

HODGSON: AN INSTITUTION ACROSS DISCIPLINARY BARRIERS

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ABSTRACT

Hodgson is a scholar who has reflected a lifetime on the role, meaning and importance of institutions in and for the economy. In turn, he has also created 'Institutions'. The time seems ripe to celebrate his work. In this review essay we will first attempt to summarize the chapters of *Institutions and Evolution of Capitalism. Essays in Honour of Geoffrey M. Hodgson*, as well as to emphasize how the contributions to the book are situated in the vast horizon of Hodgson's thinking and/or how contributors engage with it. We will then hazard a few conclusive reflections drawing inspiration from Hodgson's remarks in the final chapter, where he links the problematic economic conceptions of man to rule-following behavior, as well as the problem of moral, legal and political obligation, and discusses the future of Institutional studies across disciplinary barriers.

Keywords: Geoffrey Hodgson, Institutional Economics, Evolutionary Economics, Economic Methodology, Capitalism.

JEL codes: A13, B40, B52, Y3.

1. HODGSON: AN INSTITUTION

1.1. It is difficult to know if Geoffrey Martin Hodgson could ever have imagined becoming an institution himself. Only someone or something like an institution can be worthy of *Fest* – 'Celebration', 'Memorial', 'Honour', 'Dedication'. We are talking about a *Festschrift: Institutions and Evolution of Capitalism. Essays in Honor of Geoffrey M. Hodgson*, edited by Francesca Gagliardi and David Gindis (Gagliardi and Gindis 2019a), two former PhD students of Hodgson – to whom they dedicated the book.

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Hodgson is a scholar who has reflected a lifetime on the role, meaning and importance of institutions in and for the economy, who in turn has created ‘Institutions’, such as the WINIR (World Interdisciplinary Network for Institutional Research) and the *Journal of Institutional Economics*, dedicated to the development and dissemination of thought. Perhaps due to a strange performative effect of Hodgson’s famous definition of Institutions (2006), or as an unintended effect of his action and thought, he happened to create a certain ‘shared habit of thought’, at least in the University or ‘Corporation’ of academics that can be considered one of the longest-lived institutions in history, after the Church.

Nevertheless, and again, it is difficult to know if Hodgson could have ever imagined that the ‘reflexivity’ of his thought could ‘flex’ to the point of falling on him.

What we do know for sure, however, is that he could not have imagined that the *curatori* (‘editors’) were preparing this *Festschrift* with great *cura* (‘care’)¹ and well in advance, so that the book’s flyer was ready as a gift and surprise for a very special *Fest*: his seventieth birthday.²

1.2. The ‘Corporation’ of academics who joined the editors in this engaging intellectual enterprise is made up of world-leading *scholars* from fields that have played a significant role in influencing Hodgson’s thought or represent key debates to which he has contributed. This book features original contributions from them, reflecting and shedding new light on key aspects of Hodgson’s thinking: institutional economics, evolutionary economics, economic methodology, the history of economic thought and social theory. The book is organized around the recurring themes of institutions, evolution and capitalism.

It is a vital read for all those interested in such themes, heterodox economists, scholars looking for interdisciplinary approaches to institutions, and anyone eager to learn or improve their understanding of current theory.

1.3. In section 2 of this review essay, we will first provide a summary of the contributions to the book and, at the same time, we will try to explain how they are placed in the vast horizon of Hodgson’s thinking and/or how contributors engage with it. Then, in section 3, we will hazard a few conclusive thoughts drawing inspiration from Hodgson’s reflections – in the last chapter of the book – on the problematic economic conception of

¹ In Italian, the expression “A cura di” (‘Edited by’) carries the nuances of ‘caring’ and ‘taking care of’.

² We thank Francesca Gagliardi and David Gindis for having told us the book’s ‘backstory’.

man and its connections with rule-following behavior, together with the problem of moral, legal and political obligation and their relationship with freedom. We will also address the developments of legal institutionalism and the future of interdisciplinary studies on institutions more generally.

2. INSTITUTIONS, EVOLUTION AND CAPITALISM: A READING GUIDE

2.1. The first part of the book, “Introduction”, opens with the essay entitled “Institutions and evolution of capitalism in Geoff Hodgson’s work” (Chapter 1) by Gagliardi and Gindis (2019). The introductory chapter aims mainly to explain the meaning of the celebration of Geoff Hodgson, present the themes around which the book is organized, and provide a summary of the various contributions to the *Festschrift*.

2.2. Part II deals with “Foundations”. This title refers to the foundations of institutional economics in Hodgson’s perspective. His work has contributed significantly to re-founding the discipline, discussing its current state and the chances for the future. In this regard, ever since his *Economics and Institutions: A Manifesto for a Modern Institutional Economics* (Hodgson 1988), if not earlier, Hodgson’s main publications have touched upon several of the discipline’s methodological and epistemological foundations. These works include *Darwin’s conjecture: The search for general principles of social and economic evolution* (Hodgson 2010), *How Economics Forgot History* (Hodgson 2001), and *Economics and Evolution: Bringing Life Back into Economics* (Hodgson 1993a).

The second part of the book opens with Sheila Dow’s essay (2019) on “Geoff Hodgson on pluralism and historical specificity” (Chapter 1). Human history has produced a variety of socio-economic systems. Given this indisputable historical and geographical variety, what legitimacy does the search for universal explanations and even universal methods have? How much generalization can we afford? These are old but never dormant philosophical and methodological questions, and are, in many respects, fundamental for the birth of Old Institutional Economics, to which Hodgson himself has dedicated many works, helping reinvigorate the debate. Dow focuses in particular on two of Hodgson’s fundamental contributions: his advocacy of pluralism (Hodgson 1997) and his concern with historical specificity (Hodgson 2001). Hodgson’s argument for specificity – which relies on a pluralist ontology – and the corresponding critique of excessive generalization do not entail denying generalization as such, and even less an endorsement of the postmodernism credo that ‘anything goes’. Economic explanations must rest on a combination of general and specific theories.

Dow then considers Hodgson's advocacy of methodological pluralism as based on an open-system ontology and a corresponding open system of knowledge. Such methodological pluralism, in connection with Hodgson's reading of Peirce's abductive methodology, is seen as fostering a range of approaches, which, in turn, foster new ideas for explanatory hypotheses.

In his "Mathematical modelling in economics: seeking a rationale" (Chapter 3), Tony Lawson (2019) welcomes Geoff Hodgson's (2012, 2013a) call for greater engagement and discussion among opposed opinions on the ability of mathematical economic models to explain reality, as well as to better inquire into "the inadequately explored middle ground between the unacceptable extremes of unreflecting worship and (at least expectational) denial of formal models and methods" (Hodgson, 2009a: 186). Lawson belongs to the 'skeptical' side of this spectrum of positions, and in this chapter he takes up some theses that have long distinguished him in this debate. Much of the methodological debate on the nature and usefulness of mathematical models in the economic sciences has focused on the problem of 'how' models, however unrealistic or based on false assumptions they may be, can provide explanations on causal relationships in the real world. However, these debates, questioning (only) the 'how' and not the 'whether', take for granted "that mathematical modeling does *add* to understanding" (Lawson 2019: 30). Lawson questions this assumption, arguing that "social reality is in a specific sense open, whereas methods of mathematical modelling are relevant only where closures of a corresponding sort occur or can be contrived. As such, mathematical modelling activities seem ill-suited to social analysis" (*ibid.*)

'Nature' and 'Economy' as well as their respective 'characters', Natural Sciences and Economic Sciences, have been married for centuries, and their relationship is far from over, as some believe. The way their story is usually told brings to mind the way the relationship between God and man is narrated in some versions of 'secularization'. One day 'someone' declared: "God is dead". The problem with this story is that God, far from being dead, continues to reappear in disguise almost everywhere. Philip Mirowski (2019), in "Disassembling nature, elusive economy" (Chapter 4) provides a historical-epistemological account of the relation between 'Nature' and 'Economy'. Those who claim that economics underwent a process of denaturalization in the second half of the nineteenth century following the breakdown of the theological conception of nature are wrong. "In economics, appropriations from the natural sciences did not screech to a halt around 1890; rather, models from Nature kept cascading throughout economics down to the present day" (*ibid.*: 47). Econophysics, neuroeconomics, evolutionary game theory are just a few examples of what should by contrast be called a real process of re-naturalization of economics. Though

“the very content of the terms ‘Economy’ and ‘Nature’ change drastically over time [...] it seems they have been jointly defining one another over centuries, in ways that become nearly impossible to prise apart” (*ibid.*: 47).

In “The rest of the resume: Veblen’s teaching and service activities” (Chapter 5), Charles Camic (2019) offers an intriguing narrative about the genesis and growth of Veblen’s theory by reconsidering both the content of his teaching and his service activities, with particular reference to his role as editor of the *Journal of Political Economy*. This chapter refutes the commonly held idea that investigating teaching and services is not needed in order to understand our predecessors’ contributions to economics. Camic’s investigation shows that Veblen includes the very same issues he was writing and thinking about in all his daily activities: in the courses he taught, in the scientific direction of JPE (*Journal of Political Economy*), and in his interaction with colleagues and students. Though this paper does not set out to discuss any particular aspect of Veblen’s thinking, it undoubtedly puts paid to the common idea that Veblen was an academic recluse, isolated from his colleagues and remote from his students, and it presents him as an active member of his community. Camic’s reading, therefore, offers a more complete picture of the founder of the Old Institutional School, as active in the world he was writing about; second, it suggests that any scholar’s contribution would be better understood if her studies and writings are investigated along with her teaching and service activities.

In his chapter on “Hodgson, cumulative causation and reflexive economic agents” (Chapter 6), John Davis (2019) starts from Hodgson’s critique of methodological individualism and its nexus with the Veblenian conception of individuals as evolving sets of habits as well as with the Veblenian agency-structure reasoning (Hodgson 1998, 2007, 2010). By drawing on this nexus of critique and concepts, Davis provides an account of what individuals must be in evolutionary settings that are explained in Veblenian cumulative causation terms and characterizes such agents as reflexive economic agents. In turn, by contrasting this type of agent with the standard expected utility agent conception, he argues that “in a cumulative causation world” – reframed by Davis in terms of both linear and circular causal relation – “the standard conception fails to explain choice behavior, its principle goal, whereas reflexive agent conceptions offer an adequate explanation of choice behavior appropriate to evolving worlds” (Davis 2009: 78).

2.3. Part III is devoted to “Institutional Economics” and includes essays that reflect on both Original Institutional Economics and New Institutional Economics. Hodgson has made a signal contribution to developing a modern and critical institutionalism that takes up Old Institutional Economics in the Veblenian tradition and expands its boundaries in dialogue with

other disciplines, in such works as his *Economics and Institutions: A Manifesto for a Modern Institutional Economics* (Hodgson 1988) and *The Evolution of Institutional Economics: Agency, Structure and Darwinism in American Institutionalism* (Hodgson 2004).

Part III opens with “Bridging Original and New Institutional Economics?” (Chapter 7) by John Groenewegen (2019). This paper takes its cue from Hodgson’s long discussion (dating back to 1988 but carrying on until the present) about the possibility or impossibility of building bridges between OIE and NIE. In line with Hodgson’s view, Groenewegen argues that substantial differences still remain between the various approaches to institutional economics. He describes these different approaches as lying along a continuum where different schools are often useful complements and can learn from each other (*ibid.*: 93). Differentiating between OIE and NIE, he says, is no longer useful at this point. We should focus on specific issues of interest for an institutionalist economist and have an open debate about the appropriateness of the different institutional theories. Groenewegen urges us to evaluate how well existing theories fit particular issues, as well as to question whether theories can be extended or replaced by new ones.

Claude Ménard (2019), in “Dimensionalizing institutions” (Chapter 8), reflects on the identities and differences between Hodgson and the New Institutional Economics (NIE). He puts forward two basic claims. First, although there are differences between Hodgson and the institutionalism associated with the Coase-North-Williamson tradition, Ménard maintains that a comparison of Hodgson’s definitions of institutions, markets and firms with those developed recently in this tradition shows that they have to do not so much with fundamental disagreements on substance, but rather with Hodgson’s differentiation strategy. Nonetheless, and secondly, one fundamental disagreement remains: it involves “Hodgson’s (2002) “rejection of the idea that “hybrids” are a class of organizations in their own right, and his neglect of the existence of and need for intermediate institutions” (Ménard 2019: 122). Ménard defines such “mesoinstitutions” as “subsidiary, intermediate institutional arrangements with a domain of action defined by general rules established at the macroinstitutional level and in charge of translating them into rules specific to a sector, a region, a type of activity, through identifiable mechanisms of implementation and control” (*ibid.*: 121). According to Ménard, Hodgson’s framework, because of this neglect of mesoinstitutions, provides a somewhat amputated picture of what modern capitalist systems are and how they work.

Among his various contributions to institutional economics, Hodgson has also provided insights into the theory of the firm, insisting, in particular, on the importance of the legal nature of the firm, and, in general, on the constitutive role of law for capitalism. Building on some of this work

(Hodgson, 2002, 2009b, 2015; Deakin *et al.* 2017), Simon Deakin's (2019) "Juridical ontology and the theory of the firm" (Chapter 9) provides an understanding of the nature of the corporation by exploring the ontology of the legal system. Deakin shows how and why the study of the patterns of legal thought or dogmatic legal knowledge – such as the concepts lawyers use to denote the firm in corporate law – can reveal aspects of economic institutions that are otherwise hard to grasp. In turn they also reveal something about the nature of law itself. More in particular, Deakin shows that the "evolution of juridical forms such as the corporation" is "the result of two conflicting pressures: on the one hand, to maintain internal consistency of legal thought, and on the other, to adjust the law to a changing external environment" (*ibid.*: 139). In this connection, the gradual recognition of various forms of entity shielding and the assignment of legal personality to durable, self-governing associational arrangements were driven not only by the long process of industrialization, but also by law's need to maintain internal, self-referential consistency, "without which the legal system would dissolve into a mass of undifferentiated commands" (*ibid.*: 139).

In "The corporation is not a nexus of contracts: it's an iPhone" (Chapter 10), Richard Langlois (2019) discusses the nature of corporations. This is one of the oldest issues in legal theory, and NIE contributed extensively to the discussion by claiming that the corporation is a form of cooperation among rights-holding individuals. By addressing the distinction between rights *in personam* (created by contracts) and rights *in rem* (created by law), the author moves away from the traditional description of the corporation as a set of contracts and suggests that a bottom-up theory of the corporate entity is still possible if we consider it as a right *in rem* that can be held by individuals (*ibid.*: 146). The idea is that the corporation is a mechanism through which owners exercise their rights. In this connection, corporations are far more complex forms of ownership than the Coasean tradition in Law and Economics argued, just as "an iPhone is a far more complicated device than a single-purpose cellphone" (*ibid.*: 152). This paper is an important step towards increasing dialogue between the analysis of economic institutions and legal categories and concepts.

In some of his recent contributions to the theory of property rights, Hodgson (2015a, 2015b) has claimed that economists have often confused possession with property and that capitalism can only be understood if we accept that, unlike possession, property is a social construct and a relation among individuals (Hodgson 2015c). Ugo Pagano (2019), in his "Property, possession and knowledge" (Chapter 11), develops these claims in new directions. The view that the struggle for possession can evolve into property has usually been explained by resorting to evolutionary game theory. Pagano's basic claim is that this view is unwarranted without a collective defi-

dition and enforcement of what is considered legitimate possession. This is even truer in the modern knowledge economy, where “intellectual property rights are sophisticated constructs of modern law. They cannot evolve from possession struggles because the possession of knowledge does not require the exclusion of others” (*ibid.*: 158). The case of intellectual property rights and the analysis of knowledge as a non-rival good lead Pagano to a second fundamental claim: “property rights do not only favor uncontested possession of rival goods, they can also define intangible things limiting the universal possession of non-rival goods” (*ibid.*: 159).

In “Near misses – a capitalist aborted take-off and a no-show: the United Provinces and Ming China” (Chapter 12), Andrew Tylecote (2019) takes Hodgson’s (2015) six-condition definition of capitalism and compares the different path of transformation into capitalism of the Anglo and Dutch economies and China in the transition between the Ming and early Qing Dynasties. Tylecote’s paper is particularly intriguing, as it shows that in both cases there were some historical factors that constrained capitalism. Through the use of history as a laboratory (Tylecote 2019: 179), the author substantiates the idea that the definition of capitalism is not a simplifying assumption, and the use of a general definition does not permit us to ignore important features of the context that are not included in the definition (Hodgson, 2016). Tylecote’s comparison leads him to argue that in both Europe and China the lack of a unified home market mattered, but was due to different historical factors. The nature of capitalism is an example of the importance of historical specificity in Hodgson’s approach. As he himself states in the last chapter of this book, “general considerations about all human societies cannot tell us anything specific about different forms of human society or different culture” (Gagliardi, Gindis, Hodgson 2019: 340).

The third part of the book concludes with “Institutions are neither autistic maximizers nor flocks of birds: self-organization, power and learning in human organizations” (Chapter 13), by Dosi, Marengo and Nuvolari (2019). In the authors’ intentions, it is more an outline of a research program than a research article. They aim to build common ground between the two “extreme boundaries” of the modern interpretations of the ‘primitives’ constituting the social fabrics of economic systems: on the one side, “nearly theological axiomatizations about human behaviour derived from simple invariant principles” and, on the opposite side, “purely ‘functionalist’ or holistic theories of collective dynamics” (*ibid.*: 194). The ‘primitives’ are either individuals or institutions: either institutions are derived from the choices of rational individuals with well-defined preferences, or individuals, including their choices, preferences and rationality, are derived from institutions. Similar ‘extreme’ explanations also exist for such key con-

cepts as power, authority and hierarchies, and range from the ‘economic’ or ‘exchange view’ of interactions and organizations to the ‘political view’. Such extremes are, almost by definition, reductionist, even though there are elements of truth in both perspectives. Hence the need for a research program establishing common ground between them: a research program inspired by “such founding fathers such as Adam Smith, Karl Marx, John Dewey, Max Weber, Thorstein Veblen, John R. Commons, all the way to Albert Hirschman, Herbert Simon, and a few others, recently rejuvenated by a generation of scholars featuring, among the prominent ones, Geoff Hodgson” (*ibid.*: 207).

2.4. Part IV of the book is dedicated to essays on Evolutionary Economics. Hodgson sheds light on the overlap between Institutional Economics and Evolutionary Economics on many occasions, also calling for greater integration between the two approaches: see, among other publications, *Evolution and Institutions: On Evolutionary Economics and the Evolution of Economics* (Hodgson 1999), “Introduction to the special issue on the future of institutional and evolutionary economics” (Hodgson and Stoelhorst 2014), and “On fuzzy frontiers and fragmented foundations: Some reflections on the original and new institutional economics” (Hodgson 2014).

In “*Industry and Trade: Marshall’s magnificent dynamics*” (Chapter 14), Stanley Metcalfe (2019) starts from Hodgson’s (1993b, 2005) contributions depicting Alfred Marshall as an evolutionary economist but, unlike Hodgson, who demonstrates the prevalence of Herbert Spencer’s influence on Marshall’s evolutionary scheme, Metcalfe suggests that Marshall’s evolutionary dimension can be “equated to a variation-cum-selection mode of economic evolutionary reasoning” (Metcalfe 2019: 215). Metcalfe’s argument is based on Marshall’s notion of the representative firm and an analysis of his work on knowledge and innovation. Economies are evolving systems because they are based on knowledge that is an open evolving system. Hence, Metcalfe concludes, the organization of science and technology and the organization of economic activity are subject to the same principle: the prevailing order is the incubator of what can be next.

In “Generalized Darwinism, the nature of selection and market efficiency” (Chapter 15), Jan Willem Stoelhorst (2019) turns to Hodgson’s (2002, 2003) contributions on Generalized Darwinism, i.e., the idea that the social and the biological worlds share abstract features, especially captured by the concepts of replication and selection. There is a substantial agreement over the idea that Generalized Darwinism does not imply that evolution in the social and in the biological spheres are similar in a substantive sense. Nevertheless, as Aldrich *et al.* (2008: 581) suggest, “proponents of generalized Darwinism still disagree over many subsidiary points, including aspects of

the precise definitions of replication and selection”. In this paper, Stoelhorst contributes to the discussion on the nature of the concept of selection by positing three types of selection mechanism: ‘scarcity selection’, ‘preference selection’ and ‘multi-level selection’. Despite the fact that the literature has mainly centered on ‘scarcity selection’, the author suggests that the latter two types are equally relevant to understanding evolution in social systems. He focuses on the mechanism of ‘preference selection’, i.e., the transposition of the concept of ‘sexual selection’ Darwin used to explain the evolution of ‘wasteful’ traits that in the biological world evolve despite the fact that they undermine survival selection (Stoelhorst 2019: 235). Stoelhorst applies the causal logic of ‘sexual selection’ to the evolution of firms, showing that firms’ survival also depends on the ability to attract members with heterogeneous preferences, and hence undermines the efficiency of the market. This argument makes it possible to reject Milton Friedman’s idea that selection in the market warrants the assumption of profit maximization (*ibid.*: 244).

Vanberg’s (2019) essay – “Cultural evolution, group selection and downward causation” (Chapter 16) – is an attempt to revive an old unfinished debate with Hodgson (Vanberg 1986; Hodgson 1991) and to seek a reconciliation between Hayek’s methodological individualism and group-selection theory. Vanberg focuses on the role that group selection plays in cultural evolution and in the propagation of rules of conduct, and on whether group selection can explain the evolution of group-beneficial but individually costly practices. To this end, he applies the analytical tools of ‘multi-level selection’ and ‘downward causation’. In the social world, selection takes place at multiple levels, with the selection forces at higher levels imposing constraints on and affecting what occurs at lower levels. Such a social world is made up of multiple constitutional levels. Downward causation explains how higher levels – the constitutional constraints – influence lower levels, down to the level of individual actions. Nevertheless, upward causation, originating in individual actions, remains the ultimate driving force in the inclusive hierarchy of social organizational levels.

Hodgson and Jack Vromen were among the early promoters of the introduction of evolutionary ideas into economics, though their ideas have diverged more recently. In “Generalized Darwinism, routines and morality” (Chapter 17), Vromen (2019) complements his early critique of Hodgson’s idea of Generalized Darwinism and homes in on two main issues: Hodgson’s (2009c) attempt to give an unequivocal meaning to firm’s routines, and his discussion of the role of moral motivation in economic theory. While Hodgson argues that evolutionary theory can explain both the role of routines inside firms and moral motivation, Vromen, on the other side, argues that evolutionary theory is ill-equipped to explain these phe-

nomena and claims that several distinct sorts of explanation are desirable: evolutionary explanation and proximate explanation should mutually inform each other. Vromen does not suggest a further disciplinary fragmentation promoting complete isolation among disciplines. He simply argues that evolutionary theory cannot have primacy over others, and should not jeopardize different disciplines with the aim of providing a unique explanatory framework.

In “The ubiquity of habits and routines and their contribution to management theory” (Chapter 18), Markus C. Becker (2019) investigates the influence of Hodgson’s contribution on the role of habits and routines in human activity on management theory (Hodgson 1988, 1993, 1999). The behavioral theory of the firm has emphasized the pervasiveness of rules and standard procedures in firm theory, but despite the increasing number of theoretical and empirical investigations of habit and routine in organizations, Hodgson’s work still has an unexploited potential for furthering management theory. After a short review of Hodgson’s thinking on habit and routines, Becker performs a citation analysis on management journals to investigate the extent to which Hodgson’s ideas have been used in management theory. Though he finds that Hodgson’s ideas have had a certain impact in the discipline, Becker concludes that a habit-based conception of human agency in the light of Hodgson’s work should improve the understanding of phenomena involving behavioral inertia. Specifically, he refers to: 1. individual-level behavioral inertia, 2. organization-level behavioral inertia. Habits are the main drivers of resistance to change in individual behavior and are also responsible for the development of organizational routines. But Hodgson’s work shows that habits are not only a source of resistance, they also maintain institutions and influence how institutions, in turn, shape habits (Becker 2019: 293). This provides a more complex explanatory view of change in individual behavior and organizations.

In “The role of selection processes in organizational evolution” (Chapter 19), Thorbjorn Knudsen (2019) investigates the operation of selection processes in organizations. The evolutionary perspective in management theory has mainly focused on processes of organizational search, learning and adaptation, while the study of selection processes has been widely neglected. Knudsen explores how selection processes influence the evolution of organizational productivity and fitness over time. The importance of such processes in organizational evolution has been pointed out by Hodgson and Knudsen (2010) and Hodgson (2013b). Here Knudsen proposes a series of experiments illustrating how the nature of selection processes and selection pressure determine the population-wide level of productivity and fitness over time. This model allows Knudsen to argue that neglecting the study of selection processes could have unfortunate consequences on the

development of organizational theory because our understanding of organizational evolution could become myopic if adaptation and learning are studied at a time scale where the effect of selection is invariant, and because causal effects could be misinterpreted as population level processes of selection and firm level processes of adaptation are often interrelated even at a short time-scale (Knudsen 2019: 299).

Despite the successes of Modern Evolutionary Economics, it has been, and still is, empirically weak. It is mainly concerned with qualitative phenomena – such as ideas and knowledge, usually conceptualized as generic rules, that make up an economic order. But how can the ‘qualitative’ be translated into quantifiable measures? In “Why is evolutionary economics not an empirical science?” (Chapter 20), Kurt Dopfer and Jason Potts (2019) provide a methodological framework whereby “refinement of the translation between theoretical constructs and empirical measures” is possible. If evolutionary economics must become an empirical science, this “does not mean that evolutionary economics needs to become per se a quantitative science; rather it needs to develop – beside quantitative – qualitative measures; which [...] can be constructed from a generic rule-based (that is, meso-centred) analytic approach” (*ibid.*: 316). This endeavour can be organized around “the micro-meso-macro analytical framework in which the basic empirical measures are the various dimensions of a meso unit (heterogeneity, variety, frequency). The generic taxonomy of orders, classes and phases of a rule provides the architecture for developing a comprehensive map of the measure space of an evolving economy” (*ibid.*: 324).

2.5. The last word to Hodgson. In part five, “Hodgson on Hodgson”, the editors of the volume have rightly thought of concluding the volume with “A conversation with Geoff Hodgson” (Chapter 21) (Gagliardi, Gindis, Hodgson 2019). It is, however, much more than a simple interview. It is a conversation that gives Hodgson the opportunity to take stock of some recurring themes of his thought and to look ahead. The topics touched upon include Hodgson’s profound disagreement with the unfalsifiable model of the utility maximizing agent and his call for a better understanding of humans and their motivations that is consistent with evolutionary accounts, the distinction between moral norms and conventions, moral motivations and convenience, and the related distinction between different kinds of, and reasons for, rule-following behavior. The discussion also ranges from the strengths and weaknesses of interdisciplinarity, to an assessment of the present position of heterodox economics, and thence from legal institutionalism to other methodological issues such as the problem of historical specificity. The chapter closes with an overview of the strategy of the *Journal of Institutional Economics* and interdisciplinary institutional research more generally.

3. HODGSON ON HODGSON BEYOND HODGSON

It has rightly been noted that “*Festschriften* [...] are not just retrospective, but prospective. [...] the *Festschrift* is a *Beruf*, a call to further work, effort, and energy, a call to the improvement of learning, of a discipline, a science, an artistic vision, or an intellectual position” (Horowitz 1987: 237). If we have understood the meaning of this book well, we would like to take up this ‘call’ and focus on some aspects referred to by Hodgson in his attempt to look ahead.

The points we would like to address are Hodgson’s reflections linking the problematic economic conceptions of man to rule-following behavior, together with the problem of moral, legal and political obligation (and their relationship with freedom). In connection with these points, we will also focus on the developments of legal institutionalism and the future of interdisciplinary studies on institutions more generally.

At various points in his interview, Hodgson insists on the importance of a better understanding of humans in order to develop a (so to speak) ‘more humane’ social science: “we need to appreciate what is specifically human about our nature, our behaviour and our motivations, so that we have a better understanding of the economy”. Therefore, “we need to introduce morality” (Gagliardi, Gindis and Hodgson 2019: 329) as well as other attributes like identity (*ibid.*: 332), “solidarity with others and future generations” (*ibid.*: 343) and, we could also add, gift and gift-giving behaviors.³

If social sciences continue to flirt with or submit to the fascination of the utility maximizing agent, we will never be capable of providing an adequate answer to two key questions: “why do people follow rules and, conversely, why on some occasions do they break rules?” (*ibid.*: 333). There is no doubt that much of New Institutional Economics and Economics more generally have remained stuck to the “MaxU” model and that we need a better “Humanomics” (McCloskey 2015).

If we focus simply on costs and benefits, that is, on material or monetary carrots and sticks to get people to follow the rules involved, we leave something out. We miss key components of any well-functioning society, because we fail to see just how much societies depend on moral rules [...]. I think this is where the study of how institutions work in their varied ways, and how people are motivated to

³ On this see the contributions to the Symposium “On Institutional Analysis and the Gift” recently published in the *Journal of Institutional Economics*: KESTING *et al.* 2020, ELDER-VASS 2020, CEDRINI *et al.* 2020, HUDIK and FANG 2020, TAYLOR and GOODMAN 2020 and GOODMAN and HERZBERG 2020.

follow rules, is extremely valuable and helpful in practical terms (Gagliardi, Gindis and Hodgson 2019: 334).

Hodgson's two questions are not only the right starting point for an understanding of rule following behaviors: they are *also* key 'human' issues. It is also (and always) from there that every generation, or rather we as scholars and citizens, must start (or start again) every time we are faced with the problem of an adequate understanding of the human and, more particularly, of the relationship between obligation and freedom. It would seem that institutional economics has been more interested in the 'norm' – perhaps because of the search for explanations based on uniformity and regularity, perhaps because of a certain neglect of the theme of human freedom – than in the 'exception', that is, the first of Hodgson's two questions – why do people follow rules? In any case, the answers have not been satisfactory, partly as a result of an inadequate understanding of the role played by law (*ibid.*: 342) and, more generally, of the problem of legal, political and moral obligation. The legal, the political and the moral fade into each other, especially when it comes to the ultimate normative foundation of institutions of large and "well-functioning societies". Such institutions must rest on a shared sense of "community" and "identity", be it through a "nation-building" process (*ibid.*: 335) and/or, we could also add, through collective rituals, public celebrations of a collective memory, public *feasts*.

The always problematic tension between obligation and freedom, if we are not mistaken, is an issue dear to Hodgson. He discussed it in his now-famous article "What are Institutions?" (Hodgson 2006), criticizing the reductionist Northian conception of institutions as 'constraints', which inevitably leads to a neglect of the theme of obligation and freedom. This is an issue to which Hodgson has also returned in an essay often quoted in this volume (Hodgson 2015a).

But the second question – why on some occasions do people break rules? – has an even more fundamental anthropological meaning. It touches on the great theme of human freedom and dignity, at least since the days of Antigone, whose story, not surprisingly, is made to coincide with the dawn of the Western legal-philosophical tradition.

The neglect of the role played by law, and the inadequate understanding of the problem of legal-political obligation and its tension with freedom are rather paradoxical for an institutional economics that has made reflection on rules and norms its distinctive feature, and which often presents itself as interdisciplinary, but only rarely cares to dialogue with scholars of law, philosophy of law or politics.

Hodgson criticizes heterodox economists for being politically and ideologically oriented to the point that, despite presenting themselves as

“pluralists”, they often end up excluding dialogue with other scholars or approaches: “If you choose to say, ‘we are pluralists’, you have to be very vigilant about inviting both mainstream people and heterodox people you might not like, such as Austrians” (*ibid.*: 346). One would think that this criticism could also be leveled against institutional economics.

In this regard, both Hodgson’s invitation to “multiple disciplinary understandings” of the institutions through collaboration between scholars of “law, social philosophy, philosophy of social science and philosophy of economics”, and his hope that “the best contributions will come from people who can talk across disciplinary barriers” (*ibid.*: 349) are very much welcomed. To be sure, Hodgson has already given an excellent example of such collaboration in an article written with important legal scholars: “Legal institutionalism: Capitalism and the constitutive role of law” (Deakin *et al.* 2017).

Hodgson’s work on legal institutionalism that explicitly makes legal scholars collaborate with economists is an example of his continuous attempt to force the social structure of heterodox economics to open a dialogue with other disciplines. Hodgson enters into the debate on heterodox economics by investigating many key issues in order to contribute to a better understanding of institutions from a true pluralist perspective. Though he has always been a critic of mainstream economics and has been involved in many heterodox networks, he has also pointed to problems within heterodoxy. Hodgson argues that heterodox economics shows the same features of any other social process, it consists of habits and practices that are structured within institutions. Hence it is characterized by the existence of relations of power and habits of thought that help to determine its course of development. As Kitcher (1993) suggests, relations of power are needed to sustain and motivate the advancement of research, and scientists in a discipline must arrive at a compromise with them while improving scientific reasoning.

Relations of power like habits and practices in a discipline are (as is always the case in processes of institutional change) the main forces driving changes but, at the same time, they also are the main obstacles to this evolutionary process.

In the interview, Hodgson takes the opportunity to return to some considerations presented in his previous works about the possible development of institutional economics (Hodgson and Stoelhorst 2014, Hodgson 2014) and perhaps to anticipate some of the content of “Heterodox economics as a scientific community: Problems, prospects and alternative strategies” (Hodgson 2019a) and *Is There a Future for Heterodox Economics? Institutions, Ideology and a Scientific Community* (Hodgson 2019b). He discusses the role of ideology in economics and addresses several key problems facing a desirable future scenario for social science.

Hodgson stresses the role of ideology in economics and in social science, noting that since scholars are unavoidably motivated by their own values, this political or ideological motivation affects their judgment regarding methods, assumptions and so on. The ideological dimension of a discipline is also strongly linked to “the need to build up an empowered community of scientists sharing some common assumptions and with some consensus on key issues” (Hodgson 2019a: 1). An ideology-free economics is neither possible nor desirable (Hodgson 2019b: 6), while Hodgson warns that the ideological dimension of heterodox economics would make critical development of the discipline more difficult.

He thus suggests that focusing on the heterodox label relegates this branch of economics to the dimension of minority dissent. “Heterodox” is a negative definition rather than one that builds on positive ground (Hodgson 2019a). Here Hodgson highlights the real opportunity for a critical development of economics: in the near future scholars should somehow overcome the juxtaposition between orthodoxy and heterodoxy in economics.

The real challenge in economics will be the ability to “talk across disciplinary barriers” (Hodgson 2019: 349), being aware that conversation between disciplines does not mean avoiding any ideological or political dimension of economics and that it could be limited because people tend to stay in their own area of specialization. Specialization is something we need to make science progress. As Polanyi (1962) suggested, both conformity and innovation are indispensable in any science: in “order to be taken seriously, an investigation should largely conform to the currently predominant beliefs about the nature of things, while allowing that in order to be original it may to some extent go against these” (Polanyi 1962: 59).

Reading all the essays included in this book in the light of Hodgson’s thought suggests that the editors traced a pathway guiding the readers through the different viewpoints and methodologies applied to some of Hodgson’s main topics of interest. We believe this pathway could be particularly beneficial for scholars interested in economics’ internal debate and critical development. The influence of Hodgson’s thought is evident in all of these chapters. Regardless of whether the contributors aim at pursuing Hodgson’s thinking or showing its limits, each of them acknowledges the relevance of his many ground-breaking works.

We will end with a ‘brace’ of conclusions. The editors wrap up their introduction to the *Festschrift* as follows: “Like many others, we have been profoundly influenced by Hodgson, and owe him a debt of gratitude. It is an honour to count him as a mentor and a friend”. In the conclusion of the interview, Hodgson in turn reciprocates with a “Thank you for this wonderful initiative in putting this *Festschrift* together. I am very honoured and very grateful”.

These last words bring us to a final variation on the normative foundation of Institutions, where much work remains to be done. Debt and gratitude, obligation and freedom, sacrifice and gift, as well as their rituals (well beyond any conceivable economic calculation): these are the invisible foundations of (good) institutions that hold (good) societies together. They are always worthy of being honored and celebrated, even in a *Fest*.

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