

From the mainstream economics research frontier towards critical institutional political economy

*Da fronteira de pesquisa econômica principal para
a economia política institucional crítica*

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RESUMO: O ataque das tradições da economia política à economia ortodoxa é dirigido aos pilares que sustentam sua filosofia política e ao cerne de sua metodologia dedutiva e individualista. Esta crítica desafia a atual fronteira de pesquisa econômica dominante, que inclui as noções de ‘nova’ economia institucional, entre outras. Recordando a tradição conhecida como ‘Outro Cânone’, este artigo critica essas teorias e resgata os principais argumentos de uma agenda de economia política institucional verdadeiramente crítica, baseada no papel significativo da história na análise econômica e social, na metodologia indutiva e na ênfase em relações de poder e conflitos de interesse.

PALAVRAS-CHAVE: Outro cânone; pós-capitalismo; crises econômicas; métodos dedutivistas; institucionalismo crítico.

ABSTRACT: The attack of the traditions of political economy upon the orthodox economics is directed at the pillars supporting its political philosophy and at the core of its deductive and individualist methodology. This criticism challenges the current mainstream economics research frontier, which includes the notions of ‘new’ institutional economics, among others. Recalling the tradition known as the ‘Other Canon’, this article criticises these theories and reclaims the principal arguments of a real critical institutional political economy agenda, based on the significant role of history in economic and social analysis, the inductive methodology and the emphasis on power relationships and interest conflicts.

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INTRODUCTION

The failure of mainstream economics theories to address the problem of the economic crisis and the rising interest since the 1990s in institutional political frameworks on development are favouring the emergence of new economic approaches which try to confront conventional economics. These include what some authors have catalogued as current mainstream research frontiers in economics (Colander et al., 2004; Davis 2008): ‘new’ institutional economics, political economy of development, behavioural economics, evolutionary game theory and neuroeconomics, among others.

For some authors, despite methodological differences, the analyses of these ‘new’ approaches are limited by their subscription to the political and moral philosophy of neoclassical economics (Chang 2011; Grindle 2007). Criticism of these approaches reaches the core of their deductive and individualist methodology. This article argues that this literature, which emerged in the ‘end of history’ period (‘A Time of Wolves’ in Reinert’s words, 2007), does not seek to be a realistic theoretical framework distinct from and opposed to the dominant economic paradigm. These approaches, as well neoclassical economics, cannot address the problem of the current capitalism crisis. In this scenario, it is essential to assume a more holistic framework that extends the time and spatial context for the analysis and adds factors such as ideology, culture, history, colonisation, power and conflicts of interest.

The objectives of this article are twofold: Firsth, to criticise the new frontiers’ inability to provide adequate solutions to the crises of capitalism. Secondly, to recover from the 1970s the institutional dimensions of ‘reality economics’ (also known as the ‘Other Canon’, see Reinert and Daastøl 2004; Reinert 2007; Reinert et al., 2016) based on the significant role of history in economic and social analysis, the inductive methodology, the emphasis on power relationships and interest conflicts, and the analyses of capitalisms. In speaking of institutional dimensions, we refer to three types of institutional literature: (1) institutional political economy (IPE) classified by some authors as the only explicitly institutional (García-Quero 2013; García-Quero and López 2016); (2) the regulation theory (RT) that appeared in France with the publication of Aglietta’s *A Theory of Capitalist Regulation* (1976) and (3) the radical institutionalism (RI) of Thorstein Veblen (see Sherman 1986; Dugger 1988).

While the first approach (IPE) seeks to refute the current orthodoxy, especially in the development field, through historical analysis and particularly the history of economic and social policy (see Chang 2002, 2007; Reinert et al., 2016; Woo 2007), the second and the third theoretical frameworks (RT and RI) offer new

insights for studying the long-run course of capital accumulation by analysing it in relation to a set of social institutions which affect that process (Lipietz 1986; Boyer 1986). Unlike the mainstream, these approaches could provide an alternative framework—critical institutional political economy—to the vision of orthodox economics (including mainstream frontiers) based on a different conception of ethics, economics, human agency, policy, state, market, and institutional change.¹

The article is structured as follows. First section establishes the current theoretical controversy regarding the Critical Institutional Political Economy and the new mainstream economics research frontiers (NMEF), particularly with the ‘new’ institutional economics (NIE) whose most notable representatives are Ronald Coase, Douglas North and Oliver Williamson, and the ‘new’ political economy of development (NPED) which is presented in the works of Daron Acemoglu, James Robinson or Robert Bates.² Second section presents the background and principal arguments of the IPE, RT, and RI approaches until present. Third section focuses on the change that a real critical and alternative agenda, what we call Critical Institutional Political Economy (CIPE) in this article, would bring about today. Finally, conclusions are presented, and a future line of research is proposed in fourth section.

BEYOND THE NEW FRONTIERS

The attack on orthodox economics, including NMEF, by authors such as Erik Reinert, Steve Keen, Daniel Ankarloo, Ha-Joon Chang and Peter Evans, among others, is directed at the pillars of its political and moral philosophy (the doctrinal liberalism of the Austrian school) and reaches the heart of the deductive and individualist methodology of neoclassical economics (Hodgson 1998; Pejovich 1999; Kilpinen 2004).

Portes (2007) and Velasco e Cruz (2003) emphasised that the progress of neo-institutionalist analysis has only resulted in the abandonment of some of the unrealistic assumptions of neoclassical economics (‘bounded’ rationality, ‘institutional’ individualism) but the individual still is the basic unit, his motivations (preference functions) are given, and a social framework is assumed that governs interaction. New institutional economic (NIE) identifies institutions as ‘rules of the game’ or ‘restrictions which men impose on human interaction’, and it is maintained that these determine the volume of the transaction costs and the possibilities for economic performance (North 1990, 2005). From this perspective, institutions are reduced to a choice made by rational or semi-rational individuals. Institutions

¹ Castiglioni Lopes (2016) also analyse an institutional theoretical proposal call “New Developmentalism” throughout the French Regulation School, Veblen’s institutionalism and the Neo-Schumpeterian Approach.

² In this article we focus the criticisms on NIE and NPED, however, as can be seen at the end of first section, they are also applicable to behavioural economics and neuroeconomics.

sanction or reward individual behaviour, but do not change the motivation itself. The origin of institutions, such as the company, the market, or the state, is explained by a 'state of nature' free from institutions in which rational individuals make their decisions. NIE establishes a unidirectional causation from individuals to institutions (an 'ascendant causality' in the words of Hodgson) and institutional change would entail a shift in the rules which constrain or encourage social behaviours (Levi 1988).

New political economy of development (NPED) forgets the two conditions that enabled the creation of the modern state: the military imperative and the economic imperative (López Castellano 2012). Its explanation of development is ahistorical, because the ability to gain political legitimacy and establish fiscal and administrative mechanisms was achieved relatively recently and many of the institutions that NPED considers 'good institutions' (democratic systems, bureaucracy and effective legal power free from corruption, protection of property rights, financial institutions, taxation systems and social security) were the consequence rather than the cause of industrialisation (Reinert 1995, 2007; Chang 2002; García-Quero and López Castellano 2011). Chang (2018) has catalogued this type of argument as 'anything but policy' (ABP discourse) and identifies serious problems with ABP discourse (Chang, 2018: 85-86): (1) the nature of explanatory 'structural' non-policy factors (institutions, type of colonisation, culture, climate, natural resources, geography) is poorly understood; (2) the theories underlying the explanations are formulated very simplistically; (3) empirical facts are largely misrepresented and (4) there is much conflicting evidence on the supposed relationship between structural factors and economic performance.

Like neoclassical economics, NMEF focus on a problem of efficiency and choice and study how to use scarce resources to act in an optimal manner, that is, to choose the option that minimises costs and maximises results. These approaches interpret that economics is a science which examines human behaviour as a relationship between specific ends and scarce means that have alternative uses to choose from (for an original definition of economics as a science of choice, see Robbins 1932: 16). NMEF are based on the subjective theory of value and the analytical notion of marginal utility. Thus, economics became specialised knowledge, a technical tool of analysis whose curriculum was independent of the moral sciences. NMEF provide no theory of extraction, accumulation, reproduction, or distribution at all and present a very partial theory of production, one which abstracts from the social relations of production in favour of market relations.

The conditions that permit economics to provide scientific knowledge are those that enable fulfilling the economic approach of the general equilibrium theory (García-Quero and Ollero 2015). On the one hand, the analysis rests on the individual action of agents rather than collective action as in the classical analysis. The aggregate sum of agents' individual decisions is a social mechanism to coordinate individual choices that lead to social equilibrium. Social phenomena are explained according to individual choices that lead to equilibrium (methodological individualism). On the other hand, agents are expected to behave rationally (or bounded rationally in NIE), so every opportunity for improvement that arises is taken advantage of.

Individuals' behaviour is guided by maximising their stable individual preferences, their individual utility functions. This type of behaviour interprets the conduct of the agents as if they were homo economicus (or semi-homo economicus) acting under a maximising criterion in a self-interested manner. It is a model based on a perfect instrumental rationality (or irrationality in behavioural economics) which shifts attention to the allocation of resources. The economic problem is reduced to a problem of the optimal allocation of scarce resources by rational or irrational individuals. Bresser-Pereira (2009, 2012) maintains that neoclassical economics attempted to achieve models from a few initial radical conditions in order to build a mathematical science but wrongly adopted the hypothetical-deductive method, thus forsaking consistency for criteria of correspondence and predictability.

Although NMEF imply a gradual easing of some of the neoclassical axioms ('limited' rationality, 'irrational decisions', 'institutional' individualism, semi-homo economicus), and have adopted a more pluralistic and interdisciplinary approach (see Colander 2011), their theories still do not imply a true break with neoclassical economics. Thus, NMEF continue to make mistakes without achieving significant improvements in economic performances. Toye (1987) attributes the incorporation of game theory and rational choice to a defensive attitude of orthodox theory. Behavioural economics method represents a change of degree rather than the introduction of a new type of economic interpretation. Both, as well as neuroeconomics and NMEF, are unable to capture the main changes in economic and social structures and their discourses are serving as 'justifications' for the failed orthodox economic policies. Furthermore, by restricting the analysis to the interaction of exogenously given individual preferences, as well as individual abilities and characteristics, NMEF formally exclude the relevance of class, class conflict, social history, and systemic analysis in the explanation of socio-economic phenomena.

A more nuanced and wider look is needed if we are to draw on the valid ideas contained in NMEF's arguments and enhance our understanding of the development process. In this regard, the intellectual legacy of several traditions of political economic thought, such as Marx's critical work, the German Historical School, and the roots of (old) American institutional economics brought to the current economic discussion by institutional political economy (IPE), regulation theory (RT) and radical institutionalism (RI), could help us to go further in our analysis.

TWO INSTITUTIONAL DIMENSIONS OF AN ONGOING PROJECT

Three critiques of NMEF are presented below that are explicitly institutionalist and conceive of the economy in a historical, social, and political context: IPE, RT and RE. The first, institutional political economy, questions the interpretation of the problems of conventional economy of development and proposes seeking permanent historical guidelines, building theories to explain them, and applying these theories to contemporary problems, while at that same taking into account changes in technological, institutional and political circumstances (Chang 2002).

As for the last two, the Regulation School and American radical institutionalism, their objective is to explain long-term patterns of capital accumulation by analysing the relationship between the accumulation process and a set of institutions or ‘structural forms’ (Kotz 1994).³ With the purpose of drawing conclusions about possible future trends, we briefly examine their analytical contributions with respect to NMEF in order to understand capitalist dynamics.

Institutional political economy (IPE): the history of economic and social policy

The failure of conventional theories to address problems of development and the growing interest in institutions has favoured the recovery of a traditionally ignored economics literature (Rutherford 2001). IPE rejects the methodological assumptions of neoclassical analysis, such as instrumental rationality, methodological individualism, the *ceteris paribus* clause, voluntary exchange, or the individual welfare criterion.⁴ The IPE project faces a double challenge. On the one hand, it must overcome the conventional view of institutions as ‘restrictions’, while on the other it must offer a more systematic and general explanation of institutional change. IPE is a political economy approach because it emphasises the role of political elements in determining public policies and ‘institutionalist’ because it reaffirms the role of institutions that affect human actions.

IPE is part of a tradition in political economy that has been ignored since the mid-nineteenth century and whose objective is to replace the current abstraction and static approach for a holistic and dynamic world view by refuting the current orthodoxy through historical analysis, particularly the history of economic and social policy (Reinert 2007; López and García-Quero 2012, 2013; García-Quero and López Castellano, 2016). Reinert (2007, 2016; Reinert et al., 2016) places the beginning of this approach in the Italian Renaissance of the late fourteenth century with authors such as Leonardo Bruni (1369-1444), Giovanni Botero (1544-1617) and Antonio Serra (15th century). The list of authors who in the past created the theoretical arsenal which served as the basis of economic policy is very extensive and diverse: Karl Marx, Thorstein Veblen, Joseph Schumpeter, Karl Polanyi and Herbert Simon, among others. Recent developments in this institutionalist approach by Burlamaqui, Hodgson, Lazonick, Evans, Rutherford and Toye seek to generate

³ These approaches would be part of what Bresser-Pereira (2009) has described as ‘substantive economics’, which use a historical, abductive, deductive, and inductive method to understand and explain economic systems, as well as to predict their developments, distribution properties and influences through economic policy. For an in-depth analysis of these issues and of the differences between economic methods and models, see Bresser-Pereira (2009, 2012, 2018).

⁴ See López Castellano and García-Quero (2012) for a discussion about the discordant approach between NIE and IPE with respect to the nature of institutions, the role of the state, the historical or path-dependent nature of development and institutional quality for economic performance. García-Quero (2013) and García-Quero and López Castellano (2016) provide an approximation of IPE and suggest a classification and an interpretation of institutions that incorporates the perspectives of its main figures.

an analysis that broadens the conventional view of institutions as ‘restrictions’ and to offer a more systematic and comprehensive explanation of institutional change (Chang and Evans 2005). The former requires an acceptance that institutions shape the interests and world views of economic actors. The latter, that institutional change involves a transformation of the world views underlying institutional structures.

IPE shares insight, analysis and methods of original institutionalism, the German historical school and evolutionist or Schumpeterian economics. From old institutionalism, extended with the works of John K. Galbraith and Gunnar Myrdal, and the recent studies of Geoffrey Hodgson and William Kapp, IPE places emphasis on studying the structure and operation of economic systems and processes, its interdisciplinary aptitude, and the use of historical and comparative empirical material (Hodgson 1998, 2001, 2006). This view moves away from ‘the mechanics of interest and utility’ defended by Jevons (Kapp 1968). Veblen criticised the idea of equilibrium, the utilitarian individual, and the methodological individualism of neoclassical and marginalist economics. From a Marxist vision, IPE understands society as a complex dynamic system, as a dialectically structured totality in which the economic base and the ideological superstructure are interrelated and influence each other (Marx 1859). This crucial point establishes a common theoretical foundation for Marxism and IPE (García-Quero and Ollero-Perán 2015). From the Historical School, IPE draws its criticism of abstraction and the deductive method of classical and marginalist methodology, its commitment to historical and statistical analysis, its rejection of laissez-faire and the idea of individual interest as a regulator of economic action. Both IPE and the Historical School established the idea of the specificity of economic phenomena and the need for economic theory to be more sensitive to the diversity of historical and geographical situations in economic and social life. IPE also shares Schmoller’s idea of an interventionist state in a social regard as a guarantor of the principle of redistributive justice (Priddat 2004). From the Schumpeterian evolutionary view subsequently expanded by Simon, Nelson and Winter and Reinert, IPE adopts the argument that innovation is a fundamental element of economic development (Lazonick 1991).

These three theoretical roots are closely linked. Veblen, who criticised the methodological holism of historicists and the more schematic versions of Marx, proposed methodological dualism, which recognises a reciprocal causal relationship between individuals and the institutional environment (Hodgson 1998; Galbraith 1987; Mayhew 1989; Rutherford 1989). This is where the philosophical proposals of Hegel and Marx and the holistic view of historicism, both brought to the economic field by Veblen, connects with the philosophical proposals of IPE. The historicists, as Menger called them, exerted a great influence on the development of economic theory in the United States, especially in Veblen and Commons. The influence of Schmoller and Sombart on Schumpeter is also evident (Ebner 2000). In the late nineteenth century, the interaction between North American and German thinkers, which had begun with List, continued with the teachings of Knies on John Bates Clark and Richard Ely (Hodgson 2001). The American Economic Association, founded in 1885, reflected in its statutes the importance of historical and statistical

study in the resolution of social questions. These ideas were inspired by the Verein für Sozialpolitik founded by Schmoller in 1872, which endorsed Bismarck's reforms in social legislation. Mitchell played a large role in the development of national income accounting and Commons collaborated with Roosevelt's New Deal (Colander and Landreth 1996; Backhouse 2004).

Regulation theory (RT) and radical institutionalism (RI): a theoretical framework for studying the long-run course of capital accumulation

While IPE mainly centres on a historical analysis, RT and RE offer theoretical frameworks for studying the long-run course of capital accumulation by analysing it in relation to a set of social institutions which affect that process (Lipietz 1986; Boyer 1986, 2016).

• The 'regulationist approach'

The Regulation School, or 'regulationist approach' (Jessop 1990), is framed in the field of political economy and, especially, in evolutionary or institutional economics, which implies jointly analysing political and economic issues in which the articulations among production, consumption and the state stand out (Boyer 1986; Jessop 2001). The regulationists emerged with the social upheaval of France in the late 1960s and early 1970s, and with the onset of the crises of capitalism. The foundational milestone of the approach is linked to the publication of M. Aglietta's book *Régulation et crises du capitalisme* (1976) and, at present, this school of thought is associated with Aglietta himself, as well as R. Boyer, A. Lipietz and B. Coriat.

From a theoretical viewpoint, the regulationist approach is the product of a critical reading of several currents of thought: the work of Karl Marx, the Annales historical school, the macroeconomic theories of Keynes, Kalecki and the post-Keynesian authors, and the 'old' American institutionalism (Boyer 1986: 48, 2011: 13). From the Annales historical school (Fernand Braudel, Ernest Labrousse and Georges Duby), they reclaim the need for an interdisciplinary approach that links economics with sociology and history. From the original North American institutionalism, they recover the importance of institutional forms, understood as codifications that tend to stabilise individual and collective patterns of action. As far as macroeconomic theory is concerned, they start from Kaleckian analyses, which represent the missing link between Marx and Keynes (Lipietz 2001) and set the foundations for a 'renewed macroeconomics' (Boyer 1986: 28). Finally, they adopt Karl Polanyi's idea of the economy as an institutionalised process that is embedded in economic, political, and cultural institutions (Polanyi 1944).

From a methodological perspective, they question the abstraction of much of the existing economic theory, and the weak link between theory and empirical analysis as a result of the use of hypothetical-deductive methods (Boyer 1986: 127). Faced with neoclassical theory, the regulationist approach posits a key idea: the capitalist accumulation process is not self-regulating but needs an institutional

framework that guarantees its stable reproduction over time, that is, a set of institutions that act as mediation mechanisms, giving macroeconomic coherence to decentralised production and consumption decisions (Aglietta and Cartelier 1998; Lipietz 1988). For Boyer (2003), in a clear response to the conventional theory, the accumulation regime cannot be analysed outside the institutions.

Based on Marx's concept of mode of production and assuming that the capitalist accumulation process is not self-regulating, RT attempts to characterise the particular configurations of the social relations of production and exchange that allow reproducing the necessary material conditions for society to exist. In this sense, they reject that the capitalist mode of production can be understood in terms of a set of invariable laws from its birth until it is overcome. The history of capitalism would correspond to a succession of different phases characterised by certain historically developed structural forms as a result of political and social conflicts (Brenner 2003; Lordon 2003: 113).

RT employs the concept of 'accumulation regime' as the way in which the social product is systematically produced and distributed, thus ensuring the reproduction of production conditions and final consumption (Boyer and Saillard 1995: 201). The school distinguishes two accumulation regimes: (1) the extensive accumulation regime, which is based on seeking a larger scale of production with constant productive norms and focuses on the productive goods sector; and (2) the intensive accumulation regime, which is based on the reorganisation and mechanisation of labour and the production of consumer goods. Each of these accumulation regimes is grounded in a model of labour organisation or technological paradigm and distinguishes between Taylorism and Fordism. Taylorism introduces the social division of labour in sweatshops and separates conception from execution. Fordism deepens the division of labour through the introduction of assembly lines, which result in increased productivity and a greater use of economies of scale.

Both accumulation regimes (extensive and intensive) and labour organisation models (Taylorism and Fordism) are developed in a particular 'mode of regulation'. RT understands mode of regulation to be the set of mediations that guarantee that the distortions generated by the process of capital accumulation do not destabilise the system and put social cohesion at risk (Aglietta 1976: 412). According to Boyer (1986), the mode of regulation tends to achieve a certain equilibrium between the transformation of production conditions (volume of capital employed, distribution among branches, production norms) and the transformation of the conditions of final consumption (consumption norms of wage earners and of other social classes, public expenditure). Modes of regulation correspond to historical moments and determined spaces and are composed of a set of institutional or structural forms (explicit or implicit laws, rules and norms, conventions and common value systems) that guide collective and individual behaviour (Boyer 2007: 63).

In the capitalist mode of production, the main institutional forms that make up the mode of regulation are the wage ratio, monetary regime, role of the state, competition, and international regime. Accordingly, two modes of regulation can be differentiated: 'the mode of competitive regulation' and 'the mode of develop-

ment'. The first is characterised by an a posteriori adjustment of production and wages according to prices that is very sensitive to demand conditions and by a strict monetary discipline; the monopolistic regulation mode is defined by the scientific management of work, an oligopolistic system of price fixing and the social regulation of the mode of consumption. The second designates the whole regime of accumulation and the mode of regulation (Boyer and Saillard, 1995: 208). The history of capitalism allows to distinguish three modes of development according to different combinations: a mode of competitive regulation with an extensive accumulation regime that was in force for much of the nineteenth century; a mode of development that combined an intensive accumulation regime and a mode of competitive regulation resulting in the severe structural crisis of over-investment and under-consumption of the interwar period and, finally, Fordism, which reached its peak in the post-World War II period in the Western world and gave rise to a golden age of stability and growth (1945–1970). The combination of intensive accumulation and monopolistic regulation significantly increased productivity, which prevented the fall in profitability (valorisation crisis), and led to a growth in purchasing power, which prevented insufficient demand (realisation crisis).

• Radical institutionalism

Another analytical response to the crisis came from radical political economics, a theoretical correlate on the other side of the Atlantic of the Regulationist School (Guerrero 1997). The movement emerged in 1968 in the Harvard Economics Department as a reaction and an alternative to the neoclassical economy, which they described as a belief system that justified the status quo by defending the capitalist system (Gordon, Edwards, and Reich 1982). The radical paradigm aimed to rethink the structure of economic theory and its relation with empirical studies and other disciplines to lend it an interdisciplinary character and construct a coherent analytical framework that contributed to the formation of a progressive political movement in the United States (Gordon 1992, quoted in Bowles and Weisskopf 1998: 43). Bowles and Edwards defended the ascription of the movement to the noble lineage of 'political economics', to which the classics, the institutionalists, the Marxists Sweezy, Kalecki and Hobsbawm, the economists of Cambridge Sraffa and Robinson and, above all, Marx, Schumpeter and Keynes contributed (Bowles and Edwards 1985; Gordon 1994). In the first authentically 'radical' phase they spoke of putting an end to capitalism (Bowles 1974: 477, 480-81); years later they went from radically changing the capitalist system in an attempt to get to the root of the phenomena they were setting out to analyse (Reich, 1993, 1997).

The main analytical contribution of the theorists of the so-called radical political economics was the notion of social structure of accumulation (SSA). SSA intended to describe the institutional requirements that satisfy the process of capital accumulation at each historical moment, that is, the rules of the game that regulate the generation of surplus and its reinvestment, from labour relations and the international monetary order to tax policies and the structure of educational

institutions. The SSA theory attempts to articulate the Marxist theory of accumulation with the long wave theory of capitalism in order to analyse the evolution of the capitalist mode of production from successive periods of institutional stability and instability. SSA is the set of ‘institutions that influence the accumulation process’, which means that for this process to work in a stable and predictable way, an institutional structure is necessary, understood as the set of institutions—beliefs, formal or informal norms and generally accepted practices—interrelated in multiple ways that form a cohesive and interdependent whole (Gordon, Edwards and Reich 1982: 23). The main institutions that make up a social structure of accumulation are capital-labour relations, particularly the organisation of labour and labour relations; capital relations, including forms of competition and corporate governance; financial institutions; the role of government; international relations and institutions and the dominant political coalitions (Reich 2006: 59).

Cycles of capitalism, that is, periods of expansion followed by stagnation, are explained by ‘the successive creation and then collapse of sets of growth-promoting institutions’ (Kotz 1994: 51; McDonough, 1994). Changes from one SSA to another occur when the social structure shaped by the set of institutions that drove growth enters into crisis, because the development of productive and social forces and the inherent contradictions of capitalism slow down the process of accumulation. Crisis is conceived as a period of instability that requires institutional reconstruction to renew growth and stability and gives rise to a new social structure of accumulation (Wolfson, 2003). For Kotz (2006), changes are only initially required in some of the old key institutions to progressively steer the new SSA.

Depending on the relations of the production and reinvestment of surplus, two general types of SSAs have been proposed: regulated SSA and liberal SSA. The regulated SSA is characterised by the following features: a balance between capital and labour, which prevents underconsumption and a drop in profits; peaceful co-existence among large companies; intense regulatory activity by the state; a highly developed welfare state and a dominant ideology that favours the ‘mixed’ regulation of the economy. The liberal SSA is characterised by the domination of capital over labour, strong competition among capitalists, reduced state intervention in the economy and the presence of an individualistic ideology. In the liberal SSA, accumulation rates are weak because low wages and low public spending reduce aggregate demand in the long run, diminish the impact of automatic stabilisers, increase speculative activity, and make the system more financially vulnerable (Wolfson 2003; Kotz 2003, 2006; Wolfson and Kotz 2011).

This typology explains the crisis of the 1970s in terms of transition from the SSA created after the World War II to the neoliberal one, initially promoted by the governments of the United States and England, and finally implemented in the 1980s (Kotz 2008). McDonough (2011) prefers to speak of a globalised structure characterised by the freedom of movement of capital, the drastic reduction in the regulatory function of the state, the privatisation of public enterprises, cutbacks in social programmes, a more regressive tax structure, changes in the relationship among capital and labour and free competition. The labour market becomes more

flexible and financial institutions no longer play an intermediary and supporting role in the accumulation process of the previous SSA in favour of the financial activity itself (Kotz 2008: 4-7).⁵

BUILDING A CRITICAL INSTITUTIONAL POLITICAL ECONOMY AGENDA (CIPE)⁶

The consolidation of a CIPE agenda requires returning to a holistic and dynamic world view and clarifying the connections between the several sources of inspiration of IPE, RT and RE to achieve a solid theoretical framework for futures studies. Building a CIPE agenda may be regarded as the product of a dialectical process (Stilwell, 2019). The commitment to multidisciplinary and the high degree of theoretical openness do not prevent the CIPE agenda from being based on some widely shared tenets as follows. Firstly, the rejection of the methodological assumptions of neoclassical analysis, such as instrumental rationality (*homo economicus*), methodological individualism, the *ceteris paribus* clause, the notion of external economies, voluntary exchange, or the individual welfare criterion. Secondly, a long-distance view that globally analyses the profound transformation of the capitalist system in terms of modes of regulation (competitive and of development), regulation regimes (extensive and intensive) and models of labour organisation (Taylorism and Fordism). Thirdly, the negation of the existence of general theories and support for the construction of approximation guides for specific problems in particular contexts derived from institutional and historical studies. The idea is to accumulate real knowledge and experience that enable the creation of synergies, connections, interdependencies and symbioses with other fields and within economic systems, thus allowing the qualitative differences among different economic activities to be identified. Furthermore, the agenda must be based on alternative, common pillars to those of NMEF, a different concept of human agency, institutions

⁵ These changes led to the reformulation of the original social structures of accumulation concept in the 1990s and it was even suggested that the idea of ‘social structure of accumulation’ be replaced with ‘institutional structure’ (Kotz 2006), understood as the set of institutions that temporarily stabilise the contradictions of capitalist accumulation (Wolfson and Kotz 2011: 80). Reinvestment conditions are considered to depend on the structure of these institutions and it is admitted that the surplus can be channelled towards accumulation or financial investment.

⁶ Following Stilwell’s recommendation (2015, 2016), we use the term ‘political economy’ for several reasons: the economy is conceived as an open and dynamic system that emphasises process rather than equilibrium; special emphasis is put on habits, institutions (their origin and evolution), power relationships and interest conflicts; the system is interpreted as a whole, in which institutions cannot dissociate themselves from the gradual and historical process of economic change; and ethical issues are placed at the forefront of the economic debate. We add the adjective ‘institutional’ to distinguish this alternative approach from the NPED presented in first section. Finally, by ‘critical’ we refer to questioning the validity of what is usually presented as rational with a view to clearing the way for research to move forward on firmer basic principles.

and institutional change based on custom which is more powerful than that of neoclassical theory and a reconstruction of distorted historical experiences (Reinert 2007). From this agenda emerges an idea of social value that differs from *laissez-faire*, which incorporates the ‘improvement of the human condition’ (Veblen 1900), the ‘attainment of a reasonable society’ (Commons 1936) and the concept of equality (Myrdal 1973). This entails a different role for policymakers and politics.

CIPE’s interpretation of the role adopted by the state and politics in countries’ performances is very different from the perspectives that commonly dominate economic thinking: welfare economics, neoclassical economics and NMEF. Welfare economics justifies state intervention in economic activity in order to rectify market failures that lead it away from a socially efficient optimum. Neoclassical economics criticises the former for being based on a utilitarian vision that sacrifices individual liberty at the cost of economic efficiency (Buchanan 1986). From this perspective, individual liberty is what leads man to create efficient institutions (‘constructive rationalism’, Hayek 1944) and any state intervention, regardless of its nature, is doomed to failure due to the cost problems of information, organisational inefficiency, uncertainty, rent-seeking, etc. (Alt and Sheple 1990). In short, state intervention would be at the service of particular interests of political groups, and is hence classified as immoral, damaging and corrupt, while the market is the only desirable and *spontaneous* arrangement (Burton 1983).

From the theoretical standpoint of CIPE and its view of institutions and institutional change, there is no empirical comparison that strongly demonstrates that state intervention is inefficient, corrupt or damaging. On the contrary, it affirms that many findings indeed show state interventions that are efficient and positive for the economy and for the improvement of individual liberties.⁷ CIPE, refuting the Austrian argument, uses historical evidence to show that state interventions have played a necessary role in the construction of markets (Schmoller 1884; Reinert 2007). For CIPE, the apparent spontaneity of the market is not real and its construction requires states to play an active role.⁸ As regards the argument on the corruption of states, corruption of the political class depends exclusively on the system of incentives produced by the environment and on the motivations and preferences of the politicians themselves, as can be shown (García-Quero and López Castellano 2016). Institutions govern the way in which political interests are organised, as well as the rules of operation (power hierarchy, electoral rules, behaviour of public officials, type of voting, etc.). According to this view, institutional change,

⁷ Reassessing the historical experiences of all the developed countries, the majority (US, UK, Japan, Germany, Belgium, Sweden, etc.) have achieved developed nation status through periods of strong state intervention (List 1883 [1837]; Reinert 1995; Chang 2002). What has certainly varied over time and space are the focus, degree and form of the intervention (‘institutional diversity of capitalism’; see Chang 1994).

⁸ The market is one of many ‘contextual’ institutions that make up capitalism and by means of which economic activity (productive resources, work and capital) are organised and distributed. The market is not the central axis of exchange, rather it is one more institution in an economic system set up by many others that interact and mutually modify each other (Polanyi 1944).

understood as the substitution of certain values for others, involves the modification of rules, the revision of established routines, the reconsideration of previous beliefs and values and the substitution of certain mental habits. The process of institutional change leads to real changes in the perception of situations and in the behaviour patterns of the social agents. Understanding institutional change in the history of capitalism also requires starting from this conception of institutions and institutional change. CIPE questions the idea of the existence of *good* institutions, highlighting the fact that the effectiveness of institutions and of institutional change depends on the balance between different institutions. First, what García-Quero refers to as ‘contextual’ institutions and ‘individualising’ ones (2013). Second, the institutional forms proposed by RT and RE: wage relations, monetary regime, the role of the state, competition and the international regime (RT) and beliefs, formal rules and generally accepted practices that are interrelated in multiple ways (RE).

This means that institutions cannot change or be transplanted by means of political action, ignoring the historical, political, and social framework of countries. Given that ‘contextual’ institutions differ according to the framework in which they operate, and that ‘individualising’ ones differ according to the individual, the outcomes of an institution of the same composition can be different (García-Quero, 2013). On the other hand, it is claimed that although institutions tend to perpetuate certain patterns of human interaction, political action has significant room to manoeuvre. Incentives structures that can be used to achieve particular objectives do not exist, rather they need to be created individually for each specific context. For CIPE, institutional change involves a transformation of the world views that underlie institutional structures (Chang and Evans 2005).

As we have seen, IPE, with some exceptions, does not link its Marxist and Veblenian theoretical roots to the field of development economics. On the contrary, studies in critical institutionalism (regulation theory and radical institutionalism) connect with both sources of inspiration. Future studies should clarify the main insights of these approaches to enable the progressive consolidation of the CIPE agenda.

CONCLUSIONS

The crisis triggered in 2008 has once again revealed the inability of conventional economics to solve the problems arising from a new regime of capitalist accumulation. The overconfidence of Keynesians such as Krugman, Stiglitz or Samuelson in the ‘myth’ of regulation, makes them forget that the state, the main policy architect, is powerless in the face of a systemic crisis (Katz 2010). As for the optimism sparked by NMEF, while containing some valid points, their discourses have largely served as ‘excuses’ for the failed orthodox economic policies (and the theories that back them) and, in the process, have actually prevented us from understanding the role of such non-policy factors properly (Chang 2018).

The dominant canon in economics, NMEF included despite its formalism, has

a reduced capacity to secure major changes in social and economic structures. NMEF's explanations presented in this article (first section) convert institutions into products of the rational or irrational choice of individuals. With the NMEF neoclassical economics, the monopoly on scientific economic authority still remains in the curricula of most economics' schools and research programmes, as well as in internationally renowned academic journals (Bourdieu 1999, 2000). Supported by technical knowledge and an emphasis on deductive mathematical modelling, NMEF have achieved an aura of neutrality and objectivity, thus isolating it from ethical discussion. The current challenge is to overcome this 'superficial' view through a broadly conceived institutional analysis that provides the theoretical foundations for restructuring globalisation.

The drift of the capitalist system and the growing dissatisfaction with conventional economics is a compelling argument for the restoration of the most valuable traditions of political economy, of critical institutionalism, and of the Historical School. As has been shown throughout this paper, there is no homogeneous alternative agenda, but rather a research programme made up of several critical approaches that must be developed and established over time. The conceptual and methodological contributions of the approaches presented in this work (IPE, RT and RE) are an excellent opportunity to look for ways to 'recast critical thinking' and move towards a critical institutional political economy agenda. This agenda must be supported by several basic pillars regarding human agency, economic policy and the role of institutions. Its gaze has to encompass the long-term patterns of capitalist accumulation and examine their linkages with a heterogeneous set of institutions: culture, ideology, values, politics, technology, wage relations, monetary regimes, and international regimes. The agenda must connect these questions, otherwise the results obtained would be biased and could change considerably in the face of institutional variation.

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