Methodological Principles of Institutional Political Economy: Holism, Evolution and Contradiction

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This paper explores certain methodological principles of institutional political economy being developed by members of the Association for Evolutionary Economists (AFEE) and the Union for Radical Political Economics (URPE). Special reference is placed on the principles of holism, including the subprinciples of open systems, centred totality, circular and cumulative causation, concessive holism, qualitative and complex interactions, and evolution. Detail is provided on the principle of evolution, and the principle of the contradictory reproduction of institutions. These methodological principles provide a foundation for unification of certain trends in institutional economics, and a critical appraisal of the workings of institutions.

1. Introduction

The purpose of this paper is to study the question of developing methodological principles of political economy specifically designed to examine institutions. We delimit the scope of the analysis to such principles as formulated by modern scholars who are members of the Association for Evolutionary Economics (AFEE), which publishes the Journal of Economic Issues (JEI), and the Union for Radical Political Economics (URPE), which publishes the Review of Radical Political Economics (RRPE). There are many scholars from these organisations who have been working on broadly parallel paths, in the past quarter of a century, for the development of methodological principles appropriate to studying institutions. Many of them are now also members of the International Network for Economic Method. The original source of inspiration of AFEE (instituted in 1966) was Thorstein Veblen (1857-1929), the founding father of institutional economics; and the main inspiration of URPE (instituted in 1968) has been Karl Marx (1818-83), a major institutional economist. Many members of AFEE and URPE show some large measure of methodological continuity, especially, for instance, the work of the late Gunnar Myrdal and Allan Gruchy; plus Kenneth Boulding, Bill Dugger, Daniel Fusfeld, David Gordon, Geoffrey Hodgson, James O’Connor, Stephen Resnick, Howard Sherman, J Ron Stanfield, and Richard Wolff, many of whom are (or have been) members of both organisations.

Taking as a point of departure Myrdal's principles of institutional or holistic economics, we seek to explain the sort of methodological principles which aid an understanding of institutions, and also to emphasise that such principles have a broad coverage to incorporate many neo-institutionalist and neo-Marxist political economists. These holistic principles have a strong influence from biology, physics, sociology, and political science, since institutions are evolutionary structures dealing with groups of people within a material, social, and ecological setting. Institutional economics is essentially a holistic, interdisciplinary study of the collective manner in which groups of people live out their material existence over long historical time.

We seek to synthesize, from the URPE and AFEE literature, a coherent set of principles in order to provide a foundation for comprehending the structure and evolution of institutions, particularly within modern capitalism. A non-reductionist perspective is the point of departure from which we detail the principles of institutional or holistic economics. Section 2, below, examines the many facets of the holistic approach to economics, including the open-systems method, the notion of the centred totality, circular and cumulative causation, and the 'Heisenberg principle'. Section 3 continues the analysis of the holistic method through a discussion of the principle of evolution, and the importance of dialectics. Section 4 examines the principle of the contradictory reproduction of institutions within capitalism, which is linked to
Karl Polanyi's notion of the disembodied economy. A conclusion follows.

2. Gunnar Myrdal and Holistic Economics

Holism is the basis of this study. The late Allan Gruchy recognized that institutionalism and Marxism are both founded on the holistic method. As he said of the link between Marx, Hegel, Darwin, and Pierce (the latter two being philosophical progenitors of institutionalism):

All holistic economists have the same dynamic, emergent view of the economic world underlying their general approach to economic studies. If the dynamic way of conceiving the economic system which developed out of the thinking of Hegel, Marx, Darwin, and Pierce should prove to be more useful in the future than the static world outlook fashioned by Plato, Descartes, Newton and the eighteenth-century rationalistic philosophers, then we may have a further development and a wider acceptance of holistic economic thought. [Gruchy 1947:677-8]

Gruchy believed the main difference between Marxism and institutionalism to be methodological, not ideological: the institutionalists are more reformist and gradualist, while the Marxists tend to be revolutionary and systemic in their policy statements. There is, however, much in common methodologically between the schools, for instance, that both incorporate a holistic method of analysis. In what follows we attempt to explore the similarities in method between neo-institutionalist and neo-Marxist political economy. But we argue that the RRPJE has been, in general, less concerned with methodological issues than the JIEL, and thereby less (explicitly) holistic, as Francis [1972] concluded two decades ago, despite a tradition of holism in Marxism, and despite a few excellent articles on this principle in the RRPJE (especially by Resnick and Wolff).

Gunnar Myrdal, who is said to have argued strongly for some form of integration between neo-institutionalism and neo-Marxism,1 accords with the generally accepted view that 'the holistic approach [is] the fundamental principle of institutional economics' [Myrdal 1978:775; et al]. Myrdal, a recipient of both the Veblen-Commons Award and the Nobel prize in economics, equates institutional with holistic, political and evolutionary economics. He believes, with Gruchy and others, that holism is more than just one of many principles, but that it is the 'guiding principle', which includes five main subprinciples.

First, the method must be 'open' in the sense of incorporating an interplay of social, economic, and political factors in mutual interdependency. Thus, when Myrdal undertook his famous studies of the 'negro problem' and 'the causes of poverty in Asia' he was concerned with a specific problem in each case, and he did not seek to highlight the purely economic aspects because, in his method, they simply do not exist. No problem involving long-term dynamics is purely 'economic' in the sense of being (1) narrow in context and cause, (2) of a purely monetary nature, and (3) abstracted from the general cultural environment. Institutional economics must include 'the distribution of power in society and, more generally, economic, social, and political stratification; indeed, all institutions and attitudes' [Myrdal 1978:774]. And as Troub stated:

since so-called socio-cultural and political beliefs and organisations cannot be separated from the institutional structures and processes more narrowly thought of as economic ones (except for limited, fragmentary purposes) the institutions that need to be examined and modified if we are to address "economic problems" necessarily include political and socio-cultural ones. [Troub 1983:317]

There is a trend, within both URPE and AFEE, of utilizing this open-systems approach to political economy, but it is not much documented in the RRPJE since little space is given in this journal to methodological and philosophical subjects. This is true despite the fact that Marxism has an important holistic, dialectical, and philosophical tradition. Sherman, however, a joint member of these organisations, outside of the pages of the RRPJE cites the first rule of dialectical method as 'interconnection' whereby 'The approach to problems should be relational and should not try to treat something in isolation. Always ask: what are the interconnections of this problem to all of society' [Sherman 1976:62]. The Social Structure of Accumulation (SSA) approach, plus the work of O'Connor [1984], and the 'regulation approach' [e.g., Ruccio 1989], also attempt to develop a broad interconnected method of macroinstitutional analysis. Numerous articles in the RRPJE, for instance, seek both to extend the institutional dynamics to incorporate the state and the family, as well as to recognise that even apparently narrow economic problems, such as the production of goods, involve questions of ideology, power, cooperation, belief, and subordination [Bowles and Gintis 1981]. This is an advance on the early years.
of the RRPE when, as Francis [1972] recognised, only the work of Herb Gintis incorporated a broad holistic understanding of modern capitalism.

The second aspect of holism in Myrdal’s work is the notion of a ‘decentralised totality’, in which ‘there is no one basic factor; everything causes everything else’ such that no privileged position is given a priori to any part of the whole as a fabric of institutions. This aspect of holism negates a dimension of determinism in which one aspect of the whole, such as the sphere of production, or the market system, necessarily constitutes the dominant sphere in terms of the long term reproduction of institutions. The strong interpretation of Myrdal’s point is more than that (a) the parts (the institutions) are interrelated, and more than that (b) no one aspect dominates the whole a priori, but also that (c) in order to understand the whole one must have a detailed comprehension of all aspects of the totality.

We accept all these arguments in abstract discourse, but in pragmatic socioeconomic analysis (c) is difficult to sustain since one cannot know everything about the whole. We come back to (c) and concentrate on (b) for the moment. (b) is a controversial theme, which some institutionalists and Marxists may react against. There is a strong tradition within institutional economics viewing technology as the progressive and initiating element for change, while institutions are influenced by technological change and lag behind such changes. In Marxism there is a similar doctrine of determinism, whereby the forces of production change and thereby modify the relations of production, and, ultimately, the superstructure, after variable lags have been undergone. Myrdal [1967:73] rejected these deterministic positions, since ‘institutions — or some institutions — are forces for change and not for resistance to change’. His position is consistent with the ‘new world view’: a holistic, non-equilibrium, open-systems approach.

The notion of a decentralised totality, by which we mean an approach which does not base itself on an essence or necessary privileged centrepoint of inquiry, has a history in Marxism going back to the works of writers such as Lukacs, Korsch, Gramsci, and Habermas. In the RRPE, a decentralised dialectical totality is employed by Resnick and Wolff [1979, 1979a, 1988], who argue against strict determinism in political economy in a way similar to Myrdal. They point out that there are many different positions within URPE on determinism, some of which support economic and technological determinism, some of which reject it, and others which try for a middle ground. Their position is against reductionism in any form, although they support historico-institutional studies which argue that, in certain contexts and eras, some processes and relations have been more important than others in the complex whole. They support the principle of overdetermination, which proposes that no aspect of the social totality should be given a privileged position a priori over any other; that the dualities of thought-action, subjective-objective, and idealism-materialism are inconsistent with a holistic understanding of social processes and institutions; that all aspects of society are in the process of change and flux; and that contradictions emerge from various aspects of the social functioning of capitalism. Consistent with Myrdal’s second aspect of holism they say that:

No aspect of process of the social formation possess, for Marxian theory, any a priori privilege or dominance in determining any other aspect or process. ... Marxism is not compatible with any form of economic determinism; it does not make economic aspects either the essences of or dominant over other social aspects. [Resnick & Wolff 1979:7]

This is amazingly similar to Myrdal’s position that:

This conception of a great number of interdependent factors, mutually cumulative in their effects, disposess of the idea that there is one predominant factor, a “basic factor.” This idea — mainly in the form of a vague conception of economic determinism — has been widely accepted in the writings on the Negro problem during the last decade. As we see the methodological problem, this one-sided hypothesis is not only theoretically unclear but is contradicted by easily ascertainable facts and factual relations. As a scientific approach it is narrow. [Myrdal 1944:1069].

Resnick and Wolff criticise a priori assumptions which are based on dogmatic assertions, and general theories of determination based on isolated cases. They recognise the complexity of the social formation, the nature of irrepressible change and flux, and the way in which theories are literally constructed for heuristic purposes. More than any other writers from the RRPE, their method is consistent with the holistic analysis of Myrdal, although their work is more theoretical in emphasis than Myrdal’s.

Institutional analysis cannot directly examine institutional spheres devoid of historico-institutional, methodological, linguistic, and behavioral
principles. Such analysis requires a theoretical corpus to provide a coherent framework of analysis and specific entry point into inquiry. Institutional economics would be little more than description without it. But it is crucial that the theoretical framework not impinge unduly on the findings made from historico-institutional case studies in the sense of restricting the frame of reference or dictating specific forms of precise determination. For this reason, this present study supports the view that no aspect of the social totality should be given a privileged position over other parts of the whole, unless it can be argued from detailed and repeated analysis of institutions; it is best, then, to commence inquiry without such preconceptions. We recognise the need to take an 'entry point' (or a series of entry points) into discourse which some may misinterpret as assuming a privileged position is being given to this entry point [Resnick & Wolff 1988]. The entry point taken here is 'the basic methodological principles of institutional economics'.

The third aspect of institutional holism posited by Myrdal has two parts. The first is circular causation, in which, if there is a change in one part of the system, other parts will, more often than not, change in response. If the parts of the whole are interdependent, and the components of the whole link in mutual reciprocity, a major change in one sphere, such as the financial system, is likely to influence other spheres for two main reasons. First, there are financial aspects or decisions in every institutional sphere: in the state, the family, the sphere of production and distribution, and the world economy, not to mention the ‘financial system’ itself. Secondly, feedback processes move through open systems, so that changes in the financial system (e.g., ‘deregulation’) will impact to some extent on all the other spheres, even on ‘non-financial’ aspects of these spheres, which in turn will have an impact back on the financial system. Dopfer [1991: 50] shows how the notion of circular causation follows from ‘economic agents [having] a propensity to associate, for instance, to involve in transactions, exchanges, and various forms of cooperation’. Therefore, a necessary condition for understanding, say, important changes in the financial system, is to comprehend the linkages with the other spheres. It is not possible to study one sphere in isolation.

The other part of the third aspect of holism is cumulative causation. Cumulative causation (which is necessarily linked to circular causation) means that changes somewhere in the institutional system produce feedback effects whereby, more often than not, the first effect elicits further secondary and tertiary changes, generally in the same direction. Myrdal applied these notions to his study of negro poverty and development problems in Asia. Cumulative causation is produced when a change somewhere in the system leads to many faceted changes in the other spheres in such a way that the second and third changes reinforce the first. The process is one of increasing instability or accelerated growth, or a similar outcome which produces an amplifying influence through biofeedback processes. Circular and cumulative causation will occur when every aspect of each institutional sphere is “interlocked” structurally or processually with the other spheres. A strong version of the argument rules out any degree of effective relative autonomy of the spheres. A change somewhere in the system will produce varying degrees of primary, secondary, and tertiary changes in the system as a whole. But in real economic processes, the nature of the cumulative forces will depend on “the original push and the functions of causal interrelation within the system”, plus of course the degree to which counteracting forces operate.

At this point, we return to (c) in order to understand the whole one must have a detailed comprehension of all aspects of the totality. In utilising the notions of an interdependent, circular and cumulative form of “causation”, we do not accept the strong version of internal relations implicit in (c), in which ‘all relations are internal’. The dialectical method of internal relations (in the strong sense) is said to imply that socioeconomic formations can be understood adequately only through an understanding of the inextricable interdependencies between every component of the totality. In a pragmatic and heuristic analysis, however, both unity and some limited degree of separateness of phenomenon must be recognised. Sayer [1984] has emphasised that the strong Hegelian view that all relations are internal need not be accepted in a modern theory of internal relations: ‘all I am saying is that the opposite extreme ... that all relations are external and extrinsic to the nature of things, is incoherent and unsatisfactory. Some, at least, of the relations of a thing must be internal’. We would take a somewhat stronger stance and say that institutions are conceived to be in large measure internally related, but it would be difficult in practice to do justice to the stronger thesis of internal relations that all relations are internal, as we must all take an entry point into inquiry and delimit the frame of reference. The open-systems approach posits a complex, uneven, and human-relational interplay.
of multiple processes within the social, economic, and political spheres, as well as the environmental relations, which influence human reproduction. A broad understanding of the interconnections between the spheres is usually sufficient for one then to take an ‘entry point’ to a specific problem.

In a pragmatic framework it is necessary to assume that, within institutional spheres, there are some (however limited) subprocesses or events which are partially autonomous from some or many or all of the other spheres, and when these subprocesses or events are activated they will have little affect on the system as a whole. This ‘concessive form of holism’, therefore, finds it difficult to accept the ‘strong thesis’ [(a) and (b)] that:

(a) ‘the whole is more than the sum of the parts’, and

(b) ‘the whole determines the nature of the parts’, in favor of the weaker but more pragmatic notions [(a1) and b1]) that:

(a1) ‘the parts are dynamically interrelated or interdependent’ in an uneven and imperfect way, and

(b1) one is able to understand an economic system only by examining important aspects of the parts which make up the whole, and to link the parts to illustrate the workings of the whole.

We know of no literature in neo-institutionalist and neo-Marxist economics which explains (a) in a substantive sense, and, to the extent that it equates with (b), it is reductionist in the sense that it evaluates individuals as mere puppets in a social context in which they have no power, and/or assumes that all aspects of the whole are crucial for comprehending the whole. While the latter point may have some validity in principle, as a rule it cannot be undertaken in practice. We agree with William James that, if we accept the strong version of internal relations as a guide to scholarly work and action, namely that ‘in order to know anything about any [aspect] one must know everything about the whole’, it would be ‘an impossible methodology to work with, for everything would have to be known before anything could be known’. [Concessive holism, a term introduced by Susan James [1984], implies that, in a pragmatic sense at least, to understand the whole socioeconomic system one must study important aspects of the dominant institutional spheres, illustrate the systemic linkage of the spheres with the economy as a whole, and take a broad view of economics which incorporates open-models, long-term processes, and moral and political beliefs and behaviors. There is an element of indeterminism in the relations constituting the system, because institutions are qualitative linkages between economic agents of a very complex nature. Concessive holism recognises the mutual and complex relationship between individuals and institutions, and makes economic analysis somewhat easier to undertake because not all relations are essential to the whole.

Hence, one can concentrate on those factors which historico-institutional analysis indicates are more central to the advancement of knowledge: there are some aspects of the current functioning of capitalism which are less germane to institutional reproduction than others, although we cannot tell what aspects these are a priori. There may be differing degrees of structured association within the whole, so that the philosophy of ‘concessive holism’ is one of degree. The greater the relative autonomy of the spheres, the less the degree of interdependency, the weaker will be the circular and cumulative processes. In the long-term, the institutions have more potential to adjust to changes in spheres which are crucial to their workings. Thus ‘the time element becomes of paramount importance’ in the sense that ‘when main trends over somewhat longer periods are under consideration, the changes will in the main support each other and thus tend to be cumulative in their net effects’ [Myrdal 1957:37].

One of the case studies undertaken by Myrdal was of ‘the Negro problem’ [Myrdal 1944], which illustrates well the circular and cumulative processes in active motion. He studied the problem of poverty and discrimination against Negroes during the 1930s and early 1940s in the U.S. Under conditions where there is a white majority and a black minority, and where the minority is discriminated against, the question arises as to the reasons for the poor social position of most Negroes. As he said:

If now ... the Negro plane of living should be lowered, this will — other things remaining equal — in its turn increase white prejudice, [which] has the effect of pressing down still further the Negro plane of living, which again will increase prejudice, and so on, by way of mutual interaction between the two variables, ad finitum. A cumulative process is thus set in motion which can have ... effects quite out of proportion to the magnitude of the original push. [Myrdal 1944:1066]

The examples Myrdal provides are simple ones, yet very important in practice. Cumulative causation can, however, operate in an upward or downward
motion, or it can be complex or unidirectional over time, depending on the nature of the institutional processes at work. It is not a teleological form of adjustment, however, in the sense that no specific end state is in mind. Consider the specific case cited above: a drop in the average standard of living of Negroes in the USA due to, say, a drop in government funding of food supplies for poor black families. This may increase malnutrition which will reduce Negro productivity at work, as well as increase the ‘down and out’ feeling of the Negro population. As a result, some segments of the white population come to feel even more that blacks are inherently lazy and ‘good for nothing’. This reinforces the depressing state of blacks further as they are affected by white preconceptions of blacks. An increase in nutrition, on the other hand, may have the opposite effect.

Cumulative processes need not work in just one direction. Consider briefly the situation around and after the time of the Great 1930s Depression and the second world war in the United States (discussed at more length in section 4). Institutional reorganisations led to the development of U.S. hegemony, the capital-labor accord, the welfare state, and the dual economy (strong oligopoly and weak competitive sectors). Most of these changes promoted the cumulative potential for economic growth and profitability during the 1950s and 1960s, but over time the potential for growth declined. The original continuity was upset as the institutional spheres transformed beyond coherence into circular and cumulative instability and nonreproduction. Cumulative decline may follow cumulative growth as the limits or contradictions within and between the spheres come into play. As W A Lewis said:

[E]ach stimulus to growth eventually nears the limits of its possibilities. Continuous growth at a steady rate would ... occur only if by some accident the new stimulus always arrived just as its predecessor was beginning to flag ... History shows turning points of acceleration and deceleration. In all inquiries into dynamic processes, it is the turning points that are the most interesting, since the cumulative processes which follow immediately after the turning point are relatively easy to follow. We must therefore give most of our attention to studying these turning points. [Lewis 1977: 147]

Fourthly, for Myrdal, because the whole is a social whole incorporating primarily human relations (within a material and biospheric environment), strict precision and prediction are unlikely to be possible in the long-term because of the qualitative and complex nature of the interactions and motion. Walter Weisskopf [1979] recognises that the socioeconomic processes include human beings who actively participate in the generation and activation of knowledge, and thereby seek to change the world. The political economist is an inherent part of the system under study, and cannot be abstracted from the total process. This is related to what Boulding [1968: 8] calls the ‘epistemological paradox’ in which ‘knowledge is an essential part of the system, knowledge about the system changes the system itself’, and this ‘generalised Heisenberg Principle’ means that the very process of economists and economic agents gaining new information changes their actions. Predictions based on the past may not be relevant to the future as the values and behavior of economic agents change, and the institutional parameters undergo structural modification. Also, information is imperfect, rationality is heavily bounded, habits and institutions are not mechanically structured, and certain aspects of the totality are ever-changing. The Heisenberg problem, linked to the non-mechanical nature of human actions, plus the variability of lags, posits a large measure of indeterminism. As Myrdal said:

Because the system is in constant motion, partly under the influence of policy measures, the coefficients of interrelations among the various conditions in circular causation are ordinarily not known with quantitative precision. [Myrdal 1978: 774]

[T]he coefficients of interrelation between all the conditions in the social system — and the inertia, time lags, or in extreme cases the total nonresponsiveness of one condition to changes in other conditions or some of them — usually are unknown, or our knowledge of them is utterly imprecise. [Myrdal 1974: 730]

The political economy is a relational and contextual system, activated by social modes of interaction, rather than a mechanical system ruled by precision and automatic response. Certain institutions predicate some degree of order and correlative behavior, predictions may be possible in the short-term, scholars may examine the broad forces and potential for change, as well as offering tentative predictions of the evolution of long-term processes. These predictions are conditional, subject to change, and non-mechanical. The longer the time period the less predictable institutions become as cumulative change and evolution come into action. Many neo-institutionalists and neo Marxists would
agreed that the main task of political economy is that of description, explanation, critico-appraisal, and policy generation of essentially long-term processes, a problematic not suitable to deterministic prediction. As Hodgson said:

Action ... is partially determined, and partially indeterminate; partly predictable, but partly unforeseeable ... Notably, it is this [degree of] unpredictability which makes the economic future uncertain, in the most radical sense. Because the economy is made up of human beings whose behaviour is partially indeterminate, the future can never be fully anticipated or known. We may be able to make useful and meaningful predictions concerning some events but we can never be certain that they will be true. It may be possible to calculate and assign probabilities to future outcomes but these will always be tentative at most, and futile at the least, because the future is essentially indeterminate and unknown. The partial indeterminacy of human behavior is one major reason for this fact [Hodgson 1988:12]

The holist method precludes mechanical forms of change because the central focus is the system in motion, or at least certain spheres are examined which have an interdependent relationship to the whole, and the human relationship aspect of the whole is of uppermost importance. Thus neo-institutionalists and neo-Marxists as ‘holists acknowledge the [concessive] organic unity of human wholes, [and] are [thus] obligated to study the whole living system rather than one part taken out of context’ [Wilber & Harrison 1978:80].

Charles Wilber and Robert Harrison recognise that ‘institutional economics, radical political economy, and Marxism’ utilise a holist approach. Wilber et al’s prime contribution lies in recognising the importance of the ‘participant-observer’ nature of holistic analysis, whereby the analyst becomes actively involved in the institutions, rather than observing from afar. As they say:

The first step toward constructing a holist model via the participant-observer method is the “socialization” of the theorist. As participants, investigators allow the subject matter to impress upon them its norms and to instil within them its categories. Unlike positivists, who impose external formulas upon the subject matter, the participant-observer attempts to remain close to the concrete form of the system. [Wilber & Harrison 1978:75]

Radical institutionalists attempt to comprehend the workings of the system ‘from within’, although this does not prevent them from having either an immanent or external critique of the system. The task is to promote an “understanding” of the system through a complex institutional scrutiny of its operational dynamics, rather than strict “prediction” based on a constant or smooth form of modification of the institutions. Holist conclusions (based on ‘pattern models’) are likely to be vague, suggestive, and tentative because of the complexity of institutions, and, ‘because of this lack of precision, the use of holist concepts must be continuously monitored by reference to observation, cases, and examples’ [Wilber & Harrison 1978:83]. The holistic approach, they argue, is not a completed or formal theoretical system, but is substantive in the sense of attempting to pattern the real institutional linkages between the parts and the whole, a whole which includes moral and political elements. The priority of substance over formal analysis, or the ‘primacy of subject matter over method, then, is the crucial element of holist methodology’ [Wilber & Harrison 1978:81]. The holist will need case studies, an eclecticism which enables one to be on the lookout for tools of trade more appropriate to the specific task at hand, and a willingness to recognise that incessant change in institutions will necessitate a constant modification of method, analysis, and conclusions. Any attempt to formalise must proceed from these insights, rather than impose an external and purely deductive view of the institutions.

This is linked to the fifth subprinciple of holism in Myrdal’s paper, namely, that the system is in continual evolution; incessant change and flux are the essence of open systems, and economic activity ‘is part of an ongoing process, not part of a mechanistic system tending toward a state of balance or equilibrium’ [Peterson 1977:204]. Sometimes the changes are very rapid, or revolutionary, and sometimes they are very slow; but they are always present. The holistic economist needs to understand the broad forces at work in the evolution of institutional forms. As Fusfeld said:

Every society contains within itself the forces that create its own future. The social order is always in the process of becoming, and the future inevitably must be different from the past. The processes of change are rooted in the past, operate in the present, and thrust into the future. Social scientists have to develop a triple vision; they must look backward to the world we came from, analyse the world in which we live, and
try to discern the future ... The crisis that came upon the world in the mid-1960s — black revolt, the youth culture, disaffection of the intellectuals, turmoil in southeast Asia, continuing peasant revolts in many parts of the world, the breakdown of the international financial system — compels us to look for the sources of the crisis, and ask where we are going and what forces propel us. We must look at the past to understand the present and divine the future. [Fusfeld 1972:1]

The ongoing process of system-evolution is qualitative in nature, in the sense that it is complex, multifarious, interdependent, contradictory, and concerning values, group behavior and conflict. An important aspect of institutional change is the transformation of capitalism from one phase of evolution to another, and within particular phases. For instance, Veblen differentiated between perfect competition (1790s-1840s), corporate capitalism (1840s-1890s), and monopoly capitalism (1890s-1930s); [10] John Commons [1934, 763-773] believed that 'Capitalism is not a single or static concept. It is an evolutionary concept of three historical stages, Merchant Capitalism, Employer Capitalism, Banker Capitalism'. David Gordon differentiated structures of institutions over successive long swings from 1790s-1840s, to 1840s-1890s, to 1890s-1940s, and the 1940s-1990s[?]. However, in studying the evolution of capitalism it is necessary, not simply to concentrate on the changing mode of private control and reproduction within the production-distribution relationship, but also the changing conditions of reproduction within the financial system, the state, the world economy, and the family.

The explicit question of evolution often arises in the JEL, but seldom in the RRPE, although the latter continually examines changes in capitalism. Francis [1972] said twenty years ago that URPE does not incorporate a model of moderate institutional change. Since he wrote these words, the work of the SSA school, plus the ‘regulation approach’ and O’Connor’s model of accumulation crisis[11] have been developed within the RRPE and/or URPE to explain macroinstitutional reproduction and change within modern capitalism. The notion of an ‘evolutionary reproduction of institutions’ under capitalism is based on dual institutionalist-Marxian insights. Incessant change and flux are fundamental to open systems, where dynamic feedback processes ensure continual motion and reorganisation. The reproduction of institutions is not purely functional, or equilibrium tending, since the institutions do not necessarily evolve in a way that promotes system-functions rather than dysfunctions. Contradictions are endemic to non-equilibrium institutional processes, given the (structured) conflicts between capital and labor, industry and finance, men and women, black and white races, short and long term processes, and production and reproduction. Institutional reproduction is never replication, but is partially a continuation of habits of belief and behavior, and partially a modification and variation of these collective habits. Evolutionary reproduction implies change, modification, adjustment, as well as the continuation of aspects of the structured beliefs, theories, and behaviors.

The emphasis given by AFEE to evolution is identical, as Gruchy [1947] recognised, with the aspect of dialectics that the world ‘is not a state of rest and immobility, stagnation and immutability, but a state of continuous movement and change, of continuous renewal and development, where something is always arising and developing, and something always disintegrating and dying away’ [Wetter 1958:314]. Veblen [1906, 1907] emphasised that dialectics often implies socioeconomic development as a movement of progress or improvement, whereas he correctly rejected any such necessary tendency towards positive motion. This aspect of the dialectic is, however, by no means inherent in dialectics as an evolving heuristic method of human inquiry. While an institutional system is always in the process of evolving, simultaneously it continues to reproduce its constituent parts to varying degrees, although never replicating them identically. It is this multiple process of contradictory and evolutionary reproduction, merged through the concept of the evolutionary and contradictory reproduction of institutions, that constitutes the essence of motion in institutional dialectics. Institutions have historically been created and modified (e.g., within capitalism) in the reproduction of habits, roles, and functions between individuals, groups, classes, and spheres. Howard Sherman [1987] seems to be the only (dual) member of URPE and AFEE seeking to adapt explicitly the dialectical notions to the non-reductionist workings of institutions.

3. The Evolutionary Workings of Institutions

Some members of AFEE have attempted to detail aspects of the notion of evolution, but too often this is done in a way that places emphasis on technology, [12] equilibrium, [13] or an inductive formalist
method, rather than institutions per se. Kenneth Boulding’s theory of evolution is the most institutionally specific theory of evolution, and has been commented on much in the JEL. In Boulding’s view, ‘evolutionary economics is simply an attempt to look at an economic system, whether of the whole world or of its parts, as a continuing process in space and time’ [Boulding 1991:9]. He recognises the heuristic value of utilising some principles of physics and biology for examining socioeconomic phenomena. His theory is an ‘evolutionary interpretation of history’, and fundamental to this interpretation is what he calls ‘the great laws of change’ [Boulding 1976] which include the following:

1. the law of conservation: that energy and matter can neither be created nor destroyed (but they can be transformed from one form into another);
2. the law of increasing entropy for closed systems: closed systems tend towards instability or decline over time as the energy dissipates, but social systems are inherently open and thus receptive to new stimuli;
3. the law of potentiality and resistance: ‘if anything happens, it is because there is a potential for its happening; but the more resistance there is the less will happen for any given amount of potential’ [Boulding 1976:8]; and
4. the great law of evolution associated with genotypes (‘the genetic constitution’), phenotypes (‘outward, visible expression of the hereditary constitution’), niches (potential areas of specialisation) and mutations (‘a permanent transmissible change in the genetic material’).

Applied to socioeconomic evolution, Boulding believes that material ‘production’ is really concerned with the ‘transformation’ of energy from one system to another. Institutional structures have potentialities which, in closed systems, will be exhausted over time, although suitable institutional mutations can regenerate growth in open systems. The closer we are to ridding the system of ‘undesirable gods’ the harder it is to do it. However, ‘empty niches’ may exist which enable favorable mutation, unless the institutional structure is resistant. Socioeconomic evolution is seen to be dependent on the activities of ‘human artifacts’ and particularly the application of knowledge to the building of organisation, which makes economics an open-system-based inquiry.

His theory attempts to transcend Newtonian mechanics, and therefore he places emphasis on the interdependent and cumulative nature of institutional change, the increasing complexity of the socioeconomic system, and the disequilibrium nature of change [Boulding 1981:60,45,44]. As he said of the latter:

Evolutionary systems ... by their very nature have unstable parameters. They are disequilibrium systems and in such systems our power of prediction, though not zero, is very limited, because of the unpredictability of the parameters themselves. ...[E]volution itself evolves ... it is not a single process, the processes[... change ..., and ... this leads to acceleration.

Boulding’s evolutionary interpretation of history is based on a three-fold ‘saga’ of phenotypes: TOP, KEM, and TIE. The first saga, TOP, states that there are three species of human artifacts in motion: material Things, Organizations, and People (socioeconomic agents). The second saga, KEM, states that these artifacts are reproduced through the workings of the factors of production, namely social Knowledge, Energy and Materials. The third saga states that the processes which bind socioeconomic agents together are the institutions associated with Threat, Integration and Exchange. All of these processes are interlinked within the social system, but, he emphasises, knowledge is the primary factor in history. ‘It is not “labor” that produces a commodity or product’, Boulding states. ‘but human knowledge and know-how, operating through institutions, which enable this know-how to capture energy and rearrange materials’ [1981:186] in the production of goods and services.

Boulding seems to ignore the extent to which knowledge, know-how, institutions, energy, materials, and labor interconnect within the production process. Knowledge and know-how must be activated by real people, and who else is there but workers, organisers, scientists, and educators who are the agents of work and knowledge: even if much of this knowledge is a collective heritage from the past which is being activated, improved, and to some extent lost in the present. But Boulding is correct when he implies that human institutions are the structures within which knowledge is both utilised and transformed: progressive institutions may direct knowledge in such a way that material production is enhanced via a cumulative process, and if institutional innovation occurs successfully this process can be a continual one via co-evolution, such that ‘[t]here are times and places in history in which great evolutionary potential is created’ [p.16].
But, if the institutions fail to adapt in a suitable manner, then the cumulative process will occur in the direction of low or even negative rates of growth; this may occur, for instance, in the case where ‘a mutation which is favourable to the survival of the changed [institution] of the species... may be adverse to the total [institutional] species’ [p.32] (adapting his biological example to the socioeconomic world), resulting in low rates of advancement. Hence the importance of the organization of knowledge within institutions where, as Boulding stresses, ‘symptoms of organisations are tantamount to Marx’s notion of the “relations of production”’ [p.187].

Boulding’s evolutionary theory promotes an understanding of institutions, and the emphasis on knowledge being transmitted through an institutional framework is commendable. His major thesis is that knowledge tends to be activated within institutions, and that social and economic development depends on the nature of this symbiotic relationship. In some of his work, the view of knowledge is broad, on the one extreme including skills, production systems, and organisation, and, at the other extreme, philosophical preconceptions, language, and communication [Boulding 1966]. These processes, incorporating learning, are the social wealth which form the basis of development. The ‘failure of societies to develop may be due to failure of the human learning process,... and the institutions which determine the allocation of power in society, indeed, are extremely important in determining its development’ [Boulding 1981:152].

Boulding believes that there are two types of processes at work in ‘dynamic systems’; those which are dialectical and those which are non-dialectical. He defines dialectical processes as ‘those which involve struggle, fighting and conflict among organised systems’, which implies some degree of consciousness, in the sense that it represents a form of interaction of large organised systems in which the perception of each system by the other is an important element in the total process’ [Boulding 1981:42]. In biology, dialectical processes such as territoriality, the establishment of pecking orders, and sexual selection, are assumed to be far less important in the ‘overall evolutionary process’ than the apparently non-dialectical processes such as growth, decay, birth, death, respiration, and excretion. He asserts that dialectics is more important in social systems, since this is a sphere whose conscious action is significant, particularly in the form of ‘conflict, struggle, victory and defeat, winning or losing, revolution and counter-revolution, war and peace’ [Boulding 1978:262].

Such struggle, however, is of ‘peripheral’ relevance to the grand movements of history, except, Boulding contends, ‘when there are “watershed systems”’, that is, situations in which relatively small changes at the moment will cumulate into much larger changes later on’, and they occur ‘at the beginning of the great phyla of development’ [p.265].

Boulding differentiates between cumulative causation based on dialectical and those based on non-dialectical processes. The former include the French, American, Russian and Chinese revolutions, plus, perhaps, the first and second World Wars, which have cumulative effects on the socioeconomic process during these watershed periods. Non-dialectical cumulations are evolutionary changes in ecosystems and habitats, where ‘the movement from one to its successors is usually not the result of any contradictions’, but, on the contrary, ‘it is simply the result of cumulative processes of erosion and deposition, coupled with constant mutation and selection’ [Boulding 1978:267]. The evolutionary changes dominate the revolutionary ones, although he ends his discussion of the dialectic by suggesting rather obscurely that ‘The dialectical schema does perhaps throw some occasional light on reality where we have two related processes that have a degree of independence in their dynamic patterns, but do at times interact and perhaps contradict each other.’ Thus ‘[t]he tension between two contradictory tendencies ... is occasionally an important explanatory model. This is about as far as I am prepared to go towards Hegel’ [Boulding 1978:267]. Dialectical processes are, therefore, a ‘special case’ of a more general evolutionary theory, applicable only in great historical watersheds and where two interdependent processes interact in a contradictory manner.

Much of Boulding’s analysis is consistent with the foregoing analysis, particularly his insights on nonequilibrium (what he calls disequilibrium) processes, cumulative causation, the importance of knowledge (broadly defined), and the material and natural setting within which institutions operate. However, he ignored the dialectical nature of holism and evolution, and has the mistaken idea that dialectics only refers to epoch-making conflict, revolutionary processes, and dichotomous processes impacting on each other. His emphasis on very long-term processes leaves him to ignore historically specific institutions, such as the conflict between capital and labor, industry and finance, men and women, and different races and nationalities. He also ignores the point that many neo-institutionalists and neo-Marxists have emphasised, namely, that the holistic notions of interdependency, circular
relationship, pattern models, and evolution are essentially dialectical in the sense of examining the relationship aspects of institutions.

Howard Sherman is the only dual member of URPE and AFEE to study dialectics in some detail, in a totally reconstructive manner, and to apply it to socioeconomic phenomena. In Foundations of Radical Political Economy he agrees with Marcuse that, with Soviet Marxism, 'the dialectic has been transformed from a mode of critical thought into a universal “world outlook” ... and this transformation destroys the dialectic.' He argues that 'Official Marxism', especially Soviet Marxism, is 'just as rigid and just as apologetic as neoclassical economics' [Sherman 1987:7]. Instead, he wants to develop a more realistic dialectical method; a heuristic tool of analysis to aid the process of studying political economy. Modern radical political economy (RPE), namely neo-institutionalism and neo-Marxism, Sherman believes, should study dialectics as a method of analysis specifically linked to crucial questions in the socioeconomic, rather than general laws of the universe.

Sherman posits certain 'rules of dialectical method': (1) interconnection, (2) change, (3) unity and conflict, and (4) qualitative and incremental change [Sherman 1987:14-23]. '(1) Interconnection' corresponds to the concessive holistic perspective discussed above: Sherman uses the term interconnection in a sense similar to Myrdal's 'open' method of incorporating an interplay of social, economic, and political factors in mutual interdependency. He argues for a non-reductionist methodological collectivism that does not negate the importance of individuals, but concentrates on 'concepts of social wholes', 'human relations, rather than just individuals'. Hence,

... individuals may be understood only in relation to their group in society, and groups can be understood only in relation to each other and to the social structure.

Of course, the actions and motivations of classes or other groups must also be understood in terms of the actions and motivations of the individuals in the group. There is not a one-way causation, but an interaction between individual and group. [Sherman 1987:17]

'(2) change' and '(4) qualitative and incremental changes' seem to be expressing the same basic idea, that change and motion are ongoing, and that the real task of RPE is to 'focus on the evolution of one set of institutional relations to another' [Sherman 1987:23]. He develops the notion that institutional changes are qualitative in the sense that they involve modifications in the structures of habits and organisations as they evolve over time, which may be difficult to examine quantitatively because of the complex, macroscopic, and relational aspects involved. An example is the 'evolution in the structure of economic relations from the earlier small competitive firms to a stage of monopoly capitalism', which necessitate much historical and hence institutional material following the pattern of change. While Sherman recognises that institutionalists tend to focus on evolutionary changes, and Marxists emphasise evolutionary and revolutionary changes, he does not reject either position; in fact, he utilises the ideas of Karl Marx, Thorstein Veblen, John Dewey, and J. K. Galbraith in developing his pragmatic dialectics.

The '(3) unity and conflict' rule seeks to indicate that power and conflict are central to the processual forces of the social economy: integration and 'contradiction' are dual processes continually operating in the social relations between classes within institutions. Harmony and equilibrium by themselves hide 'social conflicts, such as racism, sexism, or exploitation'; therefore, RPE must study the 'dialectical interactions between culture and the economy, between harmonious class relations and class conflict, ... and between incremental change in the present situation and drastic changes in the whole institutional make-up' [Sherman 1987:19].

These dialectical principles are in continuity with the major principles of holistic economics, and represent a shift in (non-dogmatic) neo-Marxian thought towards a heuristically useful and pragmatic method of political economics. Dialectics is more than 'contradiction', and incorporates many of the processes which Boulding himself considers 'non-dialectical'. However, the aggression and conflict which Boulding sees as the essence of contradiction is of primary importance in the everyday workings of institutions within capitalism, as most members of AFEE and URPE would agree. As Gumbs, one of the instigators of AFEE recognised, '[c]oercion is deemed to be as pervasive as the air we breathe and ... The entire basis of economic theory is changed when coercion, or aggression, instead of competition, becomes the dominant theme in economics' [Gumbs 1946:13].

4. The Contradictory Reproduction of Institutions Within Capitalism

Contradiction is an important notion, especially for an understanding of the evolutionary and incessant nature of change, conflict, and discontinuity within capitalism. Resnick and Wolff have specifically promoted a theoretical
comprehension of contradictions of capitalism. Rather than assuming that there is one major contradiction — between capital and labor, or between the forces and relations of production — they employ the notion of overdetermination and recognise that there are multiple contradictions within modern capitalism, which are ever-changing and being reproduced to varying degrees in different spheres. As they say:

Overdetermination is a fully relational concept referring to a ceaseless change and development [not necessarily in the sense of ‘progress’]. Every social activity or relationship or practice among people is conceived as a locus of several processes or aspects. Change emerges from the internal contradictions constituted in each aspect or process. As each such process or aspect is continuously changing, so too are the practices constituted by those aspects or processes. Overdetermined in this complex way, each aspect or process of social life includes a particular set of contradictions that impose a correspondingly particular tension and momentum upon that aspect or process. [Resnick & Wolff 1979:6]²

And on the processes of change and reproduction:
Change, the dialectic, being so centrally inscribed, necessarily implies that nothing about any social formation is still or stable. The reproduction of the conditions of existence of any particular class relation is always an open question, as is therefore the reproduction of the social formation including that class relation. There is no inevitability that the particular conditions of existence will be reproduced, nor of how they might alternatively be changed. It all depends on the specific web of mutual effectiveness. Therefore, there can be no inevitability within Marxism for a social formation to persist, nor to change to one rather than another among several possible alternative social formations. [Resnick and Wolff 1979:8]

This fundamental revision of classical Marxism questions the teleology that capitalism will destroy itself from within, and that there is an ‘inevitable transformation towards socialism’, not to mention simplistic ideas about contradiction, evolution, and holism. In utilising the notion of ‘contradiction’ it is crucial to link it to institutional processes and spheres. We define an immanent institutional contradiction as a situation of (1) constant (institutionalised) conflict, such as the struggle between capital and labor, industry and finance, men and women, different races and religions; and (2) disappor or incompatibility within or between institutional processes or agents to the extent that they potentially reduce the degree of structural reproduction of the system in the long-term. As Gintis’s says, ‘A “contradiction” is a process wherein the normal operations of a social system produces a condition which tends to undermine normal operation’ [Gintis 1973:465].²²

Central to institutional contradiction is the notion of integration:
... social integration ... refer[s] to the relationship between groups — more especially classes or strata, and system integration refer[s] to the degree of connectedness between institutional parts of the social order. [Social integration] concerns the social relations between actors ... [System integration] directs attention to the somewhat more technical ... aspects of order, concerning ... the degree of ‘fit’ or compatibility between various functionally connected institutions. Both types of integration are of course central to Marx’s theory of social change. [Parkin 1982:574]

Parkin then points out that contradiction refers to the process of antagonism between social classes plus weaknesses in institutional integration, and that they are inextricably linked. Contradictions of capitalism, in this sense, are conflicts and discontinuities emanating from the actions of agents within institutions, or more generally the structural processes involved, which adversely affect the reproduction of the system. We are interested in immanent contradictions, those which are an important part of the very functioning of the institutions of capitalism, but which, as the institutional relations evolve, begin to manifest in discontinuity, conflict, and non-reproduction. In Boulding’s language, contradictions reduce the potential for reproduction over long historical time by reducing the free-development and flow of knowledge or learning within institutions. Contradictions inhibit the generation of social wealth through conflict between economic agents, discontinuities between or within institutions, and, in general, by fragmenting the social economy and thus reducing the potential for development. Following Pienkos [1986] in the JEI, we differentiate between ‘intraorganisational contradictions’, being immanent within specific institutional spheres, and ‘interorganisational contradictions’, which are discontinuities between
different spheres; although both types cross and infuse the system as well as its parts. There are also ‘system contradictions’ per se, being those which permeate capitalism as a whole in a more direct sense.

The most fundamental system contradiction of capitalism, following the work of Karl Polanyi, the SSA school, and K William Kapp, links to the tendency of capitalism to destroy the institutions which promote long-term stability and integration. There is a discontinuity between the tendency for the promotion of market dominance and profitability for particular firms, and the long-term reproduction of the cultural fabric to ensure security, meaning, harmony, collectivity, regeneration of labor power, and the reproduction of the biosphere. Capitalism tends to under-reproduce the institutional relations of familial, biological, and social stability which are central to the lives and livelihood of its people and environment; it institutionalises considerable negative externalities. Alienation, financial instability, de-industrialisation, bureaucratic waste, pollution and destruction of the environment, and lack of democracy within the dominant institutional spheres are closely linked to this tendency of capitalism to destroy aspects of the institutions which would otherwise enhance human meaning, stability, and participation. Family lives are destroyed, institutions denigrated, human lives dominated by monetary reward and commodity relations, financial decisions ‘infected’ by pecuniary rather than industrial motives, ‘democracy’ dictated by representation and control by capital rather than direct participation, and the biosphere decimated in the pursuit of private returns. Such tendencies adversely affect the reproducibility of the very system which perpetuates them, after periodic long lags of growth, and thus leads to various attempts to protect livelihood from the instabilities of the ‘instantaneous market system’. This theme of the contradictory nonreproductive tendency of capitalism is essentially Polanyi’s thesis of the disembedded economy.

Stanfield has been the most explicit and consistent supporter in the JEl of developing the notion of the contradictory reproduction of institutions within the institutionalist paradigm. He paid special attention to the work of the SSA school, plus James O’Connor and Karl Polanyi. Stanfield seems to depict the SSA theorists and O’Connor from the RRPE on one side of the institutional continuum; neo-institutionalism from the JEl on the other side, with many areas of intersection; and Karl Polanyi in the middle linking the two traditions. As he says, ‘Polanyi ... provides the foundation for an integration of neo-Marxian and neo-institutionalist analyses to form a radical institutionalism’ [Stanfield 1989:718].

Polanyi believed in what Dillard (1986) in the JEl calls ‘the institutional principle of the principles of political economy’, namely that

Substantive principles have meaning and applicability only within the institutional and historical framework of particular economic systems. Economics in the most fundamental sense is the study of an ongoing process through historical time. The presuppositions of mainstream economics that the principles are universal is misleading and contributes to a confusion between technical relations that exist in all societies and social relations that are specific to a given economic system such as capitalism. [Dillard 1982:579]

It follows that ‘The proper subject-matter of economic theory is institutions’ [Hamilton 1932: 313] and that ‘significant economic theory must have institutional and historical context’ so that ‘the Principles of Economics of a socialist economy will differ from those of a capitalist economy [although these] two systems may, of course, have some principles in common’ [Dillard 1986:355-6].

Block and Somers [1985] argue persuasively that the notion of holism or totality is the foundation stone of Polanyi’s conceptual apparatus of substantive economics. Polanyi’s main theme is the destabilising effect of the ‘free market’ on the reproduction of the social fabric as a whole, particularly for a nation-state heavily dependent upon a world market which is ‘self-regulating’. As a general rule, throughout the history of capitalism, ‘instead of the economy being embedded in the social relations, social relations are embedded in the economic system’, and ‘once the economic system is organised in separate institutions, ... society must be shaped in such a manner as to allow that system to function according to its own [market] laws’ [Polanyi 1944:57]. The market-capitalist economy is seen as a system of power dominated by the interests of international financiers, capitalists, bankers, and corporate oligopolists, i.e., those who exert some degree of control over the operations of the market. The rules, regulations, and norms of the market affect the nature and rate of material production, the market is fundamentally based on price and profit, and social practices which do not adjust to market relations will decay institutionally, unless conscious and effective efforts are directed to the contrary. This dominance of the market formed the basis of
the demise of long-term institutional processes during the 1920s and 1930s.

Polanyi's point is that an institutional structure dominated by the short-term processes of supply and demand (the 'free market') cannot be reproduced in a stable fashion in the long term. This is because the free market is based on 'flexible' labor mobility, wage determination, family and community relations, the dominance of monetary exchange for an increasing number of societal interactions, and the imposition of the values and beliefs of the international system of exchange on a domestic socio-political system. The reproduction of certain socio-political institutions may be inconsistent with market relations, since the destruction of institutions leaves at least some part of the population, class, or ecosystem without certain support networks, and thereby promotes instability and maladjustment. Hence the contradiction between institutional reproduction and market capitalism. As he said, in the long-run:

Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation through vice, perversion, crime and starvation. Nature would be reduced to its elements, neighbourhoods and landscapes defiled, river polluted, military safety destroyed. Finally the market administration of purchasing power would periodically liquidate business enterprise, for shortages and surfeits of money would prove as disastrous to business as floods and droughts in primitive societies. [Polanyi 1944:73]

For socioeconomic reproduction to continue at an adequate level the forms of integration utilised need to be institutionalised in durable cultural practices which satisfy collective needs and values. According to Polanyi, the prevailing mode of production, distribution, and exchange (the 'economy') must be embedded in society for stability and certainty to prevail. Positive reciprocity, redistributive policies outside the market, prices based on administration and custom, and trade which perform social rather than purely private appropriation functions are historically crucial for institutional reproduction. The trend towards relatively free markets has, therefore, led historically to many types of protective response against the disorganising aspects of market economy. The 'blending of the two institutional motivators, the self-regulating market and the protective response' [Stanfield 1986:119] is a crucial historical trend of capitalism, which occurs at varying intensities over time. A recognition of this double movement helps to comprehend the institutional dynamics and complexities of capitalism. The dual processes of disembedded economy and protective response are common to capitalism, since any tendency towards free markets must be balanced or countered by protective institutions to ensure reproduction. The protective responses through twentieth century capitalism are said to include an expansion of the lender of last resort facility, fiscal and monetary policy, health and safety legislation, welfare services, prudential and other regulations of the financial system, plus land-use programmes and pollution control measures [Stanfield 1986:115-7]. The 1980s is often called the era of market deregulation, with the resurrection of the free market ideology and the rise of the Thatcher and Reagan administrations. But Stanfield [1987:119] recognises that 'Combinations, trusts, and cartels are protectively motivated and operated. Even the modern corporation, the central economic institution of modern capitalism, can be viewed as part of the protective response.' The bureaucratic planning apparatus of the modern large corporation, a major theme in the RRPE and JEl, has largely replaced the market as a determinat of production, distribution, and exchange. This planning apparatus is part of the process of embeddedness, but only partially does it protect the social processes from disintegration, according to Dugger.24

The positive value of Polanyi, as Stanfield [1980:599] recognises, is his 'emphasis on the stabilising role of institutions'. A similar process is explained by the Social Structure of Accumulation approach to institutions, originally developed by David Gordon [1978, 1980], an URPE member. Gordon recognises that even the smooth internal workings of modern capitalism necessitates the reproduction of institutions for long-term capital accumulation. As he says, 'certain critical and concrete institutions must exist to make possible this movement of capital on its tracks', such as reliable labor markets, systems of labor management, and credit and transportation structures [Gordon 1978:277]. Gordon states the major SSA hypothesis as:

The expectations of capitalists and their calculations of potential (relative) profitability hinge not only on variables over which they have some [direct] influence but also upon a complex of social relationships in the broader environment which they are individually powerless to
transform. ... [R]elative stability in the general social and economic environment afflicting the possibilities for capital accumulation is a necessary condition for sustained and rapid accumulation; without such structural stability, the pace of capital accumulation in a capitalist economy is likely to slacken. [Gordon 1978:17]

Gordon argues that the institutions which have historically been necessary for stable accumulation include an internal corporate structure, a moderated structure of competition, the institutionalisation of class struggle, an orderly monetary system and government; a continuous supply of quality natural resources, intermediate goods, and labor power; plus an effective system of labor management, and effective demand [Gordon 1980:12-17]. In Polanyi's analysis, these may be seen as providing protective structures against so-called 'spontaneous market processes'.

In Gordon's [1978, 1980] original version of the theory, there was a multitude of important institutions within the SSA, but later works have delimited the number so as to simplify the analysis. In this simplified form, the SSA theory argues that the post-war period of capitalist reproduction was based on three main institutional structures which emerged shortly after the second world war, as part of the "Postwar Corporate System", and which provided the reproductive foundation for two decades of relatively strong accumulation of capital, and minor recessions (special reference is placed on the United States as part of the world economy). However, due to internal contradictions within the institutions, as the postwar boom developed the forces of contradiction or nonreproduction increased, and eventually the business cycle recessions became deeper during 1974/75, 1981/82 and 1990/91 as long wave upswing evolved towards downswing.

The three dominant institutional structures or spheres of postwar U.S. capitalism are said to include (1) Pax Americana, (2) the capital-labor accord, and (3) the state-citizen accord. Pax Americana was based on the hegemonic role of the United States in world affairs, through the Bretton Woods System of fixed exchange rates, the role of Wall Street as the financial centre of the world, the Marshall Plan (recovery for Europe), the Vietnam War to combat communism, and the central place of U.S. transnational corporations in technology transfer and production dominance. However, this structure was undermined during the late 1960s and early 1970s by 'growing challenges [to U.S. dominance] in both the First and the Third Worlds', through defeat in Southeast Asia, plus the growing power of Europe and the new industrialising nations. There were contradictory relations within the institutions of the world economy in the sense that the system depended upon U.S. hegemony for 'leadership' and 'supervision', but the very process of expanding Western capitalism and reforming Japanese and German fascism led to challenges to U.S. capitalism and hence to the system. Such contradictions are said to be inherent or immanent. The 1990s and beyond may see the evolution of 'multiple nation hegemony', 'trading block regimes', or some other form of organisation.

The capital-labor accord of the 1950s and 1960s was based on the purging of militant unionists from positions of authority, and the institutionalisation of numerous agreements in which union members allowed control of production to be left in the hands of management, in return for distributive benefits, better work conditions, and more job security. A more docile workforce and a relatively high rate of technological change enabled productivity gains to be distributed between capital and labor. An expansion of labor supervision, internal labor markets, and labor-relations personnel provided the environment for a stable system of production, distribution, and exchange during the 1950s, 1960s, and early 1970s. This accord was eventually undermined by contradictory relations inherent in the organisation of the accord. The bureaucratic control of the assembly-line process engendered a mundane work experience, and, when employers tried to increase the speed of the plant, accidents and worker residence to capital often followed. The postwar boom (which the accord contributed towards) reduced to low levels the reserve army of labor, thereby increasing the distributive power of labor and reducing the incentive for workers to labor as the possibility and cost of job loss declined, which led to a decline in productivity, and a drop in the rate of profit. Also, some groups were left out of the accord, and therefore this aspect of the structure led to problems when they began to gain more power in high-investment sectors of production and distribution. Thus there are said to be contradictory relations within the accord which eventually manifested themselves in labor gaining relative power over capital, during the high-reaches of the postwar boom in the 1960s and into the 1970s [Bowles & Edwards 1985:339-40]. During the 1980s and 1990s, labor or union power has declined markedly, which has contributed towards reestablishing some degree of extra profit for capital.
The third institution, the state-citizen accord (the Keynesian-welfare state), was based on rising welfare payments, a higher dole, and greater influence of the state in economic life, especially during the 1950s, 1960s, and early 1970s. Demand and short-to-medium-term profit rose as a result. Rising state expenditure propelled growth and thereby contributed to the reverse reserve army effect: declining unemployment led to a relative increase in the power of labor, as explained above. Another contradiction of this accord is that, by acting on citizen rights to environmental controls, occupational health and safety, and consumer protection legislation, the state upset the profit-needs of business through regulations and taxes [Gordon et al 1990:166-7]. Thus the Keynesian-welfare state had immanent contradictions in the sense that, while expansionary policies promoted growth, the growth itself became inflationary: and the degree of ‘welfare’, regulation, and protection reduced the incentive to invest and work thus reducing growth. As a result, the 1980s saw a reaction against big government during the Thatcher and Reagan administrations.

These three institutional structures cumulatively provided the reproductive foundation for relative stability, profitability, and investment for about two decades during the long boom of the 1950s and 1960s. But, as the contradictions within (and between) the structures cumulatively merged to form a ruptural disunity, instability led to lower expectations of profit, and hence the deep recessions in the 1970s, 1980s, and 1990s during the long-wave downswing. The postwar (1940s-1990s?) long-wave of capitalism is, thus, fundamentally conditioned by important structures and processes within institutions in complex and evolutionary ways. In rectifying some of these anomalies, the SSA approach is similar to institutional economics in calling for reduced waste, discrimination, and more participatory democracy [Bowles, Gordon, et al 1990:12-13,172-3].

Stanfield believes that the SSA approach is similar to ‘the productive and ceremonial aspects of culture, and a notion of waste that is virtually identical to that laid down by Veblen’, and that ‘There is much that is reminiscent of Galbraith, Polanyi, and other institutionalists’ [1984:1236-7]. Most importantly, since SSA theorists are a group of radical economists concerned to adapt the Marxist analysis to the changing socioeconomic relations of capitalism organised within institutions, [t]he basic frame of reference is less the abstract categories of Marxist analysis than the institutionalist theme of necessary adjustment in the process of making a living. The postwar distribution, so heavily weighed in favor of the power of large corporations and organised labor, has been upset by the shifting of power internationally, largely because of technological changes, and by political action by citizens seeking to put forward a different scheme of things [Stanfield 1984: 1237].

A theme with three threads runs through the works of Marx, Veblen, the SSA school, Polanyi, Stanfield, and many members of URPE and AFEE. First, the short and long-term interests of capital differ, the latter of which necessitates institutional structures which integrates economy into society more fully. Secondly, the ideology and practice of individualism distorts the (long-term) reproductive structures of capitalism so that periodic structural crisis is highly likely. And thirdly, what is highly reproductive for capital is a farce from the reproductive dynamics consistent with socialist processes of community, warranted knowledge, and participatory democracy. It is not surprising that Stanfield has, therefore, argued that the social value theories of neo-Marxism and neo-institutionalism approximate each other, and that the two schools can be defined as radical and institutional economics with a growing common body of methodological principles.

5. Conclusion
In this paper we have attempted to contribute to the process of synthesizing, from the developing AFEE and URPE literature, a relatively coherent set of methodological principles which are heuristically useful for institutional analysis. Pure description of institutions is inadequate as some methodological and theoretical issues are important for setting the groundwork for a detailed analyse of institutions through long historical time. These principles should guide the analysis, as well as providing a normative direction which is typical of the common trends of AFEE and URPE.

We commenced with a discussion of the central principles of holistic economics, using the work of Myrdal (AFEE) and, to some extent, Resnick and Wolff (URPE), as the point of departure. Central to a concessive holist method is the subprinciples of: (1) open systems, (2) a decentralised totality, (3) circular and cumulative ‘causation’, (4) a qualitative and complex nature of institutional interactions, and (5) evolution. Open systems indicates that it is necessary to study the social, political, and economic relationships between the
institutional parts and how they link to the whole (set within a geographic and biospheric environment). However, since all relations cannot pragmatically be viewed as ‘internal’, one is able to concentrate on the more important elements and still be able to comprehend much of the structure and motion of capitalism.

A decentred totality is one in which no one aspect of the institutional totality is given a privileged position within discourse a priori. It is important to transcend ‘purely economic factors’, technology, the ‘free market’, and the ‘mode of production’ for a macro view of the institutions in motion. Institutional economics situates processes within a social, political, and environmental context. The notions of circular and cumulative causation posit that the institutional relations within the whole interact in such a way that, more often than not, changes will be reinforced and magnified, leading to a pronounced upward or downward movement of the economy. Thus there are likely to be periods of cumulative expansion and decline operating at the macroinstitutional level over long periods. There was much in common between certain AFEE and URPE scholars up to this point, although URPE has tended to place less importance on methodological issues than AFEE.

Institutions are complex and qualitative in nature in the sense that they are sets of interlocking values and behaviors between individuals, groups, and nations. Deterministic predictions are unlikely to be possible in the long-term because of the human element of variability, changes in parameters, non-linear transformations, and the ‘Heisenberg problem’ in which humans (including scholars) actively intervene in the socioeconomic framework, thereby changing it. However, since there are certain patterns in institutional change, trained radical institutionalists may be able to see broad trends in the ‘economic system’, such as for capitalism as a whole.

Evolution teaches us that nothing is static, that a crucial set of factors, such as knowledge, organisation, and cooperation may be promoted to initiate change, depending on the degree of resistance. We examined Boulding’s theory of evolution, a major aspect of which is the notion that knowledge is activated within specific institutions, and the way in which this knowledge is utilised will condition the nature of change. Some disagreement developed at this point between the views of Boulding and URPE over the use of dialectics. We found that Boulding, first, misunderstands dialectics somewhat in ignoring the dialectical nature of the principles of interdependency and evolution. And secondly, he underplays the importance of contradictions in the everyday workings of capitalism. AFEE and URPE works have placed some degree of emphasis on the contradictions between capital and labor, industry and finance, racial and sexual conflict, plus intra/inter-institutional contradictions, and, in this respect especially, Boulding seems to fall outside the mainstream of institutionalism. Nevertheless, his theory of evolution is the most advanced from the AFEE literature (broadly defined) to this point. Utilising the work of Sherman and other arguments we indicated how dialectics, holism, and evolution are inherently related, and that a non-dogmatic form of dialectics is in the process of evolution for the explicit purpose of studying institutions in historical time. Boulding’s theory of evolution, in this view, incorporates crucial dialectical notions, over and above his own discussion of contradiction.

We then turned our attention to some of the applications of the notion of the ‘contradictory reproduction of capitalism’ through an examination of the notion of the disembodied economy and the SSA analysis. The continuity between AFEE and URPE themes is of a high order in relation to their explanation of the tendency within capitalism to produce pronounced discontinuity and nonreproduction of the institutional relations necessary for long-term stability. Capitalism utilises many resources for institutions which enhance private interests, at the cost of the long-term collective wealth (knowledge, organisation, cooperation), including wealth necessary for its own regeneration. The disembodied economy thesis of Polanyi explains well the dual historical trends under capitalism for disintegration of institutions, and the reactions to this in the form of protective responses for maintaining socioeconomic and biospheric integration, stability, and maintenance. The SSA theory is along similar lines, but special emphasis is placed on the contradictory mode of reproduction of postwar capitalism. These macroinstitutional models developed by scholars close to the URPE tradition (SSA, regulation, and O’Connor models) have no precise parallel in the AFEE literature, but the latter can benefit considerably by treating them as being very close to their own tradition. Following our argument which examines the linkages between certain works in neo-Marxist and neoinstitutional political economy. These linkages provide a real foundation for a united radical institutional methodology.
I wish to thank Allen Oakley for very useful comments on this paper. Thanks also go to Debbie Olsen from the URPE National Office for membership details of URPE.

**Note in referencing: ‘ca’ means ‘emphasis added’.

** Notes

1. According to Petr [1984],
2. Walter Weisskopf supported Marxism for largely accepting this new world view (the ‘philosophical Heisenberg paradigm’ with open models), but criticised aspects of Marxism for “overlooking the mutual interdependency of all factors and in their seeking a unilinear, monocausal “explanation,” distinguishing prime causes and secondary effects. They overlooked the mutual, circular interdependence between “real” and “ideal” factors in history” [Weisskopf 1979:873]. This, however, is certainly not the case with the neo-Marxist scholars discussed in this paper.
3. As Myrdal said: “[T]his is so because the variables are so interlocked in circular causation that a change in any one induces the others to change in such a way that these secondary changes support the first change, with similar tertiary effects upon the variable first affected, and so on” [Myrdal 1957:17].
4. Tool [1986:165] (rightly) criticises the strong thesis of internal relations for being a completed theoretical system which is counter to neo-institutionalism.
5. The statements, (a), (b), and (a1), are based on Phillips [1976:6]. We have added (b1).
6. Wilber & Harrison [1978:73] and Gruchy [1947:4] seem to accept that “the whole is greater than the sum of the parts”, but there is no sophisticated analysis of this term. Nevertheless, we accept most of the substantive argument of these scholars.
8. No full-blown theoretical and empirical analysis has been undertaken of the different dimensions involved in circular and cumulative causation in either the RRPE or the JEI. Many references to these notions have been made in the JEI. Only a few of them have been made to URPE members, such as the work of O’Connor [1984:29], Hunt [1982:57], Mandel [1981:37], and Campen and Macken’s [1982:4]. Only in the work of Fusfeld [1968], has the dual notion of circular and cumulative effects been utilised specifically in the official published work of the URPE, understandable enough when dealing with the problem of the ‘ghetto economy’ by a radical institutionalism. Much work lies ahead in this respect by both URPE and AFFP.
9. A knowledge of the operations of institutions may make possible some broad predictions. For instance, if long wave contraction is expected to continue (unless suitable institutional changes are made), recessions are likely to be deep during this period. The predictions are broad and general. It is better to include alternative scenario predictions based on different assumptions of growth, investment, etc.
10. On this see O’Hara [1997].
11. O’Connor is a former member of URPE and currently still exerts much influence on the organisation [see John A Miller [1986,1990]]. In O’Connor [1984] he links neo-Marxism with Veblenian themes in a way that epitomises the sort of synthesis argued for in this paper.
12. For instance, the work of Clark [1988], who, while utilising an “open-systems approach”, emphasises technology rather than institutions in general, and is thereby strictly outside the scope of this paper (it is more Schumpeterian than Veblenian-institutionalist in spirit).
13. Probably the best of these partially-institutional theories of evolution from the JEI is that by Chase [1985]. Much of Chase’s analysis of entropy and negentropy is included in Boulding’s evolutionary method, as discussed in this paper, but Boulding emphasises disequilibrium rather than Chase’s questionable emphasis on equilibrium.
14. The work of Dopfer [1991] lends itself to this direction, although there are some useful institutionally-specific insights to be gained here.
15. For instance, a section of the JEI for June 1978 was devoted to Boulding (from the ‘Clarence Ayres Memorial Session’). There was also three reviews of Boulding [1978], not to mention reviews of his other books not directly linked to evolution. Boulding was a member of the editorial board for the JEI during 1967.
16. Definitions are from Miller et al [1978:659,775] and Critchley [1980:721]. Boulding adds a fifth law, namely, “absolute temperature zero” where such a level can never be reached, but this is hardly germane to institutional analysis.
17. Boulding [1970:chs 3 & 5; 1978:267]. Wilber and Harrison [1978:82], for instance, have argued that the ‘ceremonial-technological’ and ‘Veblen’s pecuniary versus economic values’ dichotomies are dialectical. Robert Heilbroner, another recipient of the Veblen-Commons Award, has a much deeper understanding of dialectics than Boulding, linking it to inherent change, interaction, and contradiction. He recognises that not all conflicts are contradictions which impair the functioning of capitalism, and that there is no specific ‘sequence of events through which contradictory tendencies work themselves out’ [Heilbroner 1984:1].
19. This theme of the relationship between individual and system is explored in a similar fashion by Fusfeld [1989].
20. Sherman does not use the word 'contradiction' because he does not want to confuse dialectical and logical contradictions. His discussion of conflict and discontinuity is, however, substantively identical with the notion of dialectical contradiction (which has nothing to do with logical contradictions). Orthodox Marxism has often confused logical with dialectical (institutional) contradictions.

21. Bill Dugger [1988] and Herb Gintis [1979], holistic 'neo-Marxist institutionalists', both criticise the notion of overdetermination as representing a form of Marxism without a 'cutting edge', and 'lacking content'. Although this paper seeks to link Dugger, Gintis, Resnick/Wolff and others, there are instances (such as this) where there are differences. However, in our view, neither Dugger (in a book review) nor Gintis (in a review article) have developed any substantive criticisms of overdetermination.

22. While this part of the definition is acceptable, the rest of it is not. As Gintis [1973:465] went on to say: 'Dialectical social thought holds that social change takes place because a social system creates through its internal contradictions, the conditions for its own breakdown.' This may not be the case.

23. We should probably also add here those of the 'regulation school' [e.g., Ruccio 1989].

24. The theme of the private planning apparatus is emphasised in the work of Galbraith [1967], a dual member of both AFEE and URPE. Baran & Swezy [1964:ch 2], Dugger [1989] (another dual member), and Munkirs [1990] (a member of AFEE), among others.

25. In some works this is increased to four institutions. The extra one is variously termed the 'moderation of inter-capitalist rivalry' (Gordon, Weisskopf, & Bowles 1990:167-9); or the 'dual economy', with a strong oligopoly sector and a weak competitive sector (Bowles & Edwards 1985:337).


27. Given the infant stage of development of the SSA approach it is not surprising to find some constructive criticisms. For instance, Kotz [1987, 1990] argues that the concept of 'institution' is not well defined (AFEE could help here); some of the institutional spheres were not entirely reconstructed prior to long-wave expansion; and 'a new core SSA' must be compatible with leftover institutions from previous institutional structures. Also, we need to incorporate the financial system in the SSA [see Wolfson 1990] as well as the family and domestic labor [see O'Hara 1992:ch 6].

28. This links to the modern institutional theory of the instrumental and ceremonial functions of institutions, an important methodological principle of neo-institutionalism [see Bush 1983; O'Hara 1992:ch 6], which is very similar to many neo-Marxist normative theories of socialism.

29. Examples of papers from the JEI which discuss reproduction are Stanfield [1984], Dugger [1980], and Waller [1989]. Examples from the RRPE are Bowles [1971], Bryceson & Vuorela [1984], and Glazer [1984]; outside of the RRPE Bowles and Gintis [1980:102-110] is important.

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