly, exceeding the capabilities of any individual researcher’.

Therefore, the increasing intra- and interdisciplinary theoretical complexity is the distinctive feature of sociology and of social sciences, causing a kind of *embarras de richesse*. One nuclear physicist, said something like that ‘if you have one clock, you know what time it is but if you have two, you are no longer so sure’. What is there to do for a researcher who strives to understand the essential rules of social life (or a practitioner involved in solving important social problems) with such a great number of theories which speak different languages and are usually irreconcilable? The first thing that occurs in that situation is that Comte and his successors were wrong when they expected that sociology, based on natural sciences, would become a crowning of the body of sciences.

‘This is confirmed in well-known works of Thomas Kuhn (1968) who writes that social sciences are in a pre-paradigmatic phase. Kuhn’s thinking contains interesting implications for the analysis of change processes within social sciences, yet his approach has also been critiqued by representatives of various disciplines such as biology, not only by historians and philosophers of science¹².

We recall Kuhn’s reasoning on crises and revolutions in science because it serves as a screen which clearly shows the special nature of social sciences. The essential difference lies in the degree of substitutivity between paradigms. It also implies different understanding and different roles of crises in both these fields. One characteristic feature of changing paradigms science (astronomy, physics, chemistry)

¹² See, for example, E. Mayr (2002: 15, 16).

is that old paradigms are eliminated and replaced by new ones (as a consequence of crises and revolutions). Here, a crisis means a transitory state of uncertainty, defined in terms of time and 'territory', leading to a revolutionary situation. Therefore, a crisis plays a cleansing and streamlining role and leads to an origination of new paradigms. In social sciences we also deal with crises but the situation looks different in comparison with regular science.

Disciplines of social sciences are characterised by co-existence of many different paradigms. Moreover, paradigms are not eliminated in social sciences. On the contrary, they live side by side and compete against one another for many decades, if not centuries, providing a fertile ground for various theoretical changes, modifications and multiplications which, in their own way, enrich the social sciences domain and its constitutive disciplines. If we add the diversity of methods applied and their links to various orientations, then the theoretical diversity of contemporary sociology is quite mesmerising¹³.

The crucial notion of paradigm in Kuhn's theory, often found in social sciences, is by no means precise. For the purposes of this paper we will understand a *paradigm* as a set of ontological, epistemological and methodological assumptions and views which imply a specific perception and interpretation of reality which is studied by the group that formulates various claims about that reality. While paradigms may vary in the degree of generality, they also show considerable structural, psychological and sociological similarities. This means that adherents of various paradigms may co-exist within a single discipline and that enthusiasts of a paradigm may consist of subgroups which accept various theoretical versions of that paradigm. Such groups are often termed 'schools' or characterised using different terms and categories. This is why representatives of sociology and other social sciences use Ritzer's term 'multiple paradigm science' rather than Kuhn's pre-paradigmatic sciences.

As we know, sociology was an answer to the socio-economic crisis brought about by the birth of capitalism and the emergence of modern society. The positivist paradigm, proposed by founding fathers (as well as the revolutionary rather than reformist Marxist paradigm of historic materialism), was not effectively overcome and eliminated (the same concerns the Marxist one). On the other hand, academic sociology witnessed the arrival of other theories and paradigms, either as an

¹³ It suffices to look at a course book on history and/or structure of sociological theories (examples: Münch 1994, Ritzer 2000, Szacki 2002, Turner 2004) or a selection of source texts such as *Współczesne teorie socjologiczne* (Jasińska-Kania, Nijakowski, Szacki, Ziółkowski 2006), not to mention leading sociological journals, to realise how difficult it is to prepare a syllabus for a one-year lecture course devoted to these problems.

extension of or an opposition to existing ones. In this way sociology as a field which was expected to explain and enable the control of social life, began to lose control over things that were going on within it. The initial theoretical monism of academic (as well as Marxist) sociology was (and is still being) transformed into theoretical pluralism instead of being eliminated and replaced with another monism, for instance humanistic sociology as a new paradigm of 'anti-positivist revolution'.

In other words, the external crisis of the fledgling modern society, has moved inside the discipline and has lived alongside it until today. As the crisis defined earlier by Comte, it is demonstrated in states of uncertainty and a kind of intellectual chaos, a threat to the vision of the world which is essential for researchers working in various theories. This means that a crisis is a distinctive feature of sociology (one of the most important ones!) and one which cannot be negated. The chain of crises in sociology (some speak of chronic or permanent crisis) is also a product of exogenous changes, many of them sudden and stormy, in all spheres and at all levels of the organisation of human life. Such changes usually follow, directly or not, from activities undertaken by humans. As intellectual instrument and an information processing field, sociology usually cannot keep up with such changes.

The necessarily brief diagnosis presented above raises two questions. Firstly, can we talk about development of sociology as a science in the context of this description? Secondly, what kind of strategies are proposed in sociology to address the crisis?

Most sociologists give an affirmative answer to the first question assuming that theoretical differentiation is a token of developmental processes. This is directly reflected in the sheer fact that changes and continuous differentiation of the modern world are reflected in the theoretical language of sociology or empirical studies. For instance, we have recently seen studies on various disasters and emergencies as well as analyses of ways people cope with crises, more and more commonly occurring in various spheres of social life. Next to answers offered in the spirit of NI, contemporary evolutionism, late modernity theory or the theory of social becoming we also encounter the 'theory' of risk society or discussions on postmodernity. Reflections on the latter bring an unclear definition of its subject-matter, referring to even more blurred ideas which are to describe the society in flux, while rejecting the previous contributions of the discipline as 'obsolete'. We would like to state clearly that we do not negate the value of 'postmodern theories' as such, yet we reject the fact that such theories light-heartedly negate the value of existing sociology, including achievements of its classics.

As for theoretical endogenous relations, the process in which some models of man are replaced by others [as an ontological foundation of sociological theories] should

be also viewed as development processes. For instance, when *homo sociologicus* of structuralism/functionality is replaced by *homo aestimans*, typical of symbolic interactionism with its changing dominant visions of man (Hałas 2001: 38–54), we are dealing with such processes. At present the new ‘agency-structure’ perspective owing to contributions from economics (Clark 1998), is found in sociology where examples of successful theoretical explorations include the structuration theory (Giddens 2003) or the theory of social becoming (Sztompka 1994)] reflect sociology’s efforts to cope with immensely dynamic modernity. Therefore, the problems of integration and co-existing differentiation are specific to sociology, as:

‘perhaps the most interesting phenomenon in modern sociology is that progress in integration is accompanied by new differentiations and splits, and the struggle of schools is happening within relative unity. This unity is based on the sense of belonging to the same community of scholars (which has its institutional equivalents), and on a shared pool of concepts, issues and read works which cannot be just ignored by any sociologist... In that situation there is a strong need for tools which would describe the transformations within sociology and, on the one hand, report the progress of integration while, on the other, account for the permanent and constantly resurfacing disintegration’ (Szacki 1991b: 89, 90).

This situation leads us to another question i.e. one about the types of strategies applied to cope with such crises. Those strategies, as an antidote to theoretical crisis in sociology were presented by P. Sztompka who identified four reactions to crisis (nihilism, dogmatism, intentional eclecticism and creative reconstruction) and four strategies occurring in the philosophy social sciences, representing various examples of attempts to build ‘a general and synthetic theory’¹⁴.

Moving on to intra- and interdisciplinary integration it is worth noting an important and interesting attempt of this kind in sociology. George Ritzer, the author of the term ‘multiple paradigm science’ in sociology, has been developing a ‘more integrated sociological paradigm’ for about thirty years and we see those efforts as successful and productive. The paradigm is intended not only to facilitate the navigation around this theoretically diversified discipline but to enable a better

¹⁴ In the author’s opinion those essential strategies include: *via media*’ strategy or an indirect path, ... ‘*analytical opening*’ strategy ... going beyond the borderlines of schools or directions towards problems and solutions proposed by competing schools or directions ..., ‘*multidimensional theory*’ strategy combining varied aspects or facets of the phenomenon in question in a holistic picture ..., and, fourthly, probably the most fertile idea, that is the ‘*dialectic synthesis*’ strategy. It is modelled on the approach applied by K. Marx in his critique of political economy as well as some philosophical and social theories of his time (Sztompka 1985: 42, 43).

understanding of various theories or set a precondition for building new theories. In response to critique Ritzer explains that he aims at developing a metatheoretical perspective which overarches certain parts or all of sociological theory and he adds:

‘... I am *not* arguing for a new hegemonic position in sociology; ... On the contrary, I argue for *more* diversity through the development of integrated paradigm in order to supplement extant paradigms... I favour theoretical diversity. Extant paradigms tend to be one-sided, focusing on specific levels of social analysis while paying little or no attention to others... The key to an integrated paradigm is the notion of *levels* of social analysis’ (Ritzer 2000: 633).

Ritzer points out that the most renowned theoreticians and classics of sociology usually metatheorised in order to build a new theory of their own. He mentions Bourdieu’s reflexive sociology as a source of inspiration in building his metatheoretical paradigm. According to Ritzer, there are three dominant and

E. Durkheim, with a few theoretical perspectives within it (structural-functional, well-formed paradigms in sociology i.e.: 1) the social- facts paradigm, initiated by conflict, systems theory, etc.); 2) the social-definition paradigm based on M. Weber’s model of social action (action theory, symbolic interactionism, ethnomethodology etc.); 3) the social-behaviour paradigm founded by B. Skinner, mostly reflected in the behavioral sociology and exchange theory. Ritzer considers the aforementioned paradigms and their constitutive theories to be one-sided and operating at specific levels of analysis i.e. not capturing the entire complexity, diversity and variability of the social world. Consequently, he proposes his own model and states:

‘an integrated sociological paradigm must deal with the four basic levels of social analysis ... and their interrelationships ... It must deal with macro-objective entities such as bureaucracy, macro-subjective realities like values, micro-objective phenomena like patterns of interaction, and micro-subjective facts like the process of reality construction. We must remember that in the real world, all these gradually blend into the others as part of the larger social continuum, but we have made some artificial and rather arbitrary differentiations in order to be able to deal with social reality. These four levels of social analysis are posited for heuristic purposes and are not meant to be accurate depictions of the social world... The social-facts paradigm focuses primarily on the macro-objective and macro- subjective levels. The social-definition paradigm is concerned largely with the micro-subjective world and that part of the micro-objective world that depends on mental processes (action). The social-behavior paradigm deals with that part of the micro-objective world that does not involve the minding process (behavior). Whereas the three extant paradigms cut across the levels of social reality horizontally, an integrated paradigm

cuts across vertically. This depiction makes it clear why the integrated paradigm does not supersede the others... Not all sociological issues require an integrated approach, but at least some do' (Ritzer 2000: 637, 639).

We need to note that most critiques provoked by Ritzer's cognitive efforts seem to result from concerns held by representatives of other paradigms that this integrated approach may represent a threat for long-existing orientations, directions, theories etc. Meanwhile, this is a very broad perspective which accommodates other approaches that tackle specific research issues and offer theoretical solutions. Ritzer is right in saying that certain sociological problems call for an integrated approach. We would like to add that the number of such problems has been increasing dramatically in recent times. Moreover, explication and understanding of many modern problems call for an interdisciplinary approach, a broad heuristic framework enabling integration, as well as perspectives that interpret and explicate phenomena in various spheres of the social world.

In this context stress that there is a universal need to understand one obvious albeit not always appreciated truth: the rapid multiplication of sociological theories (if that term still means anything) and the accompanying intellectual and ideological chaos co-exists with the obvious processes where the economy, policy, social and cultural life permeate one another and become co-dependent, a trend that can be seen with an unarmed eye. As we know, sociology includes sociology of the economy, of politics, of culture etc., yet all of them are tempted to specialise and multiply problems. Meanwhile, it is imperative that integrating efforts should be taken in order to understand and explicate the reality we create. This is the need of the moment which seems to entail long-term consequences. New institutionalism represents exactly that type of effort, undertaken by representatives of various disciplines within social sciences.

3. Interdisciplinary Intellectual NI Movement

When talking about an interdisciplinary NI movement it is important to emphasise that economics has played a key role here. We have in mind, on the one hand, the institutionalism of American political economy initiated in the last decade of 19th century (and its source of inspiration: the German political economy with its 'historical school', very active in mid-19th century) which was a cognitive response to classic economics and offered a different vision of science, based on a different

vision of a human being and a complex, diversified institutional sphere defining relations between people in various areas of social life. On the other hand, we have in mind the economics of the second half of the 20th century, a response to the mainstream neoclassical economics. We assume that the debate between neoclassical economics and historical-institutional economics was a specific precondition for new institutional theoretical solutions.

When we are saying that economics paved the way for the new institutionalism paradigm, we have in mind the historical fact of interdisciplinary studies focused on explicating and understanding social institutions in the broad sense. This does not mean, however, that we assign a special role to economics in social sciences (we reject the concept of economic imperialism which occurs within some orientations). However, we recall that given its age and experience, economics was the first one to tackle an important problem: an institution vis-à-vis an individual. In long-term activities of this kind the integrating efforts within modern social sciences successfully overcome the micro vs. macro opposition (methodological individualism vs. holism, acting individual vs. social structure etc.), connected institutions and social organisations with economic activities, and built on elements from both approaches. New institutionalists were able to 'disarm' the opposition between the society and the individual (which has survived in many disciplines of social sciences until today) by referring to institutions which exert a two-way influence. As we remember, the model or a simplification has it: micro mezzo (institutions) micro \leftrightarrow macro¹⁵. In addition, institutions themselves, as intervening variables, represent 'hard' and 'soft' factors that operate in a complex human environment, co-creating its objective (formal and informal) and subjective elements.

The first clear position of this kind in economics can be traced back to Ronald H. Coase. In particular, two articles by this 1991 Nobel Prize winner (1937 and 1960) were particularly meaningful for new institutionalism. While modifying the model of a human being in neoclassical economics, Coase focuses on institutional variables and, in particular, on a) transaction and transaction costs, and b) an enterprise as a hierarchical organisation based on rules which co-ordinate its operations, and enable the management of people. Coase's question about the purpose of companies also overruled the assumption that the market was a perfect mechanism to co-ordinate transactions through prices. On the contrary, the pricing mechanisms on the market and the related uncertainty entail transaction costs since co ordination

¹⁵ The simplification consists in omitting direct micro \leftrightarrow macro relations, which seems particularly important, for instance, in our mediated world (Sartori 2007).

through prices is not free (for instance, there are costs of negotiations, arrangements, fulfilment of contracts or setting prices for new goods). For this reason enterprises (entrepreneurs) launch other (non-price-related) co ordination mechanisms based on a clear management structure. Authority and power of an entrepreneur are the major factors for management and allocation of all resources within the company. The latter, as a different co-ordination mechanism, represents an alternative for market mechanisms. Since companies are kinds of islands of predictable actions in the sea of market uncertainty, the rules of those actions mediate between two levels of social life. The thinking in terms of transaction costs is developed by other new institutionalists with background in economics who are classified as transactions costs economists, such as Oliver E. Williamson (1975, 1998) or 1993 Nobel Prize winner in economics Douglass C. North (1981, 1995, 2005), to name just a few.

The latter started off as a researcher in economics and expanded the transaction costs framework, becoming an avid supporter of integration in social sciences¹⁶. He developed his ideas initially relying on sociology and then, in fact, in all other disciplines within social sciences. Most recently, as he himself claims, he has devoted a lot of time to cognitivism (cognitive psychology). The Center in the New Institutional Social Science, established by North at Washington University, St. Louis, aims to undertake this kind of interdisciplinary integration. In North's opinion, if we refer to neoclassical economic theory, we are unable to understand the dynamics of the modern world and explain, for instance, the differences in development between world economies or say why the economy is not growing at all in some countries. It would seem that market mechanisms should enforce more effective ways of economic management in those countries. In the modern world, which is constantly transforming, globalising and non-ergodic, the static neoclassical theory reveals its essential weaknesses. According to North (2005 :65):

'Neo-classical economic theory provides an understanding of the operation of markets in developed economies but was never intended to explain how markets and overall economies evolved. It has three fundamental deficiencies which must be overcome to understand the process of economic change. It is frictionless, it is

¹⁶ When commenting on this issue, North (2002: 35, 36) states that 'there is not economics alone, there is economics mixed with politics, mixed with sociology, mixed with cognitive science and you have to put them together. That is a much more complicated task. We do not even do very well with one of them, much less if we try to integrate them all together. ... We have to integrate them: political theory, social theory, economic theory. We have to do a much better job and concern ourselves with culture, values and norms..., to build up theoretical tools and to build courses that will force us to confront the problems of the world we have today and to do a better job'.

static, and it does not take into account human intentionality. By frictionless I mean that markets function without any „outside” intervention and in consequence no resources are devoted to the process of exchange (transaction costs are zero), and by static I mean that the dimension of time is not involved in analysis; intentionality requires an understanding of the way humans make choices’.

Much like other new institutionalists, North offers a modification of the neoclassical theory. He keeps the basic assumption about the scarcity of resources which necessitates competition and rivalry, as well as analytical tools for microeconomic analysis, pricing theory etc. he modifies the assumption regarding human rationality, building on cognitive psychology. He focuses on institutions and the time dimension. Institutions include formal and informal rules and sanctions for non-compliance, thus creating structures for human actions and behaviours and reducing the uncertainty. Institutions as rules of the game influence the behaviour of players (individuals and organisations). More generally, they set the framework for the economy and the society with its policies. In that way, people create and transform institutions thus transforming their environment and being subjected to (long-)existing, broad institutional constraints.

When North speaks about the need to integrate economic, political and social (sociology, anthropology, psychology) sciences, he indicates, for instance, that economic rules such as ownership, are established and guaranteed by political structures such as the state. Therefore, if we want to understand how the economy works, we also need to grasp the mechanics of a complex political system. A seemingly simple issue such as a transition from personal exchange to impersonal (market-based) exchange, particularly in Third World countries, requires a number of economic, political and social preconditions (capital markets, the rule of law etc.). Such preconditions enable participants to derive benefits from operating on translocal markets as a result of concluding low-cost large-scale yet they also require effective means of enforcement. A well-functioning market must, therefore, have an operational and complex institutional structure. This fact means that creation of formal institutional rules, particularly effectiveness of their operation, entails a number of problems from the field of sociology, anthropology, social and cognitive psychology, history etc.

As a rule, formal rules co-exist with informal ones which either increase efficiency of the former or are counter-effective. Introduction of formal rules often calls changes in perception, rejection of myths, dogmas, ideas, ideologies and for a review of existing mental models etc. All those influence our thinking and result from long-term learning processes. Formal rules may be changed quickly yet, due to

the aforementioned factors, this will not turn them into *working rules*, as Commons described them. This is the origin of path dependency concept developed by North (disabling effects of the past on present and future)¹⁷. The society's ability to adapt formal institutions and to act effectively depends largely on existing informal rules and many mental, social and cultural factors.

Let us reiterate than our claim that it was economics that paved the way to the NI paradigm does not entail any form of economic imperialism or any exclusive rights to intellectual innovations among economists. This is fully confirmed in North's theory based on non-economic ideas from various disciplines of social sciences. Rather, the idea is to modify the old economic institutionalism, as described above, and to supplement it with a **modified version of the *homo oeconomicus* model**. This is an excellent example of efforts to integrate the legacy of absolutely all disciplines of social sciences which cast the light on the role and essence of social institutions. This can be seen clearly in the case of economic new institutionalism which, as we have seen, builds on the legacy of sociology (in capturing the essence of information institutions or the role of ideology), cognitive psychology (limited rationality or mental models), political sciences (state, law etc.) and many other specific (inter) disciplinary achievements.

At this point we would like to mention the apt notion of 'intellectual mobility'¹⁸ which adequately reflects what happens between certain representatives of economics,

¹⁷ The following excerpt from North (2002: 18, 19) – especially appropriate today –contemplating the rules of a well-functioning market provides an excellent illustration for the role of institutions and the notion of path dependency: 'I am a big fan of Milton Friedman, but Milton did us terrible disservice when he talked about the world of *laissez-faire*. There is no such thing as *laissez-faire*. *Laissez-faire* is anarchy. Every market that works well, without exception, has to be structured. It has to be structured by formal rules property rights but also by, usually governmental, constraints on the players because property rights are very general and have all kinds of limitations, and by enforcement characteristics. This is true for every individual factor and product market, but all of the formal rules and constraints have to be different. ... What we should know, if we did our job, is that we should be able to describe not only those institutional characteristics that would make that market work well, but also to have players compete via price and quality. When I was in the Soviet Union in its last days, I asked a banker how he competed in the banking industry that was evolving in Russia, he answered: 'It is easy. You compete by killing your competitors'. That is a way to compete. That is not an ideal way to compete, but that is a way to compete'.

¹⁸ According to Ziółkowski (2006: 6), intellectual mobility means 'opening up to new ideas and analyses, coming from other groups and societies, undertaking constant dialogue with other people and following their cognitive perspectives. One form of this intellectual mobility is the effort to explore not only specific and comparative information about other societies but also certain **theoretical claims uncovering more general mechanics of social reality**' (my underlining – P. Ch.).

sociology (and other social sciences). Intellectual mobility occurs in both directions, economic sociology being an excellent example. Another example is provided by *Psychologia ekonomiczna* [*Economic Psychology*] (2004) which has recently grown in importance (its representatives being awarded a Nobel Prize in economics). With regard to other disciplines of social sciences, this mobility happens along multiple lanes, with frequent junctures and exits into all directions. When it comes to economic sociology, its founder designed it in early 1960s as *the application of the general frame of reference, variables, and explanatory models of sociology to that complex activities concerned with production, distribution, exchange, and consumption of scarce goods and services* (Smelser 1963: 32).

Of course, economic sociology had existed earlier, represented by Marx, Weber, Schumpeter, Polanyi or Parsons, to name just a few (and one needs to bear in mind that economists, from Smith to Hayek, also have made a significant contribution to developments in economic sociology). When compared with economics, economic sociology has a specific set of research problems or, as its leading scholars put it: 'economic sociology creates a new perspective of looking at old problems' (Morawski 2001: 17). The new perspective implies low institutionalization of this subdiscipline of sociology, interested in economic phenomena. The areas explored by economic sociology do not seem to represent much interest for mainstream economics¹⁹.

Not surprisingly, economic sociologists cannot accept the vision of *homo oeconomicus* which works perfectly well for predictions and modelling of human behaviours in mainstream economics. The former also reject 'their own' model of human beings (*homo sociologicus*), proposing constructs that are more useful for their purposes, i.e. those of socio-economic man (Lindenberg 1990).

¹⁹ Koźmiński, an expert on the matter, writes that economics 'voluntarily abandons the study of three essential aspects (modalities and consequences) of economic life: norms and values, the mechanics of groups, organisations as well as national and trans-national macro-structures. In other words, mainstream economics leaves aside 'soft sides' of economic systems such as ethics, ideology, politics, emotions, mass movements, irrational individual and collective choices, distortions and information noise, informal games and coalitions, organisational structures etc. ... Those mechanisms are obviously important for a smooth operation of economic systems yet they do not easily let themselves to scientific explication and forecasting. ... Therefore, economic research leaves a certain 'knowledge gap' behind which is filled by economic sociology, undoubtedly encouraged by the growing need for understanding of 'soft' aspects of economic systems. Such need is voiced by users of those systems who undertake partial, less or more conscious attempts at influencing them: managers, policymakers, investors, reformers, social activists, economic activists and actors in their countless social roles' (Koźmiński 2002: 52, 53).

Witold Morawski believes that 'sociologists could presumably learn a lot from economists' but assumes that there are serious arguments in favour of giving primacy to the individual in economic sociology. At the same time, he expressly asserts:

'Not all behaviours can be rationally modelled if we understand rationality in terms of the *homo oeconomicus* paradigm... A social actor, whether collective or individual, is socially embedded because he takes account of the behaviours of other actors in his own actions and he acts in accordance with his mental ideas of the world, acquired in the course of his life. ... A sociologist will prove not only that social actors are socially embedded but also that they are continuously socially constructed i.e. that the community keeps shaping them' (Morawski 2001: 31, 32).

This author proposes his analytical model to view the behaviours of socio-economic man. This model consists of four key components: 1) institutional rules-patterns, 2) individual choices, 3) mental models, and 4) individual behaviours. A diagram built from these 'ingredients' 'shows not only the patterns of behaviour typical of socio-economic man but also the directions of dependencies between the elements of this diagram. This is an attempt at reconstructing main trends in contemporary economic sociology' (Morawski 2001: 37).

Referring again to Morawski's line of thinking, let us notice that the developing economic sociology, starting in opposition to economics, is now proposing solutions which actually co-create the broad stream of new institutionalism²⁰. Moreover, economic sociologists operating at the borderline between sociology and economics, and supporting the 'new economic sociology' claim that, to a limited extent: 'economic models, adopting certain simplified base axioms, are, indeed useful' (Gardawski, Gilejko, Siewierski, Towalski 2006: 17)²¹. Those base axioms in the more 'radical' form of the Rational Choice Theory, supported with the achievements in Game Theory, served as a catalyst for new institutionalism.

²⁰ In the case of this author any doubts are dispersed in his important earlier work tackling the problems of Poland's transition in institutional terms which asserts that 'the emergence of a new social order largely depends on the micro- and mezzo-level mechanisms' (Morawski 1998: 22).

²¹ Authors identify six economic-sociological orientations and line them up using the criterion of the diminishing role of mainstream formal methods. The classification looked as follows: transaction costs economics, rational choice sociology, PSA-economics, socio-economics, institutional and evolutionary economics and the aforementioned new economic sociology (16–18).

4. Rational Choice Theory and Game Theory: NI Catalysts

If we view economic sociology as an intellectual exercise which is intended to help sociology make a constructive contribution to economics, we can easily find an interdisciplinary trend in the opposite direction within sociology, for instance from economics to sociology. And this does not apply only to sociological phenomena but also to economic ones, i.e. in fact to the subject-area of economic sociology (Coleman 2006). One excellent example is provided by the Rational Choice Theory (RCT), represented in sociology by researchers such as James S. Coleman (1990) or Michael Hechter (1987). Considering the reliance on the microeconomic rationality model (*homo oeconomicus*) as a general initial assumption and Game Theory, this approach is most frequently considered to be an example of economic imperialism in sociology. Among the reasons behind this simplified and prejudiced misconception are the 'relatives' of RCT (utilitarianism and behavioural psychology, exchange theories) and, above all, the fact that the sources and foundations of this theory derive from the realm of economics (A. Smith, D. Ricardo, C. Menger, R. Coase, P. Samuelson, K. Arrow, G. Backer, J. Buchanan) and Game Theory (John von Neumann and O. Morgenstern, D. Black, D. Luce and H. Raiffa, J. F. Nash, J. Harsanyi and R. Selten), and that they are well-rooted in American political science (A. Dawns, W. Riker, K. Shepsle, T. Schelling, J. Elster, Vincent and Elinor Ostrom) and Collective Action theory (G. Hardin, R. Hardin, M. Olson, E. Ostrom).

A distinguishing feature of RCT is the assumption, based on methodological individualism, that social life should be explicated through references to rational actions of social actors (whether individual or collective). Rationality means that behaviours are analysed from utility perspective (optimal satisfaction of preferences). Analysis begins with the assumption that there are actors who act intentionally, guided by reflection on effectiveness in the pursuit of their interests and gains in interactions with other individuals who, in turn, are guided by their own interests. In this version, RCT is not excessively interested in the origin (and nature) of preferences, nor in actual motivations behind actions. RCT theorists often describe this approach as a standard RC model, strictly connected with neoclassical economics and Game Theory²².

²² The assertions and claims of RCT can be presented as follows: 1) Human actions are intentional. They are deliberately focused on achieving defined goals; 2) individuals have hierarchical systems of

However, as mentioned earlier, RCT is an interdisciplinary theory and the interdisciplinarity means, for instance, that makes a parallel use of key concepts and notions from neoclassical economics (methodological individualism; maximiser or optimiser; social optimum and system balance) and from sociology (power that individuals succumb to; social source of rights; institutions; reciprocity; trust; social capital), whereas the applications of RCT developed in sociology indicate, for instance, ‘how the combination of theoretical principles from economics and from sociology can provide the basis for enriched analysis of economic phenomena’ (Coleman 1994: 177).

When talking about RCT in social sciences we need to emphasise that this theory exists in one of two ‘ideal’ forms. Let us call them as follows: 1) ‘classic’, ‘primary’, formalised first-generation RC theory (or early stage of RCT), using the notion of complete rationality (in the sense of rationality displayed by *homo oeconomicus*) and based primarily on Game Theory and lab experiments, implying various social dilemmas (notably the prisoner dilemma), and 2) second-generation RCT with a much more expanded (or, limited vs. the primary rationality model) concept of limited rationality which is based on imperfect but learning human being (e.g.

ordered preferences (or values, or utilities). This assumption means that individual actions are ordered and take specific positions in the hierarchy of transitional preferences in view of their appeal of the likelihood of outcome. Appeal declines if more outcomes of a particular kind are achieved. Those are common, universal psychological truths; 3) Based on their own preferences people (individual and collective actors) make purposeful choices. People are rational because they make rational calculations when choosing the course of action; such calculations refer to: a) utility of various behavioural options with regard to the hierarchy of preferences; b) costs of each alternative action in terms of opportunity costs; c) the best way to maximise utility. This assumption means that when we explicate social, political or economic phenomena we need to bear in mind the behaviours of individuals who seek maximum satisfaction which can be obtained through mobilised resources (money, knowledge, relations, connections, contacts). Satisfaction is achieved through interactions and exchange. At any point of time an individual rearranges his/her interests in accordance with anticipated satisfaction and actions undertaken by the individual reflect his/her hierarchy of preferences; 4) Emerging social phenomena (social structures, collective decisions, group behaviours) are ultimately a result of rational choices made by utility maximisers in a specific social environment. Therefore, satisfaction derived from one’ behaviour is influenced by external factors. For this reason social actors create and adapt norms (institutions) in order to obtain limited control over external influences (they give up some of their freedom to act in order to obtain the important control over other people’s actions). This is also how social solidarity emerges. In other words, acting in one’s own interest generates social problems and dilemmas at the same time. In order to control the external effects on the outcomes of actors’ actions, individuals may agree for their personal gains to be constrained in accordance with social norms. For instance, they may adapt norms of solidarity in the group they belong to.

learning norms that improve social co-operation) acting in the maze of various institutional rules²³.

Two conclusions seem to be worth noting at this point. Firstly, we need to stress that if formalised RCT undergoes its own specific evolution (through mutations and a change of available memes, as is often the case in evolution). RCT scholars such as J. Coleman or E. Ostrom are among researchers who, in fact, build a rational choice theory which they term as second-generation RCT. In comparison with the earlier RCT, the second one is based on concepts such as broadly understood institutions, reciprocity, reputation, trust, etc. Secondly, exactly because of the interdisciplinary character of the theory there are co-existing various models and RCT which do not refer only to short-term maximisation of own gain by individuals. Each of those models has its own advantages and weaknesses and, as such, contributes to the development of mainstream NI.

The initial, or 'primary', rationality model co-exists with the developing second-generation rationality models which are inspired by it. Elinor Ostrom who, like nobody else among social researchers, has conducted and collected empirical research from all continents (desk research) in the field of collective actions undertaken by human groups in connection with common pool resources (CPR) characterises the current status of RCT as follows claiming that Collective Action theory is the central issue of social sciences.

'Collective-action problems pervade international relations, face legislators when devising public budgets, permeate public bureaucracies, and are at core of explanations of voting, interest group formation, and citizen control of governments in a democracy. If political scientists do not have an empirically grounded theory of collective action, then we are hand-waving at our central questions. I am afraid we do a lot of hand-waving. ... We have not yet developed a *behavioral theory of collective action* based on models of the individual consistent with empirical evidence about how individuals make decisions in social-dilemma situations. A behavioural commitment to theory grounded in empirical inquiry is essential if we are to understand such basic

²³ It is important to emphasise that the leading theoreticians of formalised RCT, both in sociology and in political science, clearly highlight the difference versus their source of inspiration, neoclassic economics, when they write: 'Institutional context matter. Individuals acting rationally can arrive at different outcomes in different institutional settings. These institutions, than, act in some way as constraints on actions. ... The study of institutions and their effects on policy outcomes is, of course, a traditional concern of political scientists. However, we find that prediction of a single, stable, good outcome, which is so often reached in economics, is rarely to be hoped for in political settings. ... Stability in political institutions is an elusive prey' (Lalman, Oppenheimer, Swistak 1993: 81, 82).

questions as why face-to-face communication so consistently enhances cooperation in social dilemmas or how structural variables philosophies have recognized human nature to be complex mixtures of the facilitate or impede effective collective action. ... All long-enduring political pursuit of self-interest combined with the capability of acquiring internal norms of behavior and following enforced rules when understood and perceived to be legitimate. Our evolutionary heritage has hardwired us to be boundedly self-seeking at the same time that we are capable of learning heuristics and norms, such as reciprocity, that help achieve successful collective action. One of the most powerful theories used in contemporary social sciences – rational choice theory – helps us understand humans as self-interested, short-term maximizers. Models of complete rationality have been highly successful in predicting marginal behavior in competitive situations in which selective pressures screen out those who do not maximize external values, such as profits in competitive market or the probability of electoral success in party competition... Substantial evidence from experiments demonstrates that cooperation levels for the most one-shot or finitely repeated social dilemmas far exceed the predicted levels and are systematically affected by variables that play no theoretical role in affecting outcomes. Field research also shows that individuals systematically engage in collective action to provide local public goods or manage common-pool resources without an external authority to offer inducements or impose sanctions. Simply assuming that individuals use long-run thinking ‘to achieve the goal of establishing and/or maintaining continued mutual cooperation’ is not a sufficient theory either. It does not explain why some groups fail to obtain joint outcomes easily available to them or why initial cooperation can break down. We now have enough scholarship from multiple disciplines to expand the range of rational choice models we use... we need to formulate a behavioural theory of boundedly rational and moral behavior... by examining the implications of placing reciprocity, reputation, and trust at the core of empirically tested, behavioral theory of collective action’ (Ostrom 1998: 1–3).

This rather extensive quotation points to the interdisciplinary character of models and theories which includes concepts developed within various social sciences or on the borderline of those sciences. The concepts that represent the theoretical framework for the analysis of key problems in social sciences: collective action and the pertaining social dilemmas, social co-operation and co-ordination of actions, the role of communication and institutional innovations in the overcoming of traps and dilemmas etc. Within this broad conceptual framework certain intentional human action may be explicated through the standard rationality model (for example, operations on a competitive market) but this is just one of the possible rationality

models²⁴. Other models refer to structural variables in the explication of human actions, thus co-creating a platform to integrate explications that rely on structural variables as well as those which rely mostly on characteristics of individuals. To use a well-known term from anthropology, we can say that such an extended family of RC models is owing to the conducive approach to interdisciplinary integration. We have in mind not only economics, political sciences, law sciences, sociology, cultural anthropology or linguistics but also cognitive psychology or behavioural psychology, which is one step away from evolutionary psychology, sociobiology and biology which are interested in our evolutionary legacy and the bio-psycho-socio-cultural human nature, shaped through those processes. This interdisciplinary programme is not a cognitive utopia. In fact, it is undertaken and pursued by many researchers. We claim that broadly understood NI and its research results provide solid arguments in favour for such a programme where representatives of various disciplines, schools and orientations would focus their exploratory efforts.

One of the effects of this approach is the emergence of rational choice institutionalism as a variety of new institutionalism, next to sociological and historical institutionalism, existing within the domain of economics, sociology and political science (Hall and Taylor 2001). The main distinctive feature of this approach is the analysis of broadly understood institutions as constraints for rationally acting individuals and their influence on the (economic, political, social) outcomes. Rational choice institutionalism which, as we have seen, is subject to changes and emerges as a version of new institutionalism also in other works, is characterised by the following assumptions which construct its structure and indicate how it evolves:

- ‘1) A set of characteristic behavioural assumptions specific for RCT: rationality of instrumental individual actions (choices), due to the scarcity of goods and resources; permanent set of preferences with the rule of transitivity; instrumental behaviours which maximise the achievement of preferred options; strategic

²⁴ A recent interesting book applies RCT and game theory to explain human behaviours in prisons. In the author’s view: ‘Prison socializes an inmate to behave hyperrationally. It teaches him patience in planning and pursuing his goals, punishes him severely for his mistakes, and rewards him generously for smart action. No wonder that inmates are such ardent optimisers... There is little space for innocent and spontaneous expression of emotion when they collide with fundamental interests. Brutal fights, self-injury, and rapes can all be explained as outcomes of carefully calculated actions... prisoners optimise under the constraints of their harsh life conditions and the local subculture. Their behavior reflects their attempts at optimization. Such a “rational choice” approach helps us to better understand prison behavior’ (Kamiński 2004: 1).

- thinking (calculation of utility before choosing a course of action, and calculation of costs involved in other actions).
- 2) Social life seen as a sequence of collective action dilemmas: rationally acting individuals obtain suboptimal collective outcomes (individual vs. social rationality), which usually results from the absence of institutional systems that would guarantee co-operative, complementary behaviours of other people. Examples include prisoner's dilemma, tragedy of commons, dismal logic of collective action or the problem of public and/or collective goods, evasion of obligations, free rider problem, moral hazard, etc.
 - 3) Interactions play a strategic role, which means that: (a) an actor's behaviour is driven by strategic calculation but not driven *in toto* by impersonal forces of history or determined by culture; (b) this calculation will largely be subjected to the actor's expectations as to other people's behaviours; which means that institutions shape the structure of such interactions because they influence the choices of actions (a sequence of alternatives), provide information and build reinforcement mechanisms that reduce uncertainty as to the behaviour of others. Therefore, institutions influence individual purposeful behaviours, they are considered in the processes of human calculations and enable gains from the exchange, directing individuals towards specific, potentially better social outcomes.
 - 4) Social phenomena which represent the results of rational choices build a set of parameters for individuals' subsequent rational choices. Those parameters determine a) allocation of resources between individuals; b) allocation of opportunities and occasions for various rules of behaviours and actions; c) allocation and nature of norms and obligations in various situations. This assumption implies that many individual actions are strategic, i.e. those where the outcome depends on actions undertaken by other people. Accessibility of information and knowledge determines the ability to predict other people's behaviours. Since resources are required to obtain information (and this entails costs) and resources are limited, people usually act in situations of uncertainty. Mutual trust among participants in an interaction/exchange reduces the costs required to reduce uncertainty (enables us to foresee people's actions at a low risk) and may be considered as a form of social capital. Social capital i.e. rewarding networks of social relations available to an individual determines the increase of gains and duty to the society. In large networks people will tend to evade responsibility.
 - 5) Theory confirms that such social and cultural variables limit the temptation to pursue only one's own interests (pure, early rationality model) and play a crucial

role in overcoming social dilemmas and traps of collective action. What represents the key research issue is the answer (obtained through empirical fieldwork) to the questions about the role of **social institutions, individuals' reputations** (i.e. reliable behaviours) or the role of small groups representing **mutual commitment networks**. Those three essential forms which represent the foundation of **social capital** help to increase **social trust** which, in turn translates into **collective action** milieu that is free from social traps and dilemmas, thus ensuring high **co-operation** levels in a specific social context (Ostrom 2005)²⁵.

Rational choice institutionalism, like any theory or orientation, has its strengths and weaknesses which are related to its essential research questions connected with: a) explaining the origins of institutions; b) the role of institutions in social life, and c) the singularities of this theory in sociology and social sciences. As regards the first question, the adoption of a model of human behaviour (deduction), followed by definition of functions played by an institution (i.e. the origin and existence of institutions) is explicated through values which those functions represent for actors who are influenced by institutions. Implications are as follows: actors create an institution to fulfil a specific value which is usually conceptualised in terms of gains from co-operation. That means that institutions are usually created through a voluntary agreement of actors. Institutions survive in the processes of selective rivalry because they provide actors with more gains than alternative institutional forms. This is a follow-up of thinking earlier found in exchange theories. As we remember, it was G. Homans who claimed that institutions should bring benefits to individuals (an influence of exchange theories and reactions to functionalism).

As for the role of institutions, researchers write:

'Institutions play two roles in rational choice theory... institutions combine individual actions, ... from the level of individual actors to bring about systemic outcomes.... A second role played by institutions in rational choice theory is the translation of system states, ... to affect individual actors' orientations. Communication media constitute one major class of such institutions. By determining the individual's cognitive world, these institutions can affect preferences and thus actions. Both the institutions through which the micro-to-macro link takes place, and those through which the macro-to-micro take place, may be taken as exogenous in rational choice theory, in studying the effects of particular institutional structures on individual

²⁵ As a formality, E. Ostrom has long termed her theoretical approach as 'Institutional Analysis and Development (IAD) framework'. As RCT and game theory play an important role in this framework (e.g., Ostrom, Gardner and Walker 1994), Ostrom is classified under the broad rational choice institutionalism. Those researchers also speak of new institutional analysis and peripheries of rational choice.

actions or on systemic outcomes. In other work, they may be taken as endogenous, to discover how rational actions of individuals can bring into being certain institutions' (Coleman 1994: 170, 171).

Despite this clear stance, rational choice institutionalism, like RCT, attracts various types of critique, for instance in sociology. Most of those critiques results from failure to understand the essence of those theories²⁶. This failure to understand is reinforced with reluctance and ideologies associated with differing visions of the society and the individual used by mainstream sociologists and RCT sociologists. James Coleman (1992) seems to have captured the essence of this debate, indicating the singularities of this theory. If we assume that an ideal sociological theory should: 1) explain the behaviour of social systems rather than individuals, yet the former needs to be explained in terms of the latter, then this kind of sociological theory implies, 2) a theory of transition between the behaviours of the system and the behaviours of individual actors (micro-macro), and, ultimately, 3) a psychological theory, a special model of individual behaviour. Such a satisfactory theory does not exist, so various classes of theoretical thinking are created, depending on which elements (criteria) are used or rejected by specific theories.

RCT belongs to those theories which, indeed, disregard the psychological criterion, and the mainsprings of individual actions. In those theories, as we have seen, criterion; 2) or the micro-macro transition plays the most important role. This element of theory is an 'institutional structure' for the author. It is closely related to the 'free rider' problem which represents the anchor of rational choice theories in sociology. This phenomenon is not related to psychology of individuals but, rather, is

²⁶ Adherents of RCT argue that, in view of the history of the discipline and the prevalence of holistic approaches 'sociology would appear to be a most unpromising terrain for the spread of rational choice ideas and methods. ... Some of the scepticism about rational choice among sociologists arises from misunderstanding. One criticism of rational choice focuses on the lack of realism in its assumption that we calculate the expected consequences of our options and choose the best of them. A vast body of social research reveals that people often act impulsively, emotionally, or merely by force of habit. ... This conclusion, however, rests on a common misconception about the nature of rational choice. The theory does not aim to explain what a rational person will do in a particular situation. That question lies firmly in the domain of decision theory. Genuine rational choice theories, by contrast, are concerned exclusively with social rather than individual outcomes... A second criticism of rational choice focuses on its motivational assumptions. Rational choice theorists regard both individual values and structural elements as equally important determinants of outcomes, but for methodological reasons their empirical applications typically place greater emphasis on social structural determinants... thick rational choice theories do not necessarily assume that individuals are selfish agents. These theories can postulate any individual values at all, not excluding complete altruism. What is required is merely that individuals are self-interested, not selfish' (Hechter, Kanazawa 1997: 192, 193, 194).

an assumption which speaks about the structure of impulses or incentives that would lead a rational person to actions that will bring gains at the expense of other actors. RCT adopts this assumption despite numerous proofs for the existence of people who do not behave in the aforementioned way i.e. people who co-operate, devote themselves to others etc. In that case, an adherent of RCT would say that individual behaviours are influenced by other stimuli which the researcher does not control (for instance, friendship or kinship). Therefore, the core question of RCT is the question on how an institutional structure produces systemic behaviour. In order to answer this question we need to move between the micro and macro levels²⁷.

At this point we are dealing with the aforementioned varied models and visions of the individual and the society. Those associated with RCT provoke various accusations against representatives of this theory. If we assume that an individual actively pursues his/her goals, a researcher cannot view people as passive objects of other people's actions. A description of the social system exclusively in terms of oppressors and those being oppressed (the favourite vision among many sociologists, based on various dichotomies) does not satisfy a RC theoretician because each actor acts within the system in a way that ensures his/her own gain within the limited resources. Therefore, a considerable part of sociological theories based on the active-passive (subject-object) dichotomy becomes problematic. Obviously, this addresses the old dilemma but this approach also encourages a different view on crime, social stratification, welfare state, re-socialization and, more generally, many public policy issues.

Let us notice that this approach that 'activates' the individual leads to a special vision of the society. RCT which adopts the perspective of an actor and which views actors as subjects of actions assesses such actions from the perspective of the social system. Meanwhile: 'standard sociological theory, assuming the actor to be a passive object of others' actions but evaluating that action from the point of view of the actor, who is often regarded as a victim of environmental circumstances. This opposition between „purposive action” of rational choice theory and „environmental determinism” of other branches of social theory leads to a general ideological difference, in which rational choice theorists tend to see persons as responsible

²⁷ Coleman (1992: 1621) writes: 'The institutional structure through which transitions between micro and macro levels occur in many applications of rational choice theory is the market. In economic systems, markets are complex systems of interactions between independent individuals that translate preferences at micro level into prices at the makro level, and the prices at the macro level into transactions at the micro level.' This clearly shows an influence of Peter Blau's large-scale exchange theory.

for their own actions, and for the outcomes of those actions, while many other sociologists tend to see outcomes for persons as due to forces beyond their control' (Coleman 1992: 1622).

Like other theoreticians, this author believes that none of the two aforementioned positions cannot aspire to be considered entirely accurate. On the other hand, he attracts attention to the problems associated with the relationship between individuals and the society, striving to eliminate one-sided dependencies. In other words, a simple assumption of 'pure rationality' reveals its explicative power in a number of cases²⁸. Of course, in the thin model a reference to maximum utility does not apply, as we have seen, to many situations and phenomena which may be of interest, e.g. for psychologists. Those thin models often force researchers to seek other explanations. At the same time, RCT asks about phenomena (e.g. emergence of group solidarity or social norms) which other sociological theories view as a given. In this way explication procedures in social sciences are expanded. Generally speaking, the idea is to discover norms, rules and principles (institutions), which use actions of individual actors to arrive at collective actions within social systems (the so-called social reality). In that approach, differing behaviours of social systems result from differing rules of the game, which means that little space is left for psychological theories.

Let us add that the vision of mainstream sociology is a consequence of applying *homo sociologicus* and neglecting the fact that this is just a model intended for specific purposes (for instance, to understand socialization processes). As a result, the society which defines the obligations of an individual (a role means specific behaviours expected by the society) and socializes it, assumes the responsibility for actions taken by individuals. An individual becomes a victim of the social environment because, as a member of the society (and of various social groups), the individual acts under the influence of forces beyond its control. Meanwhile, social theory which refers to environmental 'determinism' promotes a specific moral relativism, releasing people from the sense of social responsibility. In other words, there may be considerable tension in the relations between individual and the society, i.e. between right and privileges or obligations and responsibilities.

The RCT agenda reconstructed above gains importance (in its various versions) and its theoretical validity (with a number of limitations that RCT researchers realise) proves useful in designing institutions. We are living in a period when social

²⁸ Nevertheless, many researchers consider RCT to be an extremely voluntaristic theory, based on a false premise of free choices made by independent and equal players (with equal bargaining power).

institutions more and more commonly result from a conscious effort (which does not mean they are perfect). The design and construction of social institutions are the components of what Coleman (1993) called the 'rational reconstruction of the society'²⁹.

We have identified the tensions and frictions between various theories in social sciences which are closely related to the phenomenon of multiple-paradigm nature of those sciences. At the same time, the existing disputes give rises to examples of intra- and interdisciplinary theoretical communication. It may be more or less successful, and it may be continued or abandoned. The bottom-up effort to build an integration framework is spontaneous rather than resulting from a presupposed integrating platform or Bourdieu's theoretical symbolic violence. Such an approach was characteristic of social sciences dominated by Marxism in former communist countries. This vision is supported by the multiple-paradigm nature of social sciences and their diversity where the effectiveness (power) of arguments and their explicative ability plays a decisive role. Of course, many researchers continue (and will continue) to plough their fields within a theoretical monoculture. At the same time, many researches searching for problems try to understand what happens in neighbouring areas and how representatives of other disciplines solve similar problems. If we could refer to theoretical crisis management strategies in sociology or in other social sciences, then new institutionalism seems to be a product of the so-called 'eclectic disciplined synthesis'.

Robert Merton, the author of this term and an adherent of this type of approach, recently analysed neoinstitutionalism in sociology, in opposition to Durkheim's classic institutionalism, and strongly emphasised that we are now witnessing significant changes in the way theoretical problems are solved in social sciences.

It involves taking and tying key ideas which co-exist in neighbouring disciplines. According to the author of middle-range theories:

'the contemporary paradigm of institutional analysis involves an "intellectual trade" that transcends the traditional boundaries of the social sciences. The benefits of such trade can be seen in the exchange and application of such domain-bridging concepts as choice within institutional and organizational contexts, bounded rationality, social embeddedness and social networks, transaction costs, human and

²⁹ To dot the i's and cross the t's, we will venture to say that accusations thrown against RCT by critics indicate their superficial and prejudiced approach which may result from their particular way of defining individual and collective interests and a particular 'ideological involvement' which is often covered up by an argument of value-neutral research. It is the normative character of RCT or NI that helps us to notice such problems.

social capital, externalities, and enforceable trust. There appears to be a significant disciplined eclecticism in the making. By Durkheim's time, the French had fastened on the maxim, which holds that "the more things change, the more they remain the same" But in the case of evolving neo-institutional theory in sociology and related disciplines, that worn bon mot does not quite hold' (Merton 1998: xii).

Let us notice that these notions indicate the creation of a certain conceptual core which, as we mentioned repeatedly, is co-created by representatives of absolutely all disciplines of social sciences. These notions enable and facilitate: a) articulation of relations which co-exist between theories; b) performance of empirical studies which support the description and diagnosis of significant problems that occur in many areas of social life; c) capturing the complexity and diversity of social life by references to various levels of institutional rules.

5. Singularities and Differentiation of NI

When talking of NI, we are not discussing something that is finished and ready. We do not refer to it as to a universal interdisciplinary theory. Rather, we are referring to the emerging broad theoretical framework which enables a productive exchange of views i.e. the emerging NI paradigm, as we understand it. This productivity results from reconciliation of shared meanings in interdisciplinary discourse which then transforms into a cognitive fact of a community-based nature. Therefore, NI is not a single, coherent theory, even in a fairly unrestrictive and useful understanding of this notion³⁰. NI represents a heuristic framework with a co-existing group of theories that have a multidisciplinary origin. Those theories share a few fundamental questions which researchers are trying to answer, in a variety of ways. Individual disciplines and orientations within them have varied foci. Those diversified answers adopt a common form albeit, as we mentioned earlier, with numerous nuances. This form is shaped by issues that are central for NI. They can be epitomised in a few basic questions.

The first question, which implies subsequent subquestions can be formulated most generally as follows: **What kind of significant relations can be identified**

³⁰ One example of this approach is J. Szacki's position (1975:13). He writes that sociological theory is 'any set of notions and relatively general statements about social reality which is intended to structure the available knowledge on that reality and provide guidelines for further observation and study'.

between an acting human being and institutions? In fact, researchers have in mind two specific, intertwined questions: a) How do human beings act in social situations (as individual and collective actors)? and b) What is the role of institutions in human activity (what do they do)? Answers to these questions take the form of analytical exploratory models (models of man and types of institutions) or descriptive and explanatory theories based on empirical studies on current social states or on historical and comparative studies of various social orders. The focus is always on the (intended and unintended) consequences of intentional individual actions in their broadly understood social context and the effects of institutions for those actions.

How can we explain the institutional origin and/or change? By asking this question NI researchers seek answers in external and/or internal modalities, indicating mutual correlations between these two areas of variables. At the same time, their area of interest includes detailed questions such as: a) Why are institutions, particularly certain types of institutions, relatively sustainable? and b) What does this mean for institutional change in main spheres of social life?

What are the foundations of social order? This third question is closely related to the second one. When talking about social order researchers refer to the set of institutions (rules, values, norms and sanctions which ensure compliance) which is characteristic of a particular social system and which exerts varied influences on actions undertaken by individual and collective actors (small groups, populations, various organisations or societies, or even trans-national and global systems). Therefore, the role of institutions is analysed at the micro, mezzo and macro levels while institutions are viewed as an intermediate level between micro and macro. Two questions about the foundations of social order deserve particular attention: a) What are the characteristics of (bottom-up) social order? and b) What are the characteristics of rationally constructed social order (designed and introduced on a top-down basis)?

These three questions outlined above entail one more, related to the nature of the theory: **Is NI a descriptive-explanatory theory or a normative theory?** New institutionalists focus attention on the role of institutions in solving social problems and link their interest in theory with social practice. The essence of the relationship between practice and theory is well reflected in the two interrelated questions: a) What are the values and factors that determine effectiveness of institutions? and b) What does institutional design involve and what should it be like?

This necessarily brief outline of core research questions asked by NI seems to indicate its interdisciplinary character and its efforts to integrate the existing legacy of social sciences. This is a contemporary answer to the question about coping with

serious challenges which are imposed by modernity (naturally rooted in more and less distant past). Those problems, obviously, are also co-constructed by ourselves. As we remember, social sciences were a response to the questions posed to Europeans and Americans by emerging modern societies. The two essential questions concerned the nature of the society and the nature of social (evolutionary) change which has produced the socio-cultural diversity in the modern world. The questions about social order and variability of that order are crucial, intertwined problems that NI is endeavouring to address.

It is impossible to make a historical inquiry or run sociometric studies to plot precise interdisciplinary 'sociograms'. Such studies would be very interesting indeed and insights collected in this way would help to build new knowledge resources which would certainly mitigate or solve a number of interdisciplinary disputes. For this moment it suffices to say that many puzzles have been solved and problems have been clearly formulated in recent years, which clearly demonstrates the advantages of Merton's 'meaningful, emerging disciplined eclecticism'.

It is always the case that once some problems are solved, this generates and poses further problems. In the case of NI, the most important example of modern eclecticism, a need arises to explain its intra- and interdisciplinary differentiation that is to seek a common, integrating (meta)platform or, which seems equally interesting, to seek a broad heuristic framework to capture its characteristics. These characteristics entail a productive approach to various problems originating (i.e. created and solved) in absolutely all spheres of human existence.

Undoubtedly, NI is a varied orientation and, consequently, it is highly diversified. However, it seems to present attributes of clear intellectual convergence. Before we move on to shared features, we will briefly present core differentiations. Regarding the latter we are in a comfortable position because NI literature published over the last two decades within various disciplines abounds in systematisations (typologies and classifications) which also indicate the key differences between theoretical and empirical versions.

As we recall, NI first originated in the second half of the previous century in American economics and was connected with a positive critique of neoclassical economics (rejection of omnipresent assumption regarding instrumental rationality), which enriched its abstract frame with new elements, as well as contributions from American institutionalism of the first half of the 20th century. Apart from political economy and economic history, new institutionalism emerged and established itself (either under their influence or independently) in political science and sociology as well as in international relations and law, management science and organisation

theory, socio-cultural anthropology and social psychology. Cognitive psychology and American linguistics also contributed to this process. An important constructing role in the development of new institutionalism was also played by the Rational Choice Theory and the closely related Game Theory (Lissowski 2002). Those who watch new institutionalism are struck by its dynamic growth, its depth and breadth, differentiation (which encourages a focus on theoretical differences) as well as existence of considerable similarities which indicate a potential for intellectual convergence and emerging integration tendencies (Chmielewski 1994).

The breadth and differentiation of new institutionalism in social sciences is reflected in the existence of multiple variants of NI. Researchers start with identifying two³¹ or three³² varieties, sometimes identifying six in political science alone, or even seven (or nine) in social sciences domain³³. Both in political science and in sociology (not to mention economics) NI comes as a special kind of return to its intellectual origins, enriched with subsequent achievements in social sciences. When it comes to NI in sociology, it was initially closely related to the sociology and theory of organisation.

The author of the present paper is interested in theories of new institutionalism, their evolution and research applications and, as such, proposes that a few basic forms (versions) should be identified within this broad and diversified trend. In our opinion,

³¹ Thelen and Steinmo (1995) capture the essence of this problem when they identify two key types of NI found in political science: rational choice institutionalism and historical interpretative institutionalism, which both support.

³² As we remember, Hall and Taylor (2001), representing political science, identify three NIs: historical institutionalism (a term borrowed from Thelen and Steinmo), rational choice institutionalism and sociological institutionalism. Advantages of the latter (for political science) consist in the broader treatment of institutions vs. political science (not only formal rules), a focus on broadly defined cultural relations with institutions and individual actions, and an explication of the origination and change of institutional practices which goes beyond utility. Likewise, Immergut (1998) identifies rational choice NI, organisation theory NI and historical NI.

³³ G. Peters (1999) provides the most extensive classification of NI. Within political science he identifies normative institutionalism (with a focus on the 'logic of appropriateness') and its opposite, i.e. rational choice institutionalism ('logic of utility'), historical institutionalism (the role of history, path dependency in politics), empirical institutionalism (testing theoretical claims of various institutionalisms with a focus on cultural and historical differences between political systems), international institutionalism (theories of international structures and regimes) and societal institutionalism (focusing on the functioning of the state and the society, and their mutual relationships). Peters also identifies economic institutionalism (with varieties) as well as sociological institutionalism (in its key varieties it makes references to the sociology of organisation and micro-level analysis).

the most important ones of them are associated with: 1) new institutional economics (with its theory of ownership, theory of enterprise, theory of transaction costs, theory of agency and theory of public goods), 2) rational choice institutionalism rooted in RCT (e.g. social choice theory or group solidarity theory or the origin of social norms) and Game Theory, 3) historical institutionalism, mostly found political science (partly inspired by the economic theory of democracy) which proposes, within various dependence paths, dismal logic of collective action, distributive coalition concept etc.) and international relations (e.g. theory of state and relations between regimes), 4) new sociological institutionalism connected particularly strongly with the theory of organisation and recently looking for its own identity, and 5) the new analysis of institutional development, constructed on the peripheries of rational choice (public choice theory or self-organization and management of common-pool resources). In our view, the latter two perspectives offer a convenient and productive platform for the integration of various (often seen as opposing) positions within the new institutionalism.

Therefore, within the mainstream of new institutionalism a few broad theoretical orientations can be identified, comprising various theories related to different aspects of social order and its variability. Those orientations and their theories are partially connected with the history and tradition of various disciplines and partly result from the expansion of economic models (rationality, effectiveness, types of goods) into other disciplines. At least two phenomena can be viewed as visible outcomes of such developments in social sciences over the last fifty years. Firstly, the subdivisions within disciplines. They result from scholars' interest in new research questions (e.g. public choice) in political science, sociology, organisation theory or law sciences. Secondly, some of those descriptive-explanatory theories are also normative (with varying degrees of formalisation). In some disciplines we can even talk about 'hard' elements of social technology (and their engineering and sociotechnical nature) or about interest in 'soft' factors and modalities, such as actions in the symbolic-political sphere. One characteristic shared throughout NI is the 'activation' of the individual which is viewed as an active, causal element in various types of social systems which, until recently, fared fairly well without active human subjects. This situation is aptly described by sociologist Victor Nee (1998: 1,11,12):

"The new institutionalist paradigm involves integrating the assumption of purposive action with comparative institutional analysis central to the sociological tradition... Methodological holism in sociology has been an obstacle to acceptance of the choice-theoretic approach underlying the new institutionalist paradigm. A consequence of this impasse has been sociology's growing isolation from allied social science disciplines at a time when rapid progress is being made in understanding

and explaining the microfoundations of the social order. This need not be the case, because much of classical and modern sociology has sought to integrate utilitarian and structural accounts into a macrosociological theoretical framework. Indeed, a form of methodological individualism represents the mainstream of modern empirical sociology. It is this heritage that the new institutionalism in sociology seeks to build on. Periods of ascendancy in sociology have often followed open trade and engagement with economics. Rather than attempting to show how sociology relegates economics to the intellectual dustbin, the new institutionalism in sociology pursues a tack that is more consistent with the classical period of sociology. In this respect, the new institutionalist approach may be viewed as a neoclassical turn in sociology. The new institutionalism in sociology extends the intellectual legacies of classical sociologists and earlier sociological institutionalists who similarly engaged in productive intellectual trade with economics’.

We are referring to the aforementioned statement now only because it confirms our initial assumption about the role of classic period in social sciences and sociology. This author, much as many other researchers, demonstrates that despite its considerable differentiation NI can be viewed as a general heuristic framework with a shared set of general assumptions that can be identified within this framework.

6. New Institutionalism or Going Back to the Basics of the Social Sciences

The version of NI which we propose (Appendix 3) appears to contain significant cognitive and integration potential³⁴. It creates a broad interpreting framework which encompasses also other versions of new institutionalism related to specific disciplines of the social sciences. Bearing in mind disintegration processes present in the framework of various disciplines – including sociology – NI is one of the more

³⁴ The author of the present text assimilated and co-authored the theoretic perspective of new institutionalism at the Workshop in Political Theory and Policy Analysis, Indiana University, Bloomington, USA, conducted between 1991 and 1993. Cooperation with Elinor Ostrom and Vincent Ostrom as well as many colleagues from the United States, Africa, Asia and Europe greatly contributed to the expansion of the author’s earlier developed vision of social sciences. Its effects are works of theoretical, historical and empirical nature (Chmielewski 1994, 1995, 1995a, 1998, 1999, 2005, 2007, 2007a) based on the broad perspective of new institutionalism. A more developed model of NI than that outlined in the present work (V. Ostrom 1989, 1994, 1997).

important attempts at the creation of new (meta)theories, orientations or paradigms. A broad heuristic framework enables inter-disciplinary and productive cognitive exchange of terms, concepts and ideas functioning under basic disciplines of the social sciences. This concerns conceptual thoughts and comparative aspects related to the history of these disciplines, equally to the perspective of ‘endurance’ as well as contemporary history (the past 25–30 years).

NI’s diversity hence spurs the search for the common problematic nucleus of all its variants, situated within the said heuristic and interpreting framework (Chmielewski 2005). The nucleus consists of common assumptions that are ranked differently by various theoreticians but which nonetheless are always present together as a kind of conceptual whole.

The basic features of NI are as follows: a perspective of **methodological individualism**, an accompanying research emphasis on **institutions**, under which **intentional subjects act** that are related to different theoretical versions of **rational choice**, an **action context** and a **multi-level micro-mezzo-macro structure**. While looking closely at common, characteristic features of new institutionalism, it should be noted that the basic starting question of new institutionalists, which in any case does not rouse any controversy and can be reduced to different distribution of research emphasis, namely a broader or narrower scope of treatment of institutions and/or a more or less ‘rational’ functioning of a unit – concerns the relations between acting subjects and institutions and the capture of the role of the latter and the related processes of institutionalization of social life.

6.1. Methodological Individualism

The proposed model of new institutionalism is based on the **assumption of moderate methodological individualism**. We shall start by presenting the characteristics of methodological individualism in order to indicate the cognitive advantages of explaining social phenomena in this perspective. Another argument favouring its definition stems from the misunderstandings and stereotypes about methodological individualism generally espoused by proponents of methodological holism.

Quoting the co-creator of the term alongside J. Schumpeter (See: Popper 1976: 19–21), methodological individualism is closely related to ‘sane opposition to collectivism and holism, its refusal to be impressed by Rousseau’s or Hegel’s romanticism – by a general will or a national spirit, or perhaps, by a group mind. ... “methodological individualism” as opposed to “methodological collectivism” ... rightly insists that

the “behaviour” and the “actions” of collectives, such as states or social groups, must be reduced to the behaviour and to actions of human individuals ..., that all social phenomena, and especially the functioning of all social institution, should always be understood as resulting from the decisions, actions, attitudes, etc., of human individuals, and that we should never be satisfied by an explanation in terms of so-called “collectives” (states, nations, races, etc.). ... I hold that institutions (and traditions) must be analysed in individualistic terms – that is to say, in terms of the relations of individuals acting in certain situations, and of unintended consequences of their actions’ (Popper 1984: 91, 98, 324).

At the same time, it needs to be strongly emphasized that such understanding of methodological individualism does not signify reduction of any social phenomena exclusively down to the psychology of individuals or a preconceived model of human nature. To the contrary, in line with the assumptions of methodological individualism it is impossible to explain even the most individualized, private action of an individual – stressing action and not behavioural behaviour – as a unique action gone astray or lost on an island of individualism of a being that maximizes solely personal gain. A being’s individual actions are always simultaneously – which was evident already earlier, for example for Max Weber – social actions. Other proponents of the methodological individualism approach hold a similar view with Karl Popper being one of its main propagators (1994 : 166, 167, 168):

‘The fundamental problem of both the theoretical and the historical social science is to *explain and understood events in terms of human actions and social situations*. The key term here is “*social situation*”. ... the idea of a social situation is the fundamental category of the methodology of the social sciences. ... What are the obvious situational elements to which we shall have to refer? ... the rule of the road, police regulations, traffic signals, zebra crossings, and other such *social institutions*.... In fact, I propose to use the name “social institution” for all those things which set limits or create obstacles to our movements and actions almost as if they were physical bodies or obstacles. Social institutions are experienced by us as almost literally forming part of the furniture of our habitat. ... Thus the situational analysis will comprise some physical things and some of their properties and states, some social institutions and some of their properties, some aims, and some elements of knowledge.... only in this way can we explain, and understand a social event (*only* in this way because we never have sufficient laws and initial conditions at our disposal to explain it with their help).

It should be added that social institutions not only act as obstacles or limitations to further actions but also as conditions that create opportunities for new and innovative

actions (so-called windows of opportunity). Changes, whether spontaneous and/or rationally reconstructed or the introduction of new rules, namely institutions modified or devised by people, open up non-existent or earlier hampered windows of opportunity. The New Constitution which was adopted in Poland in a referendum in 1997 is a prime example of this type of changes. Not only has it created limitations but also new opportunities for individuals and other community subjects to act and cooperate.

Also F. Hayek argues in favor of the cognitive advantages of methodological individualism, calling it 'the true individualism'. He juxtaposes it against 'false individualism' suggesting that the latter, also termed 'rationalistic individualism', took part in the creation of a rational form of *homo oeconomicus*. However, 'methodical individualism' as 'the true individualism' (Hayek 1948: 6, 7, 8):

'first thing that should be said is that it is primarily a *theory* of society, an attempt to understand the forces which determine the social life of man, and only in the second instance a set of political maxims derived from this view of society. This fact should by itself be sufficient to refute the silliest of the common misunderstandings: the belief that individualism postulates (or bases its arguments on the assumption of) the existence of isolated or self-contained individuals, **instead of starting from men whose whole nature and character is determined by their existence in society... But its basic contention is quite a different one; it is that there is no other way toward an understanding of social phenomena but through our understanding of individual actions directed toward other people and guided by their expected behavior.** ... by tracing the combined effects of individual actions, we discover that many of the institutions on which human achievements rest have arisen and are functioning without a designing and directing mind; that, as Adam Ferguson expressed it, "nations stumble upon establishments, which are indeed the result of human action but not the result of human design"; and that the spontaneous collaboration of free men often creates things which are greater than their individual minds can ever fully comprehend. This is the great theme of Josiah Tucker and Adam Smith, of Adam Ferguson and Edmund Burke, the great discovery of classical political economy which has become the basis of our understanding not only of economic life but of most truly social phenomena (author's emphasis – P. Ch.)'

The author hence believes that it is impossible to reduce social phenomena in explanation processes to biologically conditioned human nature or a human's individualist psychology. Yet still, looking at the flipside of the coin, social phenomena cannot be explained in isolation of individuals' actions, their placement in brackets or exclusion from brackets. These actions are not always conscious and the solution

of individual or social problems is often of routine or spontaneous nature, not always planned or calculated. Coincidence and trial and error elimination attempts in social life processes play an incredibly important role for methodological individualists. It is related – as for example in the important text written by Hayek in the 1940s (1948a) – to fragmentary and dispersed information possessed by individuals. At the same time, our ability to cope with problems as they arise is supplemented with a unique supra-individual, social knowledge which is an inalienable resource enabling the functioning of individuals³⁵. These rules, formulas and practices of functioning, which we do not entirely understand (i.e.: the market and the price mechanism) are precisely the institutions and rules that constitute the basis of social life and our civilization.

The mode of thinking of these ‘classics’ of methodological individualism was expanded by their successors, who juxtaposed an individual’s deliberate actions or restraint from taking action at a given time (which is also an intentional action of a human being) with the convictions of methodological holists on the subject of the actions of greater social wholes. Particularly noteworthy are the works of Mancur Olson, with the most famous of which reading as follows:

The view that groups act to serve their interests presumably is based upon the assumption that the individuals in groups act out of self-interest. ... The idea that groups tend to act in support of their group interests is supposed to follow logically from this widely accepted premise of rational, self-interested behaviour. ... But it is not in fact true. ... **Indeed, unless the number of individuals in a group is quite small, or unless there is coercion or some other special device to make individuals act in their common interest, rational, self-interested individuals will not act to achieve their common or group interests** (author’s emphasis – P. Ch.) ... The widespread view, common throughout the social sciences, that groups tend to further

³⁵ One of the last works of Hayek (1991: 14, 15) reads: In our economic activities we do not know the needs which we satisfy nor the sources of the things which we get. Almost all of us serve people whom we do not know, and even of whose existence we are ignorant; and we in turn constantly live on the services of other people of whom we know nothing. **All this is possible because we stand in a great framework of institutions and traditions – economic, legal, and moral – into which we fit ourselves by obeying certain rules of conduct that we never made, and which we have never understood in the sense in which we understand how the things that we manufacture function.** (...) Information-gathering institutions such as the market enable us to use such dispersed and unsurveyable knowledge to form supra-individual patterns. After institutions and traditions based on such patterns evolved, it was no longer necessary for people to strive for agreement on a unitary purpose (as in small band), for widely dispersed knowledge and skills could not readily be brought into play for diverse ends (author’s emphasis – P. Ch.).

their interests, is accordingly unjustified, at least when it is based, as it usually is, on the (sometimes implicit) assumption that groups act in their self-interest because individuals do. There is paradoxically the logical possibility that groups composed of either altruistic individuals or irrational individuals may sometimes act in their common or group interests. But, ... this logical possibility is usually of no practical importance. Thus the customary view that groups of individuals with common interests tend to further those common interests appears to have little **if any** merit (Olson 1971: 1, 2).

It seems that the above work – closely related to the theory of games and the theory of rational choice formulated in mid 20th century – delivered more than just new arguments in favor of weak parties to methodological holism. Above all, it explained and expanded the meaning of the term ‘methodological individualism’, stripping it from the reductionist connotations stressed by ‘main stream’ sociologists on the one side and neoclassical academic micro-economists on the other. Olson’s claim-assumption that individuals act intentionally out of self-interest (maximization of personal good) does not concern only the economic sphere (understood as a science of making choices in the context of limited resources)³⁶.

According to the author, social influence and incentives are effective only in small groups, which are the most efficient in the accomplishment of their own, common interests. Various incentives of political nature appear in medium and large groups. It could be the so-called ‘stationary bandit’ (Olson 1993) collecting compulsory duties and taxes, or ‘distributive coalitions’ fighting for their interests or the state bureaucracy (Olson 1982). The correct application of incentives, institutional rules and sanctions is of key importance for the well-being of a given society, as Olson

³⁶ The cited work reads as follows (Olson 1995: 60, 61): Economic incentives are not, to be sure, the only incentives; people are sometimes also motivated by a desire to win prestige, respect friendship, and other social and psychological objectives. Though the phrase ‘socio-economic status’ often used in discussions of status suggests that there may be a correlation between economic position and social position there is no doubt that the two are sometimes different. The possibility that, in a case where there was no economic incentive for an individual to contribute to the achievement of a group interest, there might nonetheless be a social incentive for him to make such a contribution must therefore be considered... The existence of these social incentives to group-oriented action does not, however, contradict or weaken the analysis of this study. If anything, it strengthens it, *for social status and social acceptance are individual, noncollective goods*. Social sanctions and social rewards are ‘selective incentives’; that is, they are among the kinds of incentives that may be used to mobilize a latent group. It is in the nature of social incentives that they can distinguish among individuals: the recalcitrant individual can be ostracized, and the cooperative individual can be invited into the center of the charmed circle.

(2000) tries to convince us in his last work discussing the planned economy of USSR and the role of the nomenclature in the collapse of the pathological Soviet socio-economic system.

Therefore, methodological individualism that uses different types of institutional rules does not eliminate the **social** dimension of individual actions and does not exclude interests in political, cultural or economic variables from sociological study. As existent social phenomena, social groups as well as countries, nations, religious communities, local communities, etc. influence the state of human matters that make up these collective wholes. However, it rejects the possibility of assigning them with collective abilities of intentional action, of providing them with certain common, homogenous abilities, in the same manner as it refuses to recognize the actions of a being described as *homo oeconomicus* as omnipresent and seemingly automatically rational. This issue is accurately described by a scholar of socio-economic processes, who in his analysis of the phenomenon of entrepreneurship characterizes the principle of methodological individualism in the following manner:

‘If this principle claims only that the social whole has no purposes but is a complex resulting from the choices of its participating individuals, then the principle is unobjectionable. To most economists, however, methodological individualism seems to mean more than that. It is generally interpreted as demanding analytical privileging of the study of the individual over the study of society. ... The fact that the mind thinks in language, which it acquires in the process of enculturation, makes “the mind” a profoundly social entity..., individuals consist of society. They are not isolated, self-contained things but interdependent parts of an integral process of cultural dynamics’ (Lavoie 1992: 47, 48, 49).

It has to be stressed that the said process is not the result of intentional actions of social wholes but results from the actions of individuals who together create these wholes, individuals (and small groups) whose aims and intentions may be different, divergent and even contradictory with the aims and opinions of a given group or organization. Nonetheless, the actions of individuals include supra-individual elements of larger social wholes³⁷.

³⁷ Another classic of methodological individualism (Hayek’s teacher), Ludwig von Mises (1966: 651) is correct in claiming that: ‘Economics deals with real actions of real men. Its theorems refer neither to ideal nor perfect man, neither to the phantom of a fabulous economic man (*homo oeconomicus*) nor to statistical notion of an average man (*homme moyen*). Man with all his weaknesses and limitations, every man as he lives and acts, is the subject matter of catallactics. Every human action is a theme of praxeology. The subject matter of praxeology is **not only the study of society, social relations, and mass phenomena, but the study of all human action**’ (author’s emphasis – P. Ch.).

We have been able to follow disputes between methodological individuals and methodological holists for at least the past half a century. As already stated, the past few decades appear to confirm the accuracy of methodological individualism's approach in the above version. Ritzer and Gindoff have made an interesting attempt at reconciling the two contradictory and unrealistically extreme stances by introducing a perspective of methodological relationism and shifting the entire dispute onto a metatheoretical plane. They outline their basic assumptions as follows:

'Methodological relationism takes the position that individuals *are* basic components of social wholes such as groups and society. Relationism, however, also accepts the idea of emergence and therefore acknowledges that social wholes are more than the sum of the individual parts. The existence of both social wholes and social individuals poses no major difficulties for relationists. The first basic assumption of relationism is that explanations of the social world must involve the relationships among individuals, groups, and society. ... Second, relationists do not deny the existence of either individuals or wholes. Concepts can be developed to deal with both individuals and wholes, but those concepts must be defined to include the relations between them.... Third, individualistic and holistic concepts may be useful for gaining an understanding of social phenomena, but relational concepts must be employed if explanation is our goal. Thus we can use the individual-level concepts derived from methodological individualism and the societal-level concepts borrowed from methodological holism to understand the social world more fully. Yet if we truly want to explain what is occurring in the social world, we must employ relational concepts' (Ritzer, Gindoff 1992: 132, 133).

Our understanding of moderate methodological individualism, referring to the above concept, is above all a derivative of the presented outline. Its moderation consists in that actions of individuals create social order, which is not just the result of individuals attempting to achieve their aims formulated to a large extent in social interaction processes based on cultural models, i.e.: the result of institutional rules, norms and principles, but which also recognizes the possibility of individual action maximizing personal gain. In brief, it is impossible to attribute homogenous and synonymous aims defining the actions of individuals to larger social wholes.

This definition of moderate methodological individualism enables us to look at the actions of social wholes through the prism of cooperation and the related coordination of actions of human subjects. These are key issues that constitute the central problem of the social sciences. In reference to theoretical and modeled considerations of the theory of games and the theory of rational choice, experiments and empirical research carried out under the guise of different social science

disciplines, we can not only ask questions about the premises, conditions and results of collective actions but also give answers to how people cope with the grim logic of collective action or solving other social dilemmas and traps – for example, the dilemma of a prisoner, a missing main character, the tragedy of commons, etc. – that result from the pursuit of individual and group actors of personal gain as well as that of their close ones.

If the common problem of these models is ‘free riding’, ‘desertion’, ‘defection of social relations’, ‘sharking’, ‘evasion of responsibilities’, etc., then the proposed, although imperfect, solutions preventing this type of actions assume three main model forms. The ideal types of social order create differing (see Appendix 4): a) networks (reciprocity, community, self-organization, self-government, etc.) b) hierarchy (the state, government, bureaucracy, authority, coercion, formal control, centralization, etc.); c) the market (property rights, decentralization, privatization, etc.). However, it needs to be emphasized that these questions are accompanied by two strongly formulated assumptions: 1) regarding the co-presence in each contemporary society of these three types of integration and coordination of social life, ideal forms that constitute the basis of social order; 2) regarding the inability to attribute aims to social wholes that would predetermine and induce all the human subjects that make up various wholes functioning on many organizational levels of social life, to act in uniform and cooperation.

The above assumptions are confirmed by empirical research and the related theoretical deliberations of various disciplines of the social sciences. Broadly speaking, it will never be possible to introduce full institutionalization of rules, norms, principles, procedures, etc. that determine the actions of human beings. An extreme example of this could be – as indicated by E. Goffman in his famous work (2006) – total institutionalization, namely intentional construction of spheres of organized social life. Total institutions – as opposed to for example voluntary associations, which are created to accomplish the common goals, values or interests of their members – are designed for the good of a given society, whereby this good is defined by hierarchical, bureaucratic organizations (state or religious). However, even total institutionalization does not mean that social reality has been constructed and put in practice permanently, leaving the actors merely the passive recreation of rules and imposed social roles.

Even in such totalitarian organisations as prisons or concentration camps – the third type of Goffman’s total institutions – a system of so-called secondary adaptation exists alongside various types of adaptation techniques which enable subordinates to engage in a specific game with the personnel and requirements

of the organization. Also camp literature (T. Borowski, G. Herling-Grudziński, A. Watt, A. Weisberg-Cybulski, A. Solzhenitsyn) and concentration camp sociology (A. Pawełczyńska) empirically prove that total institutionalization and control of human behaviour is impossible³⁸. This is the lesson learnt by the theoreticians and practitioners of holism-collectivism, the creators of systems of social progress through coercion, relying on various doctrines of structural and historical determinism. The proponents and architects of totalitarian systems (be it in the form of Nazism and its specific expression in Hitlerism, communism and its peculiar emanation through Leninism-Stalinism or the Khmer Rouge regime) underestimated the human hubris and transgression capacities (Kozielecki 1997 and 2001). These systems generated complex crises that were impossible to overcome and which eventually (sooner or later) led to genocide, social disaster and self-destruction. It's hard to imagine more costly and at the same time idiotic social experiments. Instead of such top-down imposed projects, it's more worthwhile to talk about the 'rational reconstruction of society', emphasizing that:

'modern societies are in the midst of a transformation in their very basis history. Brought on over the past two centuries, this is a change away from social organization derivative from the family and related primordial institutions, such as religious bodies.... The change is toward organization based on corporate actors that are characteristically detached from persons. These corporate actors, best exemplified by the modern corporation and captured in social theory under rubric of formal organizations, have positions rather than persons as elements of their structures – persons merely occupy positions.... This transformation ... may be labeled the *rational reconstruction of society*... It was signalled by Weber, in his preoccupation with the rationalization of society. It is now upon us in full force. These transformation, quite irreversible, offers both dangers and opportunities. ... What does this transformation mean for sociology and sociologists? It implies a future in the design of organizations, institutions, and social environments – design intended to optimize relevant outcomes.... It involves training sociologists, both

³⁸ At most, we could talk about occasional and repeatable rituals that appear over a given period and defined time, which organize various spheres of life (religious, political, etc.) and certain types of games. However, even here attempts at evasion, modification and transgression of 'permanent' institutional rules (i.e. fraud) are present. These various attempts are made by individuals or organizations at various levels of social life. Cases of transgression or non-adherence to clearly defined rules or standards appear sooner or later in all spheres of life – even in fields of strict technological regimes – in which people and not robots act. Such transgressions are usually related to the attainment of individual aims and interests.

undergraduates and graduates, to be architects architectural aides in the design of social institutions. It implies an overhaul of the curriculum in sociology, with a new core focused on institutional design and the attendant policy research it requires. The construction of society will go on, with or without sociologists, as the institutions of primordial social organization crumble. It is the task of sociologists to aid in that construction, to bring to it the understanding of social processes, to ensure that this reconstruction of society is not naïve, but sophisticated, to ensure, one might say, that it is indeed a rational reconstruction of society' (Coleman 1993: 14).

Attention needs to be drawn to the fact that in discussing the rationalization of society and at the same time referring to Weber, Coleman points to the phenomenon of peculiar formalization and simultaneously fragmentation of social life that accompanies it. When a social problem arises that needs solving, people form an organization (a task group) concerned with its solution. Such an organization functions on the basis of a certain set of institutional rules, which are adapted for the purpose of solving the given problem as they already proved effective in similar situations or they could be especially designed for this purpose *ab initio*.

The basic theoretical task for the scholar is the analysis of social life and the design of rules shaping and coordinating the actions of individuals (referred to as 'players'), which translate into behaviours of wider social systems. Adoption of the premise about 'normal', 'rational' or 'standard' behaviours of human beings inclines Coleman to search for different social system behaviours that can be explained through the specificity of the rules under which the players act.

Such an approach is strictly related to the approach of methodological individualism adopted by the author³⁹. Consequently, leaving aside explanation referring to the psychology of individuals, the sociologist concentrates on broadly understood institutional rule orders, which by co-shaping the actions of intentional

³⁹ Coleman (1994: 5) believes that his stance is a particular variant of methodological individualism: 'No assumption is made that the explanation of systemic behavior consists of nothing more than individual actions and orientations, taken in aggregate. The interaction among individuals is seen to result in emergent phenomena at the system level, that is, phenomena that were neither intended nor predicted by the individuals. Furthermore, there is no implication that for a given purpose an explanation must be taken all the way to the individual level to be satisfactory. The criterion is rather pragmatic: The explanation is satisfactory if it is useful for the particular kinds of intervention for which it is intended. This criterion will ordinarily require an explanation that goes below the level of the system as a whole, but not necessarily one grounded in individual actions and orientations. This variant of methodological individualism is perhaps closest to that used by Karl Popper in *The Open Society and Its Enemies* (1963), although Popper is primarily concerned with explanation of societal-level phenomena, rather than behavior of social systems of any size'.

subjects, at the same time create behaviours of social systems. And since we live in a world that we construct ourselves to an increasingly greater extent, then the development of a theory useful in designing institutions becomes imperative.

In Coleman's opinion, two terms often employed by economists are of greatest significance for capturing the essence of designing institutions, namely maximization and optimization. In designing rules and principles that are needed and necessary in an organization's social life, it has to be borne in mind that they should maximize (optimize) the social good through the maximization of the social values of the acting subjects. Coleman believes that:

'The task of optimization in organizational design involves not only the formal incentives provided by organization (e.g. wages or grades), but also the informal incentives generated by the formal structure. That is, in organizational design, whether of a school, a laboratory, or a factory, the incentive structure faced by each individual is not merely the set of formal incentives (wages or grades), but also include the informal incentives that the formal structure generates. ... The natural process of spontaneous social organization, with its informal relations, social norms, and status systems, does not die as the primordial institutions of family and church are replaced by constructed organizations: The process reasserts itself wherever there is sufficient closure and continuity to provide the social capital that sustains it. In modern society, this occurs primarily within the constructed organization. ... This of course makes the problem of optimal organizational design both more interesting and more difficult' (Coleman 1993: 11, 12).

It appears that Coleman's approach gains and will continue to gain in meaning with progressing, mutually inter-related processes: the satisfaction of social needs in processes of an increasing scope of rational reconstruction of society and their accompanying individualization of human societies as well as institutional solutions counterpoising individualization.

The basic condition of designing optimal institutions is social information and knowledge; knowledge, which facilitates understanding of the role of communication for processes of cooperation and coordination of social life, which in effect enables dilemmas and traps of social action to be limited and overcome. The fundamental premise for the realisation of productive social institutions, namely ones that take into account the requirements of collective action, is the necessity of remembrance about the diversity of social order bases (the above three ideal types and their combinations), within the scope of which act intentional, imperfect (selfish, fallible, opportunistic, etc.) individuals.

6.2. Intentionally Acting Subjects

Following the characterization of moderate methodological individualism, attention shall now be focused intentionally acting individuals. An intentionally acting subject is the basic theoretical category of new institutionalism. The assumption is made that the actions of individuals, their activity in various areas of life, namely within diverse institutional systems, is always marked by a certain degree of intentionality. This fact means that individuals make choices and decisions within a specific setting, so intentional 'acting is a behaviour related to a more or less developed motivational and cultural meaning' (Sztompka 2002: 51). For the purposes of this paper, the most interesting are two features which define the actions of individuals. The assumption is made that the actions of individuals are characterized by the **bounded rationality** and **opportunism** of human behaviour.

In the pursuit of their aims, individuals use various means and try to act as rationally as possible although this is usually 'bounded rationality' (Simon 1992). According to the author of the term, bounded rationality is often not entirely accurately defined as 'irrationality'. This stems from the fact that:

'there is a plenty of evidence that people are generally quite rational; that is to say, they usually have reasons for what they do. Even in madness, there is almost always method, as Freud was at great pains to point out. And putting madness aside for a moment, almost all human behavior consists of sequences of goal-oriented actions. When, in spite of the evidence for this goal-oriented character of human behavior, we call some of that behavior "irrational", we may mean any one of several things. We may deem behavior irrational because, although it serves some particular impulse, it is inconsistent with other goals that seem to us more important. We may deem it irrational because the actor is proceeding on incorrect facts or ignoring whole areas of relevant fact. We may deem it irrational because actor has not drawn the correct conclusions from the facts. We may deem it irrational because actor has failed to consider important alternative courses of action. If action involves the future, as the most actions does, we may deem it irrational because we don't think the actor uses the best methods for forming expectations or for adapting to uncertainty. All of these forms of "irrationality" play important roles in the lives of every one of us, but I think it is misleading to call them "irrationality." They are better viewed as forms of bounded rationality. To understand and predict human behavior, we have to deal with the realities of human rationality, that is, with bounded rationality. There is

nothing obvious about these boundaries; there is no way to predict, a priori, just where they lie' (Simon 1985: 297).

Therefore, almost all human behaviour consists of sequences of intentionally oriented actions, but true human rationality (and not the rationality of *homo oeconomicus*) is almost always a bounded rationality. When talking about bounded human rationality, it concerns not only aims and means but also various types of obstacles and disruptions, which are built into intentionally oriented, specific human actions. The first limitations are related to the bio-psychological human structure, his limited capacities to process information. Other basic limitations related to the above, result from incomplete and imperfect information or from its overload as well as from problems encountered by people of considerable degree of complexity. Additionally, the time needed for the making of a decision is mostly a rarity. Furthermore, choices made by individuals can be contradictory with one another (the lack of a stable hierarchy of preferences) and as already shown, can be contradictory with the aims of the group of which the individual is a member.

It is hence hardly surprising that even in the most important life situations people are not able to meet the requirements of the rationality model. They are only intendedly rational, namely they act under conditions of bounded rationality, which is made up of all the limitations that *homo psychologicus* and administrative man reveal in their behaviour in the discipline of cognitive psychology (Simon 1976). It should also be kept in mind that pursuant to this conception, the decision process does not equate to searching for the optimal solution but stops at the arrival at a *satisficing* option⁴⁰.

In order not to only refer to a representative of cognitive psychology, the creator of the Carnegie School of thought, and also to strengthen the argumentation for the concept of bounded rationality, it should be reminded that rationality limited by the institutional context implicitly played an important role in modern conceptions of social sciences and sociology (Tocqueville, Marks, Weber) or amongst representatives of various orientations of 20th century sociology (Homans, Parsons, Merton). As Nee notices, using the idea of rationality limited by context, these scholars used the 'thick' concept of rationality as opposed to the 'thin' RCT models.

⁴⁰ It should be reminded that the word *satisficing* comes from the two adjectives of *satisfying* and *sacrificing*, which means that an individual making a *satisficing* decision adopts a satisfying solution and is content with the attainment of the given aim, namely he renounces searching for a better solution and sacrifices additional benefits, as he wants to avoid additional effort (energy, time, costs) related to continued search for a better solution.

As already discussed above, also K. Popper's deliberations on the status of the principle of rationality in social sciences lend support to the understanding of intentional and bounded rationality. By making the concept of social situation the key term, Popper differentiates rationality as a personal human attitude, an individual's preparedness to 'repair his convictions' from the 'principle of rationality' as a methodological tool that facilitates the understanding of human actions. Popper (1994: 82) begins his considerations on the responsibility of science with a statement that we fully agree with and which moreover holds true also today.

'The intellectual history of man has its depressing as well as its exhilarating aspects. For one may look upon it as a history of prejudice and dogma, tenaciously held, and often combined with intolerance and fanaticism. One may even describe it as a history of spells of religious or quasi-religious frenzy. It should be remembered, in this context, that most of our great destructive wars have been religious or ideological wars... **Man, we may say, appears to be not so much a rational animal as an ideological animal**' (author's emphasis – P. Ch.).

Therefore, made choices and decisions that are the basis of behaviour of individuals and social groups are – in relation to the standard model of rational behaviour – supplemented and enriched or limited and impoverished through additional variables: values, norms, rules of conduct, convictions, emotions, passions, influence on others or finally, our psychophysical limitations in the transformation and use of information. The vast majority of such variables relates to the sphere of interpersonal relations, social interactions and collective interpretations. The knowledge or ideology that provides programs of action, cognitive maps, schemes, acting scenarios, etc. combines the attributes of individuals with the wide area of institutions.

In the discussion of this problem, reference needs to be made to significant body of work authored by D. North, who has been labelled as a cognitive scientist since being awarded the Noble prize for economy in 1992. Claiming that the concept of *homo oeconomicus*' rationality leads to intellectual wilderness, North works with the concept of bounded rationality by expanding it in a very interesting manner. His main interests are defined institutional structures that form the framework of human activity.

Douglas North assumes in his work analysing socio-economic changes in Europe and the United States (1981) that institutional structure determines the economic results of human societies. He distinguishes three areas of analytical variables: the state, property rights and ideology. All three signify different types of rules and principles that define the behaviours of people in relation to one another and

resources which are available to them. The state's observance and guarantee of property rights, clear rules defining permissible human behaviour in relation to one another (specific laws and liberties) as well as means of perception of the world by people (ideology) can either reduce or increase the transaction costs of human activity, and this in turn influences economic results or the conditions of social life (trust, various forms of security).

Institutions are limitations and constraints of individual and social actions created by people, which shape human interactions. By reducing uncertainty, it is institutions that render human interactions stable although not always effective or efficient. It is institutions, which as the rules of games in society create the framework for inter-personal relations, constitute incentives for action and exchange between people in all spheres of life: social, economic or political. North divides institutions into two basic types: formal and informal rules and the accompanying sanctions.

The former are written legal rules invented by people, such as statutes, regulations, agreements, etc. They come into being as a result of conscious, intentional and deliberate decisions of actors. Broadly speaking, they are regulating institutions which are guided by the logic of instrumentalism. They are often violent, critical events such as wars, revolutions or natural disasters that require new institutional solutions. Such solutions can also be the outcome of profound system reforms without implications of violence. Annulment of the existent institutional rules and their replacement with new ones stems from tensions which are present within the system. North calls sudden changes of rules that found *ab ovo* the principles of social interactions discontinuous changes, at the same time indicating that discontinuous changes related to new drafts of formal rules are only part of the world of institutions created by man.

It seems that the author pays more attention to informal institutions, understood as unwritten conventions, norms and codes of conduct, customs, traditions, etc. These rules – which correspond with normative rules that are based on the logic of appropriateness – are often difficult to articulate and their carriers may not be fully conscious of applying them. Informal rules change slowly and continuously, the range of the changes being fairly small. North defines this evolutionary process of small and gradual institutional changes as 'incremental changes'.

Changes of rules are usually connected with widely understood crisis situations, with the necessity of overcoming routine and habits built through incremental changes. Introducing new formal rules is usually related to new social situations which make these changes non-permanent. The fact that the changes were introduced suddenly does not mean that the informal rules will change equally fast. This

disproportion of changes has a fundamental meaning for the effective functioning of various areas of social life. In this context, what becomes significant is the third kind of institutions, or rather a sub-kind of informal and – at the same time – cognitive institutions, attracting the author's increasing attention.

The third kind of institutions which – as it seems – corresponds with cognitive institutions with their logic of orthodoxy, is defined by the author as ideology. The meaning of ideology is analogical to the meaning of other institutions and is the closest to informal boundaries since it is also closely linked with a symbolic system. Ideology as a significant element of culture of a given society, co-authors the subjective cognitive framework which is vitally important in the processes of subjective interpretation of information that is transferred to people. Using the output of cognitive psychology, the author also introduces the notion of mental models which influence to a great extent both people's and organizations' actions, in all areas of life. Mental models combine the three aforementioned kinds of institutions into a differentiated structure of variables which influence a human being by constraining or stimulating his actions. According to Denzau and North (1995: 1–3):

‘people act in part upon the basis of myths, dogmas, ideologies and ‘half-baked’ theories. ... ideologies are the shared framework of mental models that groups of individuals possess that provide both an interpretation of the environment and a prescription as to how the environment should be structured. ... institutions are the rules of the game of a society and consist of formal and informal constraints constructed to order interpersonal relationships. The mental models are the internal representations of that individual cognitive systems create to interpret the environment; institutions are the external (to the mind) mechanisms individuals create to structure and order the environment. Some types of mental models are shared intersubjectively. If different individuals have similar mental models they are able to better communicate and share their learning. Ideologies and institutions can be viewed as classes of shared mental models. ... The mental models that the mind creates and the institutions that individuals create are both essential to the way human beings structure their environment in their interactions with it. An understanding of how such models evolve and the relationship between them is the single most important step that research in the social science can make to replace the black box of the „rationality” assumption used in economics and rational choice models’.

It should be emphasized that these subjective mental models – i.e. ‘a mixture, a muddle of beliefs, myths, dogmas, ‘reasonable theories’ and ‘unconsidered’ theories’ – usually create an organized whole characterized with a more or less coherent

structure. People use this whole in their actions in order to give a sense to their existence in the world, in order to move in it, i.e. to gather, put in order, process and interpret the information acquired and based on that make appropriate decisions.

Individuals form their mental models using various sources. Based on these sources, they make a subjective perception of the reality. People do not only assimilate institutional solutions, but they also generate mental models and their institutional environment, they jointly create and modify them taking into account their experience and requirements of situations. In other words, people learn, strive to overcome the problems that appear on the way and also acquire adequate skills. It's obviously not a quick and painless process. It involves the phenomenon of dependence on a path, or a history which has formed and keeps forming people's way of thinking (mental models)⁴¹. This last issue is very important since it allows for combining the previously distinguished forms of rules and types in incremental and non-continuous change in the process of institutional change. The two types of change define to a great extent how different human societies develop over time, creating developmental paths and the content of rules and ideologies or the culture of a given society take part in marking out its specific path.

The dependence on a path is people's attachment to the formerly accepted institutions: legal rules, laws, norms, values, ways of thinking, customs, habits, systems of convictions etc. It is a dependence of decisions (and actions) made by people on their institutional and historical background. It is an interpretation of the surrounding world and solving problems imposed by this world based on a learned (acquired) set of institutional instruments.

Therefore, it is impossible to plan and efficiently introduce changes in institutions, especially in those which are normative and cognitive. Informal rules form certain habits and customs and for this reason they are considered to be 'anchors' of social stability. When creating or changing institutions, people usually succumb to the influence of the existing institutional context: to the rules and procedures, values

⁴¹ Ferdynand Braudel (2006: 56) characterizes this issue well: 'A collective mentality, dictating a society's attitudes, guiding its choices, confirming its prejudices and directing its actions, this is very much a fact of civilization. Far more than from the accidents or the historical and social circumstances of a period, it derives from the distant past, from ancient beliefs, fears and anxieties which are almost unconscious-an immense contamination whose germs are lost to memory but transmitted from generation to generation. A society's reactions to the events of the day, to the pressures upon it, to the decisions it must face, are less a matter of logic or even self-interest than the response to an unexpressed and often inexpressible compulsion arising from the collective unconscious'.

and norms, knowledge and the ways of thinking formed before. All these issues are related to the introduced mental models.

With regard to the second feature – which in our opinion is very significant – of an intentionally acting subject, we refer to the considerations of Oliver Williamson, a representative of transaction cost economics. Pointing to their relation and dependence of their size on different levels of trust, he introduces the concept of opportunism of human behaviour. **Opportunism** means: self-interest seeking with guile. This includes but is scarcely limited to more blatant forms, such as lying, stealing, and cheating. Opportunism more often involves subtle forms of deceit. Both active and passive forms and both *ex ante* and *ex post* types are included. ... More generally, opportunism refers to the incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse. It is responsible for real or contrived conditions of information asymmetry, which vastly complicate problems of economic organization (Williamson 1987: 47, 48).

Abiding by agreements becomes a problem because of uncertainty and informational asymmetry between companies. Different level of reliability of the partners concluding a transaction implies the necessity of existence of various institutions (warrants), and different institutional systems imply different economic effects. Particularly important for new institutionalism in economics are formal rules whose observance is assured by hierarchic structures: the state and the company. They constitute a third party which controls the sphere of transactions between partners of a market system. They are the ones that determine the behaviour of individuals, simultaneously shaping their possible actions.

The author uses the concept of opportunism in order to present the problem of various companies in a market situation. He also assumes that tendency toward opportunistic behaviour occurs in people to a various degree. This is why principles and rules are so important as is their monitoring by a third party ('transactions that are susceptible to *ex post* opportunism will benefit if appropriate safeguards can be devised *ex ante*' [p. 61]), whereas the author borrows the very concept of opportunism from Niccolo Machiavelli. Presenting his position and anticipating potential accusations, Williamson (1987: 64) states:

'Those who abhor the use of opportunism regard it as an unduly jaundiced view of human nature and/or are distressed with the theory of economic organization that it supports. I can appreciate both concerns. Note with respect to the first that I do not insist that every individual is continuously or even largely given to opportunism. To the contrary, I merely assume that some individuals are opportunistic some

of the time and that differential trustworthiness is rarely transparent *ex ante*. As a consequence, *ex ante* screening efforts are made and *ex post* safeguards are created. Otherwise, those who are least principled (most opportunistic) will be able to exploit egregiously those who are more principled'.

By agreeing completely with Williamson's position we make opportunism one of the assumptions in our model of a human being. Put briefly, if we assume that we are the designers and builders of social institutions, then acceptance of the assumption which still occurs in sociology that 'people, as social beings, are good by nature' implies inevitable institutional failure, because

'complete rational choice theories provide well-developed methods for analysing the vulnerability of institutions to the strategies devised by talented, analytically sophisticated, short-term hedonists In addition to individuals who have learned norms of reciprocity in any population, others exist who may try to subvert the process so as to obtain very substantial returns for themselves while ignoring the interests of others. One should always know the consequences of letting such individuals operate in any particular institutional setting' (Ostrom 1998: 16).

We have been and continue to be witnesses to such behaviours, and we also notice the dramatically high costs which they bring about. It is worth remembering that different NI theories are not only descriptive and explanatory but also theories of normative character.

6.3. Institutions: the Framework of Intentional Acting

We shall now sum up our deliberations about institutions which were brought up many times and in various aspects in this text. Let us start with a self-evident statement that the vision of a human individual mentioned above is not overly edifying. In this kind of model of an intentionally acting subject, a question arises which is fundamental and primary for sociology: how is a human society possible? The answer lies in our model. For NI acting subjects with their positive and negative traits succumb to the influence of three complex and diverse areas of institutional variables.

Putting it slightly differently, individuals always act in a specific context which is formed by: the physical and natural environment of action, the institutional surroundings and features of the society which characterize its ability to jointly perceive its own problems and thus the resultant way of acting (E. Ostrom 2005,

V. Ostrom 1997). Shortly speaking, the context of action is formed by broadly understood institutional rules⁴².

New institutionalists treat institutions as any kind of man-made rules and principles and the means of their observance made by man. The institutions which are designed and created (not always consciously and purposefully), which are more or less permanent, modified and changed (consciously) by man, exert influence, whether stimulating or restricting on human behaviour. By determining and controlling people's behaviour, they reduce (to a greater or lesser extent) the uncertainty which occurs in the process of social interactions. Moreover, institutions as incentives which determine the selection of strategy by the acting subjects, form patterns of interaction which dominate in a given society. The latter group of factors is directly responsible for the results obtained by people – a specific form of social wellbeing. The last element of our model is the grading of the results achieved by the acting subjects. These grades are supposed to induce rationally limited, opportunistic, imperfect, fallible, etc. individuals that are characterized by the ability to learn to modify and make and careful institutional changes in the 'malfunctioning' spheres of social life. It is, in very general terms, the normative aspect of the NI theory which reveals its connection to social practice.

This approach to institutions is also one of the ways of explaining the institutional secret of the social order, how do institutions being a product of human beings simultaneously subjugate the individuals that create them by constraining and delimiting their actions (Grafstein, 1992). The institutional paradox consists in the fact that institutions are not merely constraining structures, but at the same time they render people's actions possible, they are vehicles for conducting activities within the limits of the determined limitations (Jepperson, 1991: 146). In broad terms,

⁴² In the opinion of the author of this work, the broadest understanding of institutions has been proposed by representatives of sociological theory of organization. In their NI-relevant work we can read as follows: 'By „rules' we mean the routines, procedures, conventions, roles, strategies, organizational forms, and technologies around which political activity is constructed. We also mean the beliefs, paradigms, codes, cultures, and knowledge that surround, support, elaborate, and contradict those roles and routines. It is a commonplace observation in empirical social science that behavior is constrained or dictated by such cultural dicta and social norms. Action is often based more on identifying the normative appropriate behavior than on calculating the return expected from alternative choices. Routines are independent of the individual actors who execute them and are capable of surviving considerable turnover in individuals (March, Olsen 1989: 22).

institutions organize the world of social interactions, put it in order and make it predictable – and thus possible and productive (Chmielewski 1995)⁴³.

Therefore, institutions, or at least their significant part⁴⁴, are external in relation to an individual – in the sense of existence or the process of active co-authorship– structural features of human societies acting in various life spheres (economy, politics, religion). On one hand, they constitute elements which can be characterized by their stability and which interact with the behaviour of social actors (human individuals and organizations). On the other, as relatively stable principles and rules (the condition for being considered as institutions), behind which lie sanctions which enforce their observance, they are subject to gradual or sudden changes resulting from the interaction and action of people and organizations. Illustratively speaking, individuals, groups, organizations or societies either change their course of actions gradually and gently or suddenly fall off the institutional ‘rails’, while the former normative and cognitive institutions keep playing their corrective role ‘in silence’. Besides these basic types of changes (evolutionary or revolutionary) there are, naturally, more kinds of institutional modifications.

Generally, as we could see, there are two kinds of the changes which roughly correspond with the two types of human actions: institutionalized, those deriving from habits or routine and those which are conscious, purposeful, the intention of which is to respond rationally to new situations. The first type is gradual, evolutionary, incremental, spontaneous, whilst the second type constitutes sudden, revolutionary, qualitative, intentional changes (although the results obtained are usually different from the innovators’ intentions). These explanations are linked to the issue of relative durability of the institution and ways of explaining it. It happens that the institution is presented in a cognitive and psychological category, a so-called dependence on the course or a rational category – of so-called optimal balance (the Pareto optimality).

Let us emphasize that institutional change is always conceptualized in close relation to human actions and the processes of institutionalization. For instance, in considering the opposition ‘institutionalization-action’ as central to his concept, Jepperson distinguishes four separate types and processes of institutional change: the creation of institution, institutional development, deinstitutionalization and

⁴³ Anthropologists have pointed to this paradox in relation to culture for a long time, emphasizing the particular dualism contained within it of the expansion and simultaneous limitation of human freedom (Malinowski, 2001; 109–223, orig. 1944).

⁴⁴ It needs to be reminded that outside of formal and normative institutions, new institutionalists also recognize cognitive institutions, internalized images and action patterns (Scott 1995).

re-institutionalization (1991: 152, 153). The first one involves the creation of rules which limit the state of social entropy, decline of unproductive behavioural patterns, chaotic actions. Institutional development is a continuation, elaboration – thus not abandonment – as well as perfection and modification of the existing behavioural patterns, it is a change within the limits of a specific existing institutional structure. Deinstitutionalization is a departure from the existing pattern or order, interruption of the existing standard and self-reproducing process of actions. It is, in fact, a change of institution through limitation of the scope and forsaking certain types of actions, abandoning the established behaviour patterns and the related decay of specific rules or principles. Once they are replaced with new institutional solutions, we can speak about the process of re-institutionalization. Both de- and re-institutionalization seem to be a more detailed process of institutional development and formation of institutions⁴⁵.

Another question which is significant and related to the issue of institutional changeability, or rather a whole range of questions, relates to the fundamental problems of social order. Institutions are essential elements of the latter since they organize human actions within its framework. This means that social order or a pattern of social interactions has reached the state of institutionalization (stability, ability to periodically reproduce). Institutions which are subject to greater or lesser changes also imply change within various organizations and social order, by replacing their stable and repetitive elements with new rules and principles of behaviour. Individual and organized actors aim to change rules at all the levels of social action.

Institutions can be distinguished within new institutionalism, i.e. rules and principles at the operational level, at the collective choice level and at the constitutional level (Kiser and Ostrom, 1982), which correspond with micro, mezzo and macro levels of social action. On the micro level we encounter individual actions (those of an individual, a small group like a family or a family business), on the medium mezzo level we deal with organizations whose purposeful actions are to a great extent determined by different kinds of formalized rules, contributing to certain system results on the macro level (Coleman 1994). Institutional changes are the result of interaction of various actors at a given level and between the levels, which at the same time means changes in social order. This is why micro-mezzo-macro relations

⁴⁵ For the sake of order, it should be added that concepts of legitimization, de-legitimization and re-legitimization have existed for quite some time in 'crisis' literature, in relation to power or authority systems dominant in the society. This triad seems to be more accurate than Jepperson's four-phase sequence since the differentiation between the type of creation of an institution and re-institutionalisation is not entirely clear.

are so significant, the researchers of NI being interested not only in the intellectual up-down-up mobility, but also feedbacks and a so-called double loop feedback, characteristic for reflective modernity society (normative character of theory).

In every society, values, norms, rules and sanctions which ensure their observance create an institutional system, or, in other words, rules, principles, norms constitute a certain social order, within the framework of which actors in processes of collective action and interaction realize their intentions and aim to attain the set goals. As a result of basic evolutionary processes that are acting (segmentation and multiplication, functional specialization, differentiation and increase of complexity as well as integration) societies attain a threshold of a so-called original and traditional organization of social life, created spontaneously. The evolutionary and historical processes enforce changes in all those rules of social order which turn out to be ineffective in the processes that appear constantly and require solving new problems in social life.

Both allocation of strategic cultural resources which are vital for surviving (such as knowledge, ideas, values), material goods (such as land, water or working force), social and political resources (such a prestige or authority) and people's pursuit of changing the existing rules make up a process of institutional evolution. In its limits principles of rivalry, cooperation and forms of coordination of human behaviours create the foundations for a given social order. Thus, the latter one is a way in which the society integrates its various institutional spheres (whether economic, political or cultural) and organizational spheres in the process of solving social problems. Besides the original organization of social life, what can be distinguished is an organization or social order which is constructed rationally, characteristic for the period of modernity and also for its latter advances or reflexive stage. New forms of risks and uncertainty which characterize these societies require new institutional and organizational solutions in the areas of control, regulations and management of the appearing problems.

For heuristic purposes, two ideal types of social order can be distinguished based on their fundamental and related to their functioning constructive principles which are related to a different attitude towards solving problems of social conflict and cooperation. Emphasizing the strategies of construction of social order, these types are defined as a 'bottom-up' and 'top-down' order. In the first type, the sovereign is the society which is self-governed based on the created and modified institutional rules which assume normative consensus and shape mechanisms of self-regulation. In the second case we are faced with a ruler and a hierarchy which decides top-down about imposed values and rules of behaviour (Ostrom 1994; Chmielewski, Kamiński 1999).

Problems which require solution result from a growing specialization, complexity and diversity of social arrangements which per se create uncertainty and the risk of instability. A basic way to prevent these threats seems to be efficiently cooperation with institutions and organizational solutions which are based on them. In the modern world, both the first and the second one have to be characterized with high regulatory abilities (although not steering abilities). Differently put, their basic feature has to be the ability to react flexibly. This kind of actions requires serious and various expenditures and resources, including – first and foremost – adequate and up-to-date information and knowledge. In the processes of problem-solving we are dealing with experimenting and learning which occurs on different levels of social order. As a result, new solutions and possibilities of action (both individual and collective) arise. Thereby, problems of social order are simultaneously problems of its change, whereas the latter become social problems. They are designed and constructed by people and at the same time constitute an environment for their individual and collective actions.

To conclude with, we shall present a canon of thinking in NI categories, meaning the basic roles played by institutions. In our opinion, these roles are as follows: 1) institutions are basic elements of social life (responsible for the existing forms of social order and its changes), which structure individual and collective actions; 2) limit or stimulate actions of individuals, influence their selection of strategy of action; 3) structure people's actions, reduce uncertainty in the sphere of social interactions, thus rendering social life more predictable and productive in its various areas; 4) influence the majority of choices made by people, forming preferences of acting subjects and therefore a majority of phenomena in social life; 5) are mechanisms which transform individual preferences and choices into collective decisions and choices (a so-called aggregation of preferences); 6) being also ways of thinking, ways of making decisions and acting, they make it possible to overcome dilemmas and social traps, thereby carrying interactive benefits from exchange, cooperation and coordination; 7) as a product of conflicts related to distribution of fundamental resources they create mechanisms of regulation (authorized procedures of conflict-solving within the existing institutional frame; 8) are a link between the present and the past, on one hand being the representatives of the powers of inertia ('anchors of stability') delimiting the path of development ('a course') of specific societies, and on the other hand forming instruments which are used in the processes of social changes; 9) they make possible the evaluation of the existing organizational solutions (all the spheres and levels of social life); 10) as a product of human mind they are a 'tool box' used for solving people's problems with the method of trial and elimination of mistakes, thus becoming an object of institutional designing.

We maintain that the NI approach creates a possibility of better understanding, description and explanation of complex aspects of social life, interdependence of all its spheres, which is very significant for the analysis of practical activities of various social organizations forming the basis for institutional design. In conclusion, we wish to underline the fact that the framework of new institutionalism gives rise to the possibility of reconciling two basic paradigms in social sciences: the descriptive-explanatory and the normative-interpretative paradigms. Nonetheless, this does not mean that we can rest on interdisciplinary laurels. There is still much work and prudent intellectual effort ahead of us.

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Annex

Appendix 1. Homo oeconomicus – model

(by Piotr Chmielewski)

Economics: a study of decision making related to man's administration of economy. It is concerned with the most effective allocation (use), of limited (scarce), resources of alternative use to satisfy unlimited needs, in order to meet these needs to the greatest extent possible (achievement of the fullest social satisfaction).

SCARCE (LIMITED), RESOURCES (land, capital, work, entrepreneurship, technology, knowledge), + UNLIMITED NEEDS (dynamic, diverse), → ECONOMIC CHOICE (DECISION), .

Making a specific choice implies an ALTERNATIVE COST (of a given choice, i.e. the most beneficial possibility which we resign from as a result of making a choice, this is the cost of the greatest lost possibility), .

THE DECISION MAKER (homo oeconomicus),

1. The principle of usefulness, i.e. an individual who pursues his own benefit always aims at obtaining a bigger, not a smaller quantity of good; he prefers meeting these needs as quickly as possible and does not like to delay gratification, even if future benefits might be greater than the present ones.
2. The possibility of attaining goals and intentions which is the foundation of maximization of an individual's satisfaction, depends on the quantity of measures which are at the individual's disposal. The disposable measures of an individual are always limited.
3. Individual makes a choice, i.e. he is able to put his goals and intentions in order, which means that he has a well-ordered hierarchy of his preferences.
4. General conclusion: an individual that acts according to the aforementioned principles always makes maximum use of the available means in order to attain the set goals. Therefore, homo oeconomicus behaves in accordance with the economic principle of rationality.

HOMO OECONOMICUS is a pattern of behaviour of a person who makes choices in the categories of profits or losses, cold-heartedly calculating his own interest (and that of his closest ones), .

ECONOMICS assumes that rationality is characteristic for all people's behaviour. This assumption about the rationality of behaviour (regularity), allows economics to formulate scientific laws about people's economic activities and foresee their behaviours.

Appendix 2. Homo sociologicus – model

(by Piotr Chmielewski)

SOCIOLOGY: a study of social phenomena and processes which occur in human communities. It examines the nature of human behaviour and interpersonal relations as well as their results. In analyzing man's social behaviour it puts an emphasis on interactions between individuals, social groups and institutions.

SOCIALISED MAN (homo sociologicus), :

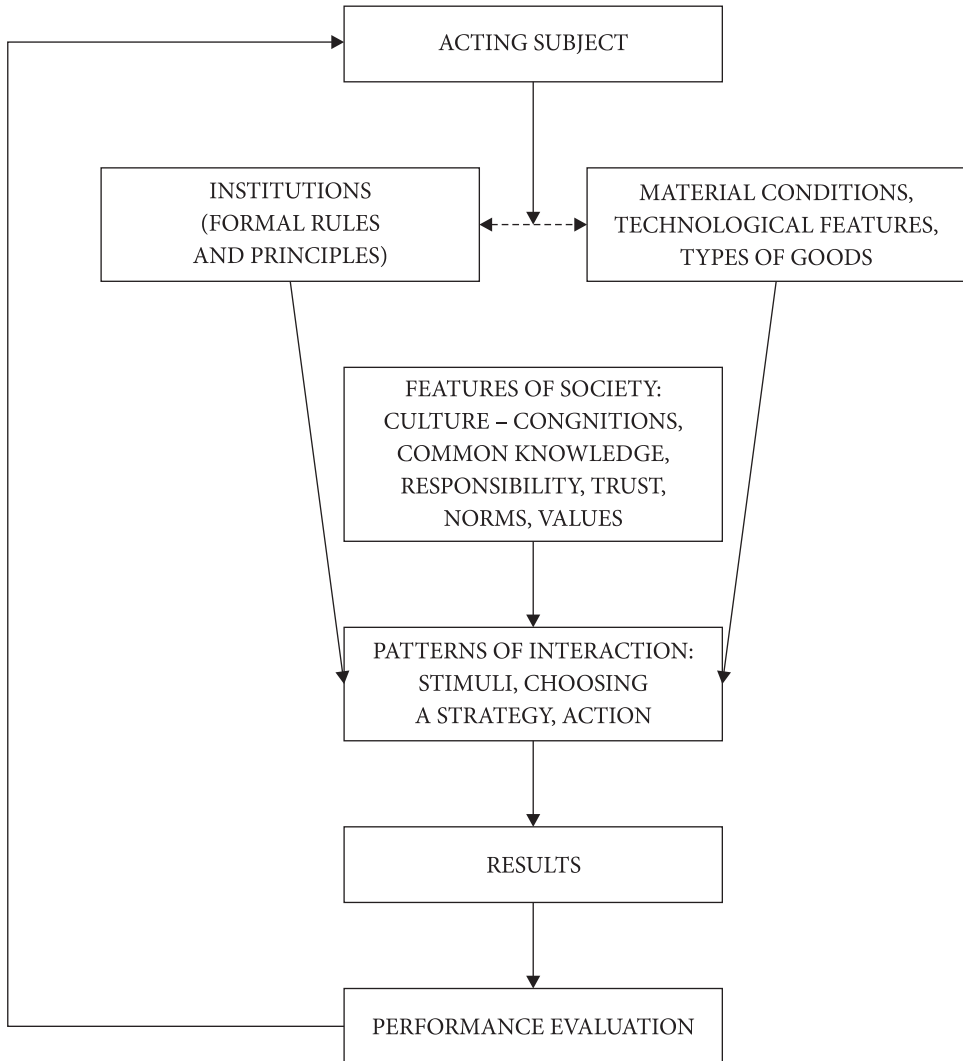
1. Man who always lives in a society, a 'social animal'. An individual is always surrounded by social phenomena which are imposed from the outside. They create a social reality, a sui generis reality, which is different from a biological or psychological reality. The pressure of social forces in the form of beliefs, ideas, convictions, opinions influence an individual's consciousness and force him to go beyond his own nature (which is anti-social, individualistic), leaving him a small margin for making his own choice.
2. A dominating role in behaviour of a homo sociologicus type individual is played by sociological motives of this behaviour. Social forces, values, norms and principles of behaviour (whether moral, religious, moral or legal), limit and channel the behaviour of individuals into socially desired patterns. Individuals are fully shaped by norms, principles and rules of a given society in the process of socialization and as a result of functioning social control. It is a specific concept of human individual. One may speak of an 'overly socialized, over-socialized' (D. Wrong), concept of man. Such an individual, according to sociologists, is the result of two social mechanisms which influence a human being: the 'internalization of social norms' and the 'search for acceptance in other people's eyes'.

3. Homo sociologicus is a carrier of social roles related to social positions which he holds – an individual who plays the roles ascribed to him by society. This is what his social activity is founded on. It is a man with no individuality, an impersonal ‘bunch of social roles’.
4. Thus, the basic features of a socialized man are conformism and a certain passiveness of behaviour. Passiveness means two interrelated things: (a), limiting an individual’s actions to a repertoire of behaviours supplied by society (values, norms, rules, institutions, social structure), ; an individual builds his world (or, as a matter of fact, multiplies it), using the supplied elements and attached plans of possible constructions, passiveness is therefore a limitation or even a lack of free choice – choice is an acceptance of a ready-to-take decision prompted by the social and cultural scenario of a given group; (b), passiveness means that an individual does not exert influence on the surrounding social reality. Moreover, there are no chances that he would. He can choose between conformism or deviation (going beyond the system).
5. Homo sociologicus is unusually a plastic being. Plasticity allows the individual to change harmoniously as a result of social processes (socialization, up-bringing, re-socialization), and meet the requirements set by the functioning social system. An individual changes as a result of internalization of external influences, as such being deprived of the possibility of introducing changes within the system. Activeness means playing the ascribed roles which are the most important element of socialization.

HOMO SOCIOLOGICUS is a pattern of behaviour of man, a scientific construction. It is an artificial man via whom we understand our social world. It is not a description of true human nature, the course of social processes. It is a depersonalized man, who, being completely unprotected, is exposed to the laws of a society and sociological hypotheses.

Appendix 3. New institutional analysis

(Vincent Ostrom, modified by Piotr Chmielewski)



Appendix 4. Forms and models of coordination of social life

(based on: M. Thompson, G. Frances, J. Levacic, R. Mitchell and A. Aldridge)

HIERARCHY	MARKET	NETWORK
A centralized structure: goals and effects of actions are specified and determined top-down	A decentralized structure: self-regulated system steered by an 'invisible hand' of price mechanism	Informal and decentralized structure. Relations are spontaneous, not imposed top-down.
Modality of coordination of actions: authority in the form of stratification, i.e. a formal character of relations between individuals à	Coordination via exchange relations motivated by the self-interest of individuals who analyze prices	Coordination of actions after consideration of opinions and decisions of all the members of the society. A flat form of organization.
Division and specialization of tasks is strictly determined by detailed procedures of activities (formal rules dominate), , which usually lose their validity once the task is completed	Evaluation of transaction results on the basis of objective and stable criteria	Autotelic character: interpersonal relations have the highest value, not the value of goods and services required. Common values, equality as well as reciprocity and partnership
Analytical aspects of an organization model: 1) internal, 2) external	Legal sanctions are safeguards of observance of agreements between parties	Relations based on trust and loyalty. An informal ethical relation
An internal hierarchy of a given organization (whether private or public), is Weber's bureaucracy (rationality, specialization and distribution of work, a specific set of operational rules, qualifications),	The system functions based on the free flow of information which guarantees and determines unlimited competition between actors (companies), and products	The substance of functioning of a network is social capital which guarantees fulfillment of assumed obligations and contributes to maintaining social relations
An external perspective (relations between organizations), is a public sector and actions undertaken by the administration which implements the government's policy: here we can see a strong clash of hierarchy with other forms of social order	Individuals engaged in market exchange treat relations with one another instrumentally, relations are short-termed and impersonal, parties do not require trust from each other	Network relations are durable and stable, they are related to valuable gratifications, it is beneficial for parties to constantly invest in them, to maintain the existing relations of mutuality

HIERARCHY	MARKET	NETWORK
Advantages: a high level of reduction of uncertainty and clear rules of control over actions of authorities.	Advantages: great flexibility of this form of coordination, openness – principle of free entering and leaving of actors	Advantages: effective exchange of incommensurable goods in conditions of great changeability, precise and complete information
Disadvantages and limitations: lack of flexibility and a small level of innovativeness, small efficiency of information management, domination of immediate goals, tensions between co-workers	Dysfunctions: incomplete access to information, limited rationality and opportunism, possibility of monopoly, price simplifies à market fails in situations which require specialized knowledge and skills as well as in allocation of public goods	Limitations: strong bonds limit flexibility, lack of tolerance, homogeneity, cliques, the size of the group is also the limit of efficiency of the social order, closing and strict rules concerning entering and leaving