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Shared Concepts of Institutional and Feminist Economics

Draft

Introduction

The economic system is a part of the greater social system in which it is embedded. It is a historic-cultural product, and people who are parts of that system behave according to its rules when it comes to economic activities (Gruchy 1987, 42). Economic activity takes place within an institutional framework. Therefore, people are not rational individuals whose main goal is to maximize profits or utility, but members of a society, and their behaviour is an outcome of rules that define this particular society. The economy, like society, represents a complex of institutions, ranging from the smallest, such as the family, to the largest and most comprehensive, namely the state (Chavance 2009, p.23). Institutional economics offers a broad perspective, which allows to bring forward the concept of gender, since gender is a fundamental organizing principle of institutions (Jacobsen 2007, p. 92).

The main objective of the paper is to bring forward the relation between institutional and feminist approaches in economic thought. In the paper both institutional economics, and feminist economics will be described. Than the paper will discuss relations and similarities between them. A focus on social provisioning, typical for both feminist as well as institutional economists, leads to a broader understanding of economic activity. This broader approach includes certain activities, like caring and care labour, that cannot be entirely understood in terms of individual choices.

1. Institutional economics

Roots of institutionalism might be traced to at least the 19 c., when three influences contributed to its creation: (1) the German historical school in economics, (2) American pragmatism and (3) Thorstein Veblen’s writings on the preconceptions of economic science. German historical economists believed that likewise there are no individuals living outside of the society, there are no economic activities that are separated from that society. For historical economists from German school, there are no natural laws in economics. They promoted the project of constructing inductive,
historical science, in which the diversity of economic circumstances was properly recognized (Tribe 2007, p. 215). American philosophical perspective called pragmatism, first outlined by Charles Peirce and John Dewey, views notions of absolute truth and teleology with skepticism. Instead, it emphasizes the element of uncertainty in human understanding. Pragmatists treat scientific investigation not merely as an intellectual exercise, but rather as an important step in the process of resolving practical problems. And as it comes to a founding father of institutional school, Veblen’s articles on economics revealed the discipline’s methodological foundations (Whalen 1996, p. 83-4).

Thorstein Veblen sets out in explicit fashion the link between the central role given to institutions and the evolutionary approach that focuses on the process of economic change above all else. According to Veblen society in general and the economy in particular are evolutionary groupings of institutions; the evolutionary economic science that Veblen tries to construct is therefore centred on institutions, which are the prevalent habits of thought and action in the social community1 (Chavance 2009, p.16).

According to Walton Hamilton2 (1932) the institution is a cluster of social usages, designating a way of thought or action of some prevalence and permanence, which is embedded in the habit of a group or people’s customs. Culture represents the aggregation of diverse institutions, each of which fixes a type of behaviour and outlines a tolerance zone for an activity or complementary activities (Chavance 2009, p.18). Geoffrey Hodgson (2003, p. 163) writes: Institutions are durable systems of established and embedded social rules and conventions that structure social interactions. Language, money, law, system of weights and measures, table manners, firms (and other organizations) are all institutions. In part, the durability of institutions stems from the fact that they can usefully create stable expectations of the behaviour of others. Generally, institutions enable ordered thought, expectation and action, by imposing form and consistency on human activities. They depend upon the thoughts and activities of individuals but are not reducible to them. An institution is made up of people performing activities according to a set of rules that are justified by a set of values, beliefs and meanings. As people perform their activities according to the rules, they internalize values, beliefs, and meanings that justify the rules (Dugger 1996, 25).

Institutions are rules and ways of behavior, known to each member of the society because of their everyday use; collective actions that control individual’s activities; widely recognized standard social norms; and ways of thinking. Tony Lawson writes: Individuals are born into society and exist and develop through it in a way such that their very capacities and personalities, including psychological and other dispositions, are to an extent molded, shaped, formed and continually transformed by the societal conditions (2003, p. 204-205). In this sense, institutions are not only boundaries, but they function to shape the very essence of social life (Hodgson [1988] 1993). Institutions are both ‘subjective’ ideas in the heads of agents and ‘objective’ structures faced by them (Hodgson 1998, p. 181). Institutions are social structures with the capacity for reconstructive downward causation, acting upon ingrained habits of thought and action. Powers and constraints associated with institutional structures can encourage changes in thought and behaviour (Hodgson 2003, p. 166).

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1 This is the most frequently given definition by Veblen in his writings (Chavance 2009, p.16).

2 Walton H. Hamilton originally coined the very term ‘institutional economics’. He announced its existence and defined its essential outlook at the annual meeting of the American Economic Association in December 1918 (Hodgson 2005, p. 233).
Institutionalists although they form a rather diverse group of economists, they are united by a shared belief— one that is holistic, processual, non-teleological, pragmatic, systemic, evolutionary and historically grounded. The institutionalist conception of society is holistic in nature, in other words social reality is viewed as a unified whole. As Wilber and Harrison put it (1978, p. 73) institutionalism’s holistic theories are rooted in the belief that the social whole is not only greater than the sum of its parts but that the parts are so related that their functioning is conditioned by their interrelations. Institutionalists view society from a ‘processual’ perspective. This means they view social systems as dynamic, ever-developing entities, and are aware that all social activities occur in both historical time and an environment uncertainty regarding the future. According to Wilber and Harrison (1978, p. 71): social reality is seen as more than a specified set of relations; it is the process of change inherent in a set of social institutions which we call an economic system. The process of social change is not purely mechanical; it is a product of human action, but action which is definitely shaped and limited by the society in which it has its roots. (...) It is systemic because it believes that those parts make up a coherent whole and can be understood only in terms of the whole. It is evolutionary because changes in the pattern of relations are seen as the very essence of social reality. Foldvary (1996) adds that institutional economics is historically grounded, the economy exists in real, historic time, not in an abstract, timeless equilibrium. Every economic activity involves a process in which the economy moves constantly from a well-known past, through the present, and into an unknown future (W.C. Peterson 1994, 29).

They share a common methodological foundation – a shared set of philosophical preconceptions. These preconceptions can be grouped into the following four categories: a conception of society, an image of the economic process, an approach to values, and a philosophy of science. The institutionalist approach moves from general ideas concerning human agency, institutions, and the evolutionary nature of economic process to specific ideas and theories, related to specific economic institutions or types of economy (Hodgson 1998, p. 168). Evolutionary economists recognize that producers, workers, and consumers are largely cultural products. An institutionalist interpretation of economic behaviour must therefore inquire into the various cultural influences shaping that behaviour (Whalen 1996, p.96). For institutional economists all economic laws rest upon facts, not assumptions. It is a diversity of institutional situations that is the principal source of differences in individual behaviour (Chavance 2009, p.17). Institutionalists also emphasize the importance of re-evaluating theories regularly, and the need for theories that help resolve real-world problems. It demands a constant re-examination of theories in light of real-world changes; insists that society drives the market, not the reverse; believes there are no neatly-defined ‘economic’ problems, just ‘problem’; promises only a ‘managed’ – and temporary – economic equilibrium; reveals that efficiency is not only undermined by economic change but exists as just one possible measure of social well-being (Whalen 1996, p. 93).

Institutional economists believe that economics cannot be value free, and they maintain that the state may also play an active role in the economy by helping to expand individual liberty and shape community preferences and social institutions. The influence of the state on society, as well as the national economy, shapes institutions that systematically and constantly regulate the behavior of individuals and social groups in formal and informal ways (Wilkin 1999). The ability of the state to influence or even create institutions has a dominant meaning in contemporary societies, because it is the state that creates basic frames for the institutional functioning of markets. The development of a centralized state with extensive regulative and planning capacities appeared to be a logical
counterforce needed to contain the inevitable natural disasters by a capitalist economy (Block 2000, 61). Advanced capitalist economies are perceived by institutionalists as cyclical and unstable. Markets are characterized by inequalities in the distribution of market power, income and status. Unfettered market forces instead of reducing, rather exacerbate these instabilities and disparities (Arestis 1994, 31). Therefore the role of the state should be to fill the gaps in the social provisioning process (Dugger 1994, 12). Institutional economists favor activist government using the tools of macroeconomic policy for this purpose. Such activity involves more than a simple acceptance of the need for government interventions to correct the failure of market capitalism (W.C. Peterson 1994). The state cannot be neutral, because its pretended neutrality allows existing forms of inequality to remain legitimate (Dugger 1994, 17). However, institutionalism stresses that state action can both restrain and expand individual liberty; and recognizes that more government activity does not ensure an improved economy (Whalen 1996, p. 93).

For Polanyi (1944) a market economy can only exist in a market society, meaning that it can only exist when accompanied by changes in norms and behavior that enable the market to function. Nevertheless the end of the market society means in no way the absence of markets. The markets could be subordinated to the objectives of truly democratic communities and countries. The goal would be to place economic activity at the service of people-centered development and not the other way round, to reach the era in which productivity and efficiency are achieved not for their own sake but as a way to increase collective well-being (Beneria 1999).

2. Feminism and economics

Feminist economics can be preliminarily defined as an independent research programme, which has as its primarily goal the advancement of understandings of the disadvantaged economic conditions of women (Hewitson 1999, p. 6). Capitalism is a system driven by commodity production - the exchange of goods and services in markets. Since the exchange based on monetary transactions were for a long time treated as a base for determining economic activities, there was not much interest in thinking about economic activities in the home, making women and much of the work they did invisible and almost irrelevant to economics (Albelda 1997, p. 160-161). This tendency to focus exclusively on relations in the market place led to a dismissal of women’s productive and reproductive labour in households (Grapard 1996, p. 108). Feminist economists, like institutionalists, define economics as a science concerned with ‘social provisioning’. Instead of using marketisation as a criterion for demarcating economics, such a broader definition could delineate a subject matter without using assumptions about what is and what is not important, economic or productive. Definition of economics as concerned with the realm of provisioning breaks down the usual distinction between ‘economic’ (primarily market-oriented) activities and policies, and familial or social activities (Nelson 1995).

Feminist economics challenges economic theory for not taking into account gender, aspects of economics dealing with socially as well as biologically determined maleness and femaleness. Most economic theory is male-biased, even though it appears to be gender-neutral. The male bias arises because theory fails to take adequate account of the inequality between women as a gender and men as gender (Elson 1994, p. 38-39). Even if some economic theories conceptualize individuals as gendered in the economics of the family, they fail to conceptualize markets and firms as such in a
comparable way, though both firms and markets can operate in ways that are particularly constraining and disadvantageous to women. And at the macro-level gender is absent altogether: the discourse is all about monetary aggregates (Elson 1994, p. 38). Macroeconomic aggregates – public expenditures and revenue, public debt, Gross Domestic Product, the money supply – are bearers of social relations and are imbued with social values (Elson, Cagatay 2000, p. 1360). The family is an intrinsically gendered institution, in that the conjugal relation that constitutes it is gender ascriptive\(^3\). Commercial relations between buyer and seller, the employer and employee, are not intrinsically gendered in that way. Neither are the relations between users and providers of public services. But although they are not gender ascriptive, these relations are bearers of gender, in the sense that they are permeated through and through by gender in their institutional structure (Elson 1994, p. 39).

Feminist economic theory criticizes the implicitly gendered bias of economic theory, like for example neoclassical *homo economicus*, that is not concerned with the ‘reproductive labour’ of bearing and raising children (Foldvary 1996, p. 17). Feminist economists stress that economics as a discipline focuses all inquiry of human behaviour on men’s behaviour and taking male behaviour as the human norm (Garard 1996, Strassman 1999). The economic agent in neoclassical models is created out of nowhere, unencumbered by social ties he needs not concern himself with reproductive labour associated with women, children and the elderly (Garard 1996, p. 101). However Julie Nelson (1995, p. 136) notices that *homo economics* is neither a good description of women, nor of men. Both projections – autonomous, detached, rational and masculine, as well as dependent, emotional, connected and feminine – are equally mythical and distorting.

Feminist economists argue that choices and constraints faced by men and women are socially constructed in such a way that systematically turn difference into women’s disadvantage. The labour that has traditionally been associated with women’s sphere has thus been ignored as productive work and has been defined primarily in terms of emotional relationship (Garard 1996, p. 109)\(^4\). Despite the myriad of ways of organizing economic production and the lack of uniformity in the types of work men and women perform, women are primarily responsible for dependent care. This care almost always is done in some kind of household unit and it universally takes a considerable amount of one’s time. One cannot begin to comprehend women’s economic position relative to men’s unless there is a basic understanding of how the household operates within the context of all economic production (Albelda 1997, p. 162). It is also essential to have information about subsistence production, informal paid work, domestic production, as well as volunteer work in order to understand the whole economy and changes in it (MacDonald 1995, p. 164).

Women add to their considerations their values and experiences, and that according to Nelson (1996) leads to more objective economic knowledge. As feminist analysis suggests there should not be one economic model, but a variety, depending on the usefulness of various modelling techniques in various applications (Nelson 1995). Data collected by national statistical agencies directly reflect the gender biases of neoclassical theory. National income and product or GDP accounts measure market production, while household income and expenditure surveys do not collect information on intrahousehold access to resources (MacDonald 1995). For the most part feminist scholarship involves collecting primary data through the use of instruments like in-depth interviews, survey, or

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3 Marriage is, for example, a social relation between a person of the male and a person of a female gender.
4 This labour performed without pay does not entitle the worker to pension benefits or social security. Women are thus at a disadvantage in old age whether they stay home or work for traditional low pay in women’s jobs (Garard 1996, p. 110).
direct observations. Such instruments were very often used by historians, sociologists, or anthropologists, but were rather omitted by economists that rather concentrated on econometric models based on large data bases (Grapard 1999).

Feminist economists also recognize that unregulated market forces may lead to undesired outcomes. According to Elson (1994, p. 41) monetized production is a subject to inherent dislocations and crisis. This instability cannot be easily and successfully regulated by individual contracts and monetary relations. It has always required the mediation of the organizations of the state and the community, the provision of public services and community mutual aid, to avoid destitution and social breakdown, and to enhance human development in ways that promote increases in productivity in the monetized economy’ (Elson 1994, p. 41). The neoliberal view that the process of production can best be coordinated by markets, despite their admitted failures, in heterodox view is being tempered by a re-recognition that regulation, and even provision, by the state can often lead to better outcomes. Hence, feminist economists share the view of importance of the state intervention to regulate, stabilized, and correct imperfections present in market economies.

3. Gender and institutions

Comparison of two approaches described above shows certain relations between institutionalists and feminists. Economic theory supports the fallacy of linking individual attitudes to aggregate results without taking into account social institutions, guidelines and norms (Freiberg-Strauss 2003, p. 90). The economy as a sphere of social activity is fundamentally institutionalized, economics as a science or a discipline has to take institutions into account and study them (Chavance 2009, p. 75). Gender is one of social institutions, since it is a social construction of relations between men and women. Thus it has to be taken into account in economic analysis (Palmer 2003, p. 43).

First institutionalists, like Thorstein Veblen, recognized gender norms as important institutions in the economy. Veblen recognized gender norms as exemplary for how historical and cultural patterns influence the economic process of provisioning. He stressed the fact that pecuniary activities, those of buying and selling, were not synonymous with provisioning (Mayhew 1999, p. 480). According to John R. Commons (1934, p. 73) individuals begin as babies. They learn the custom of language, of cooperation with other individuals, of working towards common ends, of negotiations to eliminate conflicts of interest, of subordination to the working rules of many concerns of which they are members (cited by Chavance 2009, p.22). This citation brings forward the importance of socialization which takes place in institutions like the family, and in which the predominant role is played by women. Galbraith (1974, cited by Palmer 2003, s. 56) wrote that neo-classical theory has buried the subordination of the individual (women) within the household. Polanyi (1944) writes on the disability of society’s new form of market driven governance to adequately ensure the social reproduction of the labour force and the ecological framework (Brodie 2003, p. 52-53). He also remained that reciprocity and redistribution, two principles not currently associated with economics, were part of economic system that is at the service of social life. Capitalism, however, evolved in the opposite direction, leading to a situation in which the economic system determined social organization. Nevertheless, Polanyi’s analysis of the social construction of markets has important gender-related implications that he did not consider. He points out that all production in a market society is for sale, he fails to recognize, that parallel to the deepening of market relations, a large number of people engage in unpaid production, only indirectly linked to the market (Beneria 1999). Nowadays,
however, gender relations receive much less attention in institutional analysis (van Staveren, Odebode 2007; Waller, Jennings 1990). At the same time feminist economists have found the notion of an institution useful for the analysis of the relationship between gender and economy.

Institutional economics begins its analysis by looking at cultural processes, rather than isolated individual. In those terms institutionalism is grounded in the continuity of the cultural process. Institutional analysis cannot begin with the world neatly divided into ‘economic’ and ‘noneconomic’ realms. One consequence of this approach is a strong resistance to the notion that any significant portion of human behaviour is private, in the sense of being untouched by cultural norms and values. This brings institutional and feminist perspectives together, since the cultural conception of some spheres of life as private, as disconnected from social life, is integral to the subordination of women in modern western culture (Waller, Jennings 1990, p. 618-619).

Both schools of economic thought made observations that knowledge is as much a product of the culture that generated it as any other cultural artifact and therefore cannot be free of cultural preconceptions and prejudices (Waller, Jennings 1990). According to Whalen and Whalen (1994, cited by van Staveren, Odebode 2007) both schools represent a holistic ontology, a pragmatic epistemology, and comprehensive view of values. Institutionalism and feminism share noncartesian epistemological roots that lead to the recognition of knowledge as socially constructed. An analysis of institutional economics and feminist philosophy of science shows that both consist of ethical dialectical reasoning5 (Waller, Jennings 1990, p. 614), tied to intuition and analogy, as supplementary to logical reasoning used widely in mainstream economics (Hewitson 2001). Dialectical reasoning involves reasoning from probable premises to probable conclusions. This approach involves the community in deliberation and evaluation of the thesis in the production of knowledge. Ethical dialectical reasoning involves making a choice, or considering what action or policy is best, therefore it is most closely associated with the traditional purpose of economics (Waller, Jennings 1990, p. 615). Epistemological and methodological changes postulated by institutional and feminist economics widen the scope of the discipline.

Another shared by institutionalists and feminists belief is the significance of power relations and conflicts in the economy. Institutionalists have used the concept of power through multifaceted systems of status and hierarchy. By recognizing the role of myth in ceremonial aspects of social behavior, institutionalists have never been overly puzzled by social behavior justified by myth that was inconsistent with other social practice or believed to be warranted knowledge (Waller and Jennings 1990, p. 620). Feminists use the concept of power and subordination to describe gender relations in economy. Concept of gender seen as a system of power brings feminist theory and institutional economics together. Both approaches are concerned with the social construction of power relations (Jenings, Waller 1990, s. 264). Feminist and institutional economics share the understanding of the cultural specific and socially constructed economic reality. Both schools of thought recognize power as a central force in the economy, and therefore the power of gender norms would make a logical part of institutional analysis (Mayhew 1999, cited by van Staveren, Odebode 2007, p. 905).

One more common ground for both schools is the definition of economics as a science of ‘social provisioning’. They share the view that variety of models and research techniques should be used in order to enquire knowledge on how economy works. By challenging economics to take seriously a

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5 In antiquity ‘dialektike’ meant the art of debate (Waller, Jennings 1990, p. 615).
concern with well-being and encouraging the discipline to rethink its main areas of interest economics may begin to be thought of as a human discipline interested in such matters as quality of life, cooperation, and equity (Strober 1994, p. 147). For institutionalists as well as for feminists, economies are societies’ organizations for provisioning, rather than a locus of an assumed universal rationality. Provisioning here is understood as a process of trying to assure culturally appropriate levels of food, housing, clothing and care (Mayhew 1999, p. 480). In order to achieve this, it is however necessary to use both perspectives jointly to work on better understanding of economic relations in society.

Conclusions

Economy as a sphere of social activity depends on institutions, and gender – a social construction of relations between men and women - is one of them. The two schools analyzed in the text – institutional and feminist economics – share the conviction that social institutions play a major role in shaping economic relations. There are more common features of two approaches:

- They recognize that knowledge is socially constructed;
- They postulate epistemological and methodological changes, like adding ethical dialectical reasoning, as supplementary to logical reasoning;
- Both schools consider power as a central force in the economy;
- They define economics as a science of social provisioning;
- Finally, they recognize the importance of the active role of the state in economy.

Feminist perspective to become meaningful in economics needs to make a difference in the analysis. One of possible ways of incorporating feminist perspective to economic analysis is to add it to institutional paradigm. Institutionalist preconceptions can serve as a useful methodological foundation for feminist analyses. For institutional economics adding gender to its inquiry is a consequence of grounding economic analysis on social institutions. Norms, values and believes associated with gender play a significant role when it comes to economic activity by men and women. The division of labour based on gender, that make women responsible for a reproductive sphere appears to be the main cause of inequality. Bringing the two perspectives together could help to understand economic relations better, as well as to design effective economic policies.
Literature:


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