

Methodological individualism and methodological institutionalism

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Outline

- *Methodological individualism* as a core principle of mainstream economics.
- *Methodological holism* in institutional studies
- *Institutional individualism* as a middle way (Agassi, 1975; Toboso, 1995, 2001, 2008).
- Methodological institutionalisms (Keizer, 2007; Kirdina, 2013) as a possible core principle of heterodox economics?

Methodological *individualism* as a core principle of mainstream economics.

- Methodological individualism "assumes an explanation of the social and economic phenomena in terms of individual behavior" (Lukes, 1973, Hodgson, 2003, 2007).
- Methodological individualism is a base of "neoclassical synthesis" (Samuelson, 1967) and "new neoclassical synthesis" (Woodford, 2009).

Methodological individualism and methodological holism

- Methodological holism (Gruchy, 1947 ; Rutherford, 1989) usually is considered as an alternative to methodological individualism. Is it really fair?
- The principle of methodological holism is the **epistemological** philosophical precondition which is being investigating since Aristotle (the IV century BC) and reflects an idea that "the whole is more than sum of its parts".
- Its **epistemological alternative is** a reductionism ("the whole is understood as a set of primary elements forming it")
- A reductionism is expressed in economics as methodological individualism.
- As for methodological holism, in economics it was still used "directly", without specification.

Institutional individualism as a middle way

- Institutional individualism (Agassi, 1960, 1975; Jarvie, 1972; Toboso, 1995, 2001, 2008).
- If we summarize views of institutional individualism supporters, we see that they are still focused on the analysis of human interactions in institutional environment where "macroeconomic effects have to be presented as a result of interaction of certain actors within existing institutions" (Polterovich, 2011)
- I agree with Jarvie that institutional individualism is a more wide version of methodological individualism and it is still keeping "an explanation of the social and economic phenomena in terms of individual behavior".

Methodological institutionalism as holism in economics.

- The integrity of economic systems is provided with structures of institutions. Therefore realization of holism in economics could be presented by methodological institutionalism.
- Methodological institutionalism means an explanation of the social and economic phenomena in terms of functioning and change of institutional structure.



Metaphor of institutions

- Metaphorically, institutions in society can be presented as power lines of an electromagnetic field. Interaction between the moving particles is carried out by means of a magnetic field.
- Similarly, interactions of actors are carried out by institutions ("power institutional lines").

Examples of methodological institutionalism

- Eucken W. (1939). Die Grundlagen der Nationalökonomie. Jena: Gustav Fischer.
- Eucken W. (1965). Grundsätze der Wirtschaftspolitik. Rowohlt: Reinbek.
- Polanyi K. (1957). The Economy as Instituted Process. / The Sociology of Economic Life. Mark Granovetter and Richard Swedberg (eds.). Boulder, CO: Westview Press.
- Kirdina S. (2013). New systemic institutional approach for comparative political and economic analysis. // Review of Radical Political Economy. September. Vol. 45. Number 3.

Methodological principles in the analysis of economic systems

10

- development of an universal and ideologically neutral language to describe different economic systems;
- definition of economic system as an institutional structure;
- holistic approach focused on the economic system as a whole not on the economic agents' behavior;
- institutional approach and the construction of the underlying structure of institutions (*the morphology* in term by W. Eucken), forming the basement of economic systems;
- comparative and typological analysis, based on the underlying structure of institutions;
- hermeneutic methodology, which results in elaborating of “ordoliberal orders” (W. Eucken) or “modes of regulation” (according with Regulation theory) and understanding of the real-life economic systems as special cases of these orders or modes.

Question as conclusion

- Methodological institutionalisms (Keizer, 2007; Kirdina, 2013) could be a possible core principle of heterodox economics?

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**Thank you for
your attention!**

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