

Introduction to the inaugural issue by the Editor-in-Chief

Major shifts in thinking among economists and other social scientists in recent years have prepared the ground for the launch of the *Journal of Institutional Economics*. Within economics, for example, after a period of neglect from the earlier to the later decades of the twentieth century, the study of the nature and role of institutions has become a central topic. Explanations of economic growth and development used to focus on inputs, production functions, and outputs, often neglecting the institutional structures that constrain or empower individuals, and frame their incentives and disincentives. Accordingly, for a long time the firm was treated as a ‘black box’, with little regard to the structural determinants of its existence, boundaries, and performance. However, the study of the firm changed dramatically in the 1970s when Oliver Williamson, building on the earlier work of Ronald Coase and others, opened the black box to investigate the firm as an institution. Similarly, in a pioneering series of works, Douglass North has investigated the role of institutions in the historical development of the modern capitalism. There are many other examples of important achievements in this area, too numerous to mention here. The outcome is that institutions have become a central topic of analysis for economists.

However, this concern by economists for institutions is not new. Previously, both the German historical school (which thrived from the 1840s to the 1930s) and the American institutionalists (which were dominant in American economics in the interwar period) had made the nature and economic role of institutions central topics of investigation and analysis. Today these schools are often ignored. Even worse, they are sometimes wrongly described as atheoretical or anti-theory, neglecting important theoretical contributions by Gustav Schmoller, Thorstein Veblen, Wesley Mitchell, John R. Commons, and others. Despite its decline of influence after 1945, the older institutional economics survived. It was promoted by leading postwar figures such as Simon Kuznets, Karl Polanyi, and Gunnar Myrdal, and its ideas have enjoyed a recent revival.

In recent years there has been a welcome and growing dialogue of ideas from the old and new traditions of institutionalism. Furthermore, developments within the new institutionalism have led to internal criticisms of ahistorical modes of analysis and to approaches that take the cognitive capacities of the individual as given. These developments open up new grounds for a fruitful and exciting conversation between the old and the new institutionalism. The dialogue within economics is further augmented by the emergence of several other important schools of thought – including evolutionary economics and constitutional political economy – that have similarly focused on the nature and role of institutions.

Moreover, changes within economics as a discipline have led to re-examinations of the boundaries of the subject, and whether the traditional dividing lines between economics, sociology, and politics have any enduring relevance in the modern scientific context. There are important ‘institutionalist’ movements within these three disciplines, as well as several others. Economic sociology has made important contributions to our understanding of markets and firms; organization science has opened up new perspectives on the nature and evolution of firms and industries; political science has examined the contributions of states and democratic governance to economic performance; geographers have paid increasing attention to the spatial functions of institutions and networks; historians have long focused on the evolution of institutions; anthropologists have examined the evolution of cultural and institutional norms; social theorists have identified institutions as particular instantiations of social structures; philosophers have probed the ontology of institutionalized social life; and psychologists have returned to the study of the institutional mechanisms of cognition and habituation. However, despite these extensively overlapping zones of enquiry, dialogue to date has been thwarted by existing labels and boundaries.

The *Journal of Institutional Economics* has been established in the belief that dialogue and diversity are important engines in the evolution of scientific enquiry. Conversation will be enhanced by useful exemplars and applications of particular analytical approaches, as well as by detailed and critical methodological and theoretical analyses. This journal will address audiences from all relevant disciplines, and accept robust and useful contributions from any discipline or school of thought. Relevant contributions are welcome from outside as well as within economics. The relevant criterion is not the disciplinary label that may be adopted, but the value of any contribution to our understanding of the nature, evolution, and economic effects of social institutions, broadly defined.

Historically, there has been a dispute within institutional economics on whether it is defined by the adoption of institutions as an object of study, or whether ‘institutional economics’ denotes a particular analytical approach. If the latter, then no consensus exists on what that approach may be. Nevertheless, the two definitions are not mutually exclusive, and the outcome may eventually be a combination of both. At least for the present, the *Journal of Institutional Economics* will focus on the institutions of economic and social life and promote modes of analysis that centre on the structured relations and transactions between individuals.

Although different definitions of the term ‘institution’ exist, and some are narrower than others, the editors will not uphold a narrow definition in deciding on the suitability of an article for this journal. Institutions may be defined to include firms, states, markets, money, households, and other vital institutions and organizations. Such institutions are the stuff of social life and key factors in the generation of wealth and wellbeing. The mission of this journal is to contribute to our understanding of their role.

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