

Institutional and Complexity Economics - Reading List

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Abstract

This list provides you with some additional reading suggestions in case you want to dig deeper into the topics.

1 Institutional Economics

We can roughly distinguish between two ‘kinds’ of institutional economics: First, the evolutionary-institutional economics in the tradition of Thorstein Veblen, Wesley Mitchell, Gunnar Myrdal and others, which mainly consider themselves a ‘heterodox’ paradigm. Second, the ‘New Institutional Economics’, which refers to the works of Ronald Coase, Olivier Williamson and . It is usually considered an extension of neoclassical theory and mainly considered part of the mainstream. However, classifying scholars and their work is difficult.

There are a number of works that compare the two types of institutionalist. One of my personal favorite is still Rutherford (1994), which gives a nice comparison, although it certainly does not captures the most recent developments.

Hodgson (2014) makes some valuable remarks for newer developments and is a good source for further references.

The ultimate definition of an ‘institution’ is a subject of ongoing demand. Hodgson (2006) makes a nice suggestion from the evolutionary-institutional perspective. Greif and Kingston (2011) discuss two famous approaches – institutions as *rules*, and institutions as *equilibria* – more from the New Institutional perspective. There is a special issue of the *Journal of Institutional Economics*, which is recommendable if you want to get a feeling for the current state of the debate: [JoIE, Vol. 11 \(3\)](#).

References

- Greif, A. & Kingston, C. (2011). Institutions: Rules or Equilibria? In N. Schofield & G. Caballero (Eds.), *Political economy of institutions, democracy and voting* (pp. 13–43). Berlin, Heidelberg, Germany.
- Hodgson, G. (2006). What are institutions? *Journal of Economic Issues*, 40(1), 1–25.
- Hodgson, G. (2014, July). On fuzzy frontiers and fragmented foundations: some reflections on the original and new institutional economics. *Journal of Institutional Economics*, 10(04), 591–611.
- Rutherford, M. (1994). *Institutions in economics*. The old and the new institutionalism. Cambridge, UK: Cambridge University Press.

1.1 Evolutionary-Institutional Economics

My favorite here is Hodgson (2004). It provides an extensive introduction, with many references to the philosophical roots and the connections to Darwinism.

Elsner, Heinrich, and Schwardt (2015) is a great textbook with several chapters on evolutionary institutionalism.

Cordes (2016) is a nice collection of essays that is meant to introduce students to evolutionary institutionalism.

A good overview over the idea of Universal Darwinism is given by Hodgson and Knudsen (2010). Cordes (2006) explains both the idea of Universal Darwinism and the continuity hypothesis, and provides arguments of why the former is to be preferred.

Nice examples of how considering evolutionary arguments (in particular evolved needs, wants and instincts) can help to explain concrete phenomena are Witt (2010) for the case of persistent growth rates and Cordes (2005) for the case of innovation.

An evolutionary view on institutional change, and the potential use of game theory is introduced in Elsner (2012).

Hayden (2006) is a recent example for institutionalist analysis using a common tool, the social fabric matrix. It is full of interesting policy applications.

References

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- Cordes, C. (2006, August). Darwinism in economics: from analogy to continuity. *Journal of Evolutionary Economics*, 16(5), 529–541.
- Cordes, C. (2016, January). Veblen’s “Instinct of Workmanship,” Its Cognitive Foundations, and Some Implications for Economic Theory. *Journal of Economic Issues*, 39(1), 1–20.
- Elsner, W. (2012, March). The Theory of Institutional Change Revisited: The Institutional Dichotomy, Its Dynamic, and Its Policy Implications in a More Formal Analysis. *Journal of Economic Issues*, 46(1), 1–44.
- Elsner, W., Heinrich, T., & Schwardt, H. (2015). *The Microeconomics of Complex Economies: Evolutionary, Institutional, Neoclassical, and Complexity Perspectives*. Amsterdam et al.: Elsevier/Academic Press.
- Hayden, F. G. (2006). *Policymaking for A Good Society*. New York, NY: Springer.
- Hodgson, G. (2004). *The Evolution of Institutional Economics: Agency, Structure and Darwinism in American Institutionalism*. London: Routledge.
- Hodgson, G. & Knudsen, T. (2010). *Darwin’s Conjecture*. Chicago: The University of Chicago Press.
- Witt, U. (2010). Symbolic consumption and the social construction of product characteristics. *Structural Change and Economic Dynamics*, 21(1), 17–25.

1.2 New Institutional Economics

The recent *Handbook of New Institutional Economics* (Ménard & Shirley, 2008) summarizes many of the recent developments and includes nice overview articles. The same authors claim to identify the methodological core of New Institutionalism (Ménard & Shirley, 2014). Make sure you read the insightful comment by Hodgson (2014).

Greif (2006) is a mandatory read for all who are interested in economic history, but also introduces nicely the idea to study institutions with game theory.

Aoki (2001) focuses on issues of economic development. It is a very recommendable book since Aoki discusses the functioning of institutions in great detail.

References

- Aoki, M. (2001). *Comparative Institutional Analysis*. Cambridge, MA, London, UK: The MIT Press.
- Greif, A. (2006). *Institutions and the Path to the Modern Economy*. Lessons from Medieval Trade. Cambridge, UK: Cambridge University Press.
- Hodgson, G. (2014, July). On fuzzy frontiers and fragmented foundations: some reflections on the original and new institutional economics. *Journal of Institutional Economics*, 10(04), 591–611.
- Ménard, C. & Shirley, M. M. (Eds.). (2008). *Handbook of New Institutional Economics*. Berlin, Heidelberg, DE: Springer.
- Ménard, C. & Shirley, M. M. (2014, February). The future of new institutional economics: from early intuitions to a new paradigm? *Journal of Institutional Economics*, 10(04), 541–565.

2 Complexity Economics

There is an extensive reading list [here on my website](#) where you can find both (meta-)theoretical readings and textbook suggestions for the various methods commonly associated with complexity economics. This list belongs to the course *Complexity Economics - Theory and Computational Methods*, which I gave together with [Torsten Heinrich](#) at the *Exploring Economics Summer Academy*. You can get all the material [at the course homepage](#).

3 On the convergence of institutional and complexity economics

Although evolutionary institutional economics and complexity economics are different paradigms it might be possible to relate them in a constructive manner. In particular, evolutionary institutionalism can benefit from the modern research methods mastered by many complexity economists.

However, relating to paradigms to each other is not easy. In particular, a meta-theoretical framework is required. It is important because it helps one to bridge the ontology and epistemology of the different research paradigms. *Systemism* provides such a framework. Gräbner and Kapeller (2017) introduce systemism as an overall framework for many heterodox research paradigms. For a more concise introduction that focuses on complexity economics and evolutionary institutionalism see Gräbner and Kapeller (2015).

The argument that agent-based modeling, a tool typically associated with complexity economics, can be a useful tool for institutional economic is discussed in Gräbner (2016). This article also serves as a concise introduction to the methodological demands of evolutionary-institutional economics.

Finally, in Gräbner (2017) I suggest the epistemological convergence between the two programs by arguing that both (should) seek *mechanism-based* explanations.

A more indirect contribution is the great textbook of Elsner, Heinrich, and Schwardt (2015), especially chapter 12 on history.

References

- Elsner, W., Heinrich, T., & Schwardt, H. (2015). *The Microeconomics of Complex Economies: Evolutionary, Institutional, Neoclassical, and Complexity Perspectives*. Amsterdam et al.: Elsevier/Academic Press.

- Gräbner, C. (2016). Agent-based computational models– a formal heuristic for institutionalist pattern modelling? *Journal of Institutional Economics*, 12(01), 241–261.
- Gräbner, C. (2017, May). The Complementary Relationship Between Institutional and Complexity Economics: The Example of Deep Mechanismic Explanations. *Journal of Economic Issues*, 51(2), 392–400.
- Gräbner, C. & Kapeller, J. (2015, June). New Perspectives on Institutional Pattern Modeling: Systemism, Complexity, and Agent-Based Modeling. *Journal of Economic Issues*, 49(2), 433–440.
- Gräbner, C. & Kapeller, J. (2017). The micro-macro link in heterodox economics. In T.-H. Jo, L. Chester, & C. Dippoliti (Eds.), *The routledge handbook of heterodox economics* (pp. 145–159). London: Routledge.