

THE ECONOMY OF CONVENTIONS' ORIGINALITY AND SIMILARITIES WITH NEOINSTITUTIONALISM

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Abstract

This paper represents an effort to explain the originality of a consensus theory, its similarities and differences with neo-institutional theory. The author discusses the interrelations between the terms convention and institute, trying to determine the overlapping and disciplinary boundaries of the economy of conventions and neo-institutional economic theory. We start from the hypothesis that the above mentioned directions are sufficiently different in terms of form and meaning, but they also have some essential similarities and many mutual points, primarily in terms of a concept.

Key words: *agreement, norms of behavior, rational choice, institutional subsystems.*

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1. Introduction

The issue of institutional analysis is the focus of economic science since 1980s until now. It began as a criticism of old institutionalism, later developed as neoinstitutional economic theory, an original direction of economic thought, that due to its identical methodology in a way represents specific (partial) extension of the neoclassical theory. Later there was a new French institutionalism as a criticism of neoinstitutional economic theory and the neoclassical one-sided and abstract rationality and appropriate treatment of *methodological individualism*. These directions are formally and conceptually different, but they have some essential similarities, primarily in ideological terms.

Economy of conventions is one of the modern economic science courses. It is part of a broad intellectual movement, based on discussions of economists, sociologists, historians, psychologists and other social scientific representatives. It is a heterogeneous intellectual movement, whose researches are trying to overcome the basic principles of neoclassical economics, especially the alleged existence of market equilibrium (which implies an optimal resource allocation and pricing in the conditions of ideal market) as well as rational behavior of economic agents (who optimize their economic activities in order to draw maximum benefit). So, one can say that

this is a specific critique of neo-liberal notions of autonomy and even the dominance of economic factors in relation to the impact of social, political and other factors.

The phrase "*economy of conventions*" appeared in the last ten years as an extension of the "theory of agreement", discussed in the French economic and social journals, two and a half decades ago. Research of founders of economy conventions (A. Orléan, R. Salais, L. Thévenot, O. Faverau i F. Eymard-Duvernay) is characterized by *multidisciplinarity*. Its outlines were registered since the mid 1960s to mid 1980s. According to conventionalists, resolution of the fundamental economic questions, which are related to value, coordination, control, rationality, etc., is not possible without a multidisciplinary discussion, research and cooperation of many social science disciplines, especially between economics and sociology.

Considered critical direction began to develop in the works of P. Bourdieu. He explored the Algerian society and proved that the actions and behavior of economic agents significantly conditioned by socio-cultural factors, i.e. the economic changes caused by the more general context of social and cultural transformation, and the institute as a regulator and coordinator of economic behavior. Later formulated concept, the Economy of Conventions represents a complete break with economic theory of Bourdieu, due the emphasis has been shifted from economic structure reproduction issues to coordination of economic activity problems. To create conditions for multidisciplinary analysis, it was necessary to accept the basic elements of the new-institutional analysis and pragmatic sociology.

It would be the *first* condition for postulating many coordination principles of economic and social life (as opposed to the neoclassical theory, which is recognized as the sole coordination and regulation principles of competition, which is - institutional monism, or, as some authors call the extreme - market fundamentalism).

Second, it emphasizes the interpretative rationality involved in the critical value and the ability (unlike calculating rationality standard economic theory).

Third, focus is on creation and change of norms and rules (conventions) as necessary conditions of economic activity.

Interpretative rationality is interpreted (Livet, Thévenot, according to: Olejnik 1997, p.62) as

"The ability to preserve the concerted character of action by making a landmark (behavior - remark MD), which are understandable to all participants of transactions".

It is believed that the "interpretive rationality" includes an individual's ability to form correct action expectations of another entity, or to correctly interpret his intentions and plans. At the same time of these individuals are expected to fulfill a reciprocal request to allow others understanding (interpretation) of its intention and action (Livet, Thévenot 1994, p. 157). The existence of interpretive rationality of the market is important, without it, the subjects of exchange would be impossible to find an optimal solution in "prisoners' dilemma," situations, for example, which is always related to production and distribution of public goods. It is believed that the assumptions of *interpretive rationality* are existence of a focal points and conventions. They are, in addition to standard, connective tissue, or terms, without which it is difficult to explain the concept of "*interpretive rationality*." Norm is the main regulator of human behavior it administers how the individual should behave in a certain situation. The focal point is a variant of behavior that is spontaneously selected all interested persons (originating from a homogeneous social group and/or culture – e.g. generally accepted meeting point). The Convention is widely accepted (and expected) variation in the behavior of this or that situation, we all respect and all that is known in advance (e.g. silence during the rest). After these explanations, we should add that the theory of agreement suggests that the norm is seen as a precondition for mutual interpretation of the intentions and preferences of the participants in the market. Although the norm is not an absolute

behavioral determinant of market operators, it serves to reduce uncertainty and achieve rationally defined goals to the greatest extent.

2. The Theory of Agreement as the New Institutionalism in France

French New institutionalism formulated a theory of agreements (conventions, consensus), which was first exhibited in the book of L. Boltanski and L. Thévenot in the book "Economics significant" (Paris, 1987). Their multidisciplinary and synthetic approach implies a critique of neo-classical methodological individualism, with starting point that the economic, political and social spheres are closely linked and mutually conditioned (M. Draskovic 2007, p. 213). Boltanski and Thévenot see market institution as a specific form of social relations between atomized individuals. To overcome the contradiction between the rational market behavior and the requirements for compliance with certain standards in their daily lives, they formulated the original concept and a pretty consistent standard, by which they cease to be the outer limit of rational activity, because they are used solely for the individual better and more complete realization of their own interest and easier coordination of economic activities. In their interpretation, norms are the way to understand the effects of contra-agents in all situations where the direct exchanges of information are impossible. Thus, the norms become a) a significant mechanism for harmonizing actions of individuals with the environment, and therefore the actions of others and b) a realization hypothesis (certainly not a barrier) of rational choice (Ibid.).

Ch. Bessy and O. Favereau's article "Institutions and Economics Convention" (2003) is one of the most important attempts to clarify the fundamental methodological issues and the essence of the concept of economic conventions. It explains the relationship of concepts, "convention" and "institute" and place the institute in conventional analysis. The central thought is, except for the organizational function, utterly contradictory, because the authors listed (2010, p. 27) point out that

"Conventions give birth to an institute and breathe life into them, institutes form the convention and organizations are place of mutual functioning".

In virtue of detailed but very abstract conceptual analysis of conventions and institutes, they try to explain relationship between economic conventions and neo-institutionalism, as well as their disciplinary boundaries. By identifying the basic evolution stages of the term "institute", Bessy and Favereau claim that this is not considered in orthodox economic analysis, whose attention was focused on the coordination of economic sequence (neoclassicism) and/or its reproduction (Marxism). Since the mid 1970s *economic institutes* are in focus of theoretical economic analysis, both in terms of economic heterodoxies, and other social sciences. In the early works of conventionalist economic institutes are not mentioned, except in the part of "incomplete" general rules. Stressing the importance of interpretive activities of economic entities, conventionalists focused their analysis on the concept of *convention*, explained as a *scheme of a rule interpretation*, instead of the institute, which is commonly defined as "the game rules". Institutes were over time increasingly being recognized in conventional analysis.

Regarding the relationship between concepts of institute, convention and organization, Bessy and Favereau define conventions as an inter-subjective scheme of interpretation that appears as something similar to reflective part of the institute. Conventions "activate", i.e. "Breath life" into institutions, which in return give them a form. The process of drafting new conventions lies in interpretation, application and review of the overall formal and informal rules (the institute). Organizations process both of them as a resource in their approaches.

Thévenot proposed the first model of so-called "conventional forms". He abstracted situationality of conventions and puts emphasis on their relationship with the appropriate supply, which is the result of a "form investment". In this case, the conventions appear as collectively de-

terminated cultural forms of coordination and evaluation. Specifically, a convention does not always ensure effective coordination. In a situation of conflict, ie, disruption of coordination, economic agents are able to mobilize conventions that apply and appeal to different ways of value explanations - market, industry, family, civil, and others. In this case, conventions can be understood as a series of excuses (detailed explanation follows).

Above mentioned separate views show considerable complexity of the convention definition, both in terms of coordination problem and aspects of cognitive measurement. At the same time as the economy founders of conventions agree that the convention should not be reduced to habit or custom, whose violation can lead to sanctions by society (M. Weber), or random alignment between individuals (Luis's logical model). Dual character of the Convention becomes evident when compared with the concept of institute. Conventions can be considered institutes only to the extent to which they are able to coordinate their interactions. On the other hand, they cannot identify with the institutions of traditional, new-institutional terms (Williamson, North), or with the terms of "rule of conduct", "contract" or "transaction costs", which place restrictions on the operation of the market as the exclusive principle of coordination. Respectfully, we should understand the metaphor of "society-businesses," through which Bessy and Favereau try to mark the distance of economy compared to the mainstream and neo-institutionalism. For an explanation of the differences between conventions and institutes (2010, p. 40) they cite following metaphor: "Imagine that society = theater, institutes = roles that await implementation, organizations = actors seeking roles and conventions = play summary."

Economy convention provides useful tools for understanding the problems of institutional change. It allows understanding that institutes in general and economic institutes in particular, cannot develop or stabilize unless they are supported by "bottom-inside" at the organizational level, where the convention act as a generally accepted and where everyone shares the same forms and criteria of evaluation and behavior. Similarly, the sources of radical uncertainty, characteristic of post-socialist economies (often described as chaotic and limitless), should be sought in absence, or, to a lesser extent, in unclearly defined rules (of conduct). These rules do not appear automatically as a result of the institute of market phenomena, but as a result of inter-operative operations that lie in development of common framework of evaluation and action, which determines the mutual expectation of participants. It is believed that defining of conventional central role for supporting social, i.e. economic order, means an ontological progress within economic science, reflected in abandoning the assumption of market equilibrium, which reportedly supports itself. The concept of inter-subjectivity recognizes the interplay of participants and their rationality problem.

2.1 "Imperialism" of conventional economy

The textbook, "Institutional Economics", edited by Olejnik (2007, p. 76-112) published with subtitle L. Thévenot *values coordination and rationality: economics convention or convergence era of economic, social and political sciences*", notes the ambition of author that former theory agreement (convention) would be called economy of agreement. Similarly to economy of neo-institutionalism, there is a theoretical imperialism, which is exclusively methodologically oriented (without detailed instrumentation, operationalisation or analysis), in this case not only economic, but social/economic/political. Therefore, methodology indirectly arrogates to universality, which can be seen from the title.

Since this theory is studies selection, source of economic motives and complex economic reality, almost nothing is missing in terms of relevant economic and scientific integrity. There are attempts to scientifically generalize the processes and phenomena of economic behavior in complex economic reality (pluralistic world) under the multidisciplinary influences, while providing hard facts and evidence. All this suggest to a serious theoretical concept, which tries to over-

come not only the theoretical and methodological limitations of neoclassical institutional economic theory in terms of rational economic behavior, but also the conflicts between their own theoretical and methodological limitations (abstractness, relativity, etc.), and extremely complex economic reality that is explained. Obviously, the task of economic theory is fully understood, that is to investigate and reveal the most general, fundamental principles of economic activities, in their close mutual dependence and connection to the social, political, ideological, institutional, cultural and other processes, with special emphasis on the aspect of rationality, that is, a motivation of economic activities. Multidisciplinary and synthesized knowledge is also used to explain the economic reality.

Thesis of a "*rapprochement of economic, political and social sciences*", tries to neutralize or mitigate the eternal dichotomy between politics and economics, more or less dominated by the aforementioned. That is methodologically sophisticated way to remove the mentally clear but virtually undefined line between them ("*explanation and justification*" in M. Blaug's jargon). Not only between politics and too economics but sociology. In this sense (Thévenot, 2007, p. 78-9) points out that:

"Political science responds to new challenges using only theoretical concepts of economy (management, rational action, strategic manipulation, etc.), because there is no genuine and adequate access for reconstruction of political institutes".

Considering the complex choices of possible economic goals, and value judgments and means of coordination, which assume the specified *interpretative rationality*, leading the representatives of this theory (Thévenot, Eymard-Duvernau, Favereau, Orléan, Salais, Boltanski, Chiappello and others) to the formulation of a common study vector of modern economic realities? One gets the impression that, in explaining the logic of the market of choice, they largely follow recommendation of Nobel laureate M. Allais, who explained

"Necessity of synthesis and unconditional subordination of the lessons of practice"

in his interview. Let us recall the recommendations of Galbraith (1994, p. 63-4) that

"Economic science should not be a soulless abstraction".

Finally, this theory tries somehow to reduce emphasized *relativity* of economic theory, which is, as being known, derived from

- a) Growing interaction between economics and politics, sociology, psychology, law, philosophy, ecology, history, institutional analysis, etc.,
- b) Dynamic of economy subject,
- c) Complexity of economic reality and
- d) The abstraction of economic science.

In the aforementioned article, Thévenot interpret their own attitudes and other representatives of French conventionalism, noting that

"Economic program agreement focuses on three issues, which are opposed in economic thought for the past century and a half: characteristic of the agent and his motives; variants of coordination activities and roles of value and public good, and that he tries to overcome the dichotomy of the standard theory (referring to the neo-classical – remark M. Draskovic, 2007, p. 76) between rationality and coordination issues, which have never been connected with the third issue – value judgments and norms of behavior".

Immediately following the main explanation of the key ideas and their theories:

"If we agree that coordination requires efforts that are not realized automatically according to natural laws, then follows the first interpretation, rather than calculative character of rational human behavior" (Ibid.).

Obviously, principle of rationality is not rejected but rather given a relative and an interpretive character, which seems quite logical, as people in everyday economic activities not only depart from its own rational calculations, but must apply and respect the different conventional framework through which they understand the intentions and actions of others (contra-agents), which involves cognitive and evaluation (interpretation) efforts.

Since the basic problems of economics associated with uncertainty and information, where uncertainty has the character of "critical" ("radical"), Thévenot (Ibid, p. 86) believes that it can cut agreements (conventions) by introducing a general assessment procedure of subject (interpretability) as an assumption of coordination. He (Ibid., p. 69) proposes a new approach for analysis of two central idea of economic science, he calls – rationality and equilibrium. The starting point of his approach is the fact that in many ways, many scholars have pointed, that economic activities are performed in conditions different from the abstract theoretical model of perfect competition, which assumes neoclassical theory. He proposes a theory of reasonable (evidence) acting as the most acceptable explanation for the variety of coordination mechanisms. In this regard, he cites a hypothesis:

"About existence recognition of many important factors underlying the motivation, just as many ways of coordination".

It implies that rationality is only one motivation factors of market exchange, for which effect is used term reasonable, not rational.

2.2 The originality of the economic theory of conventions

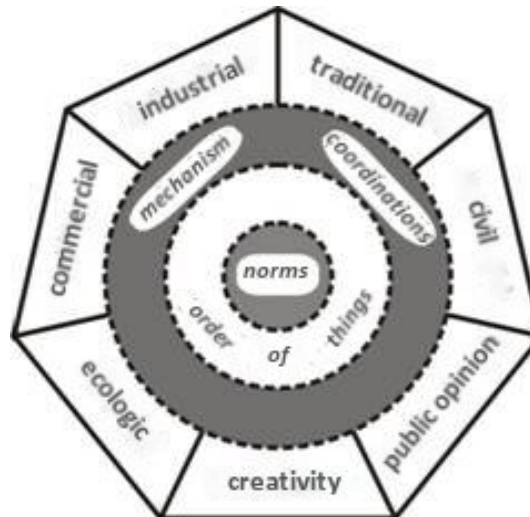
The originality of the economy of conventions consists of understanding that empirical diversity of economic and non-logical institute is justified. Conventionalists believe that real markets, organizations and networks of economic agents coordinate by a complex set of conventions of a different nature. They go beyond the observation of the institute as a mean of lowering transaction costs, i.e. minimization of losses (R. Coase). They believe that institutes form densely interwoven social network (environment), beyond one cannot imagine the effect of economic agents. This means that institutes are not only simple intermediary of direct interaction, but their objective prerequisite and resource, which creates certain restrictions, on the one hand, and provides opportunities to more development perspectives, on the other. As a result, a multidisciplinary theory of conventions is seen as a special and original paradigm in the analysis of institute.

Original Bessy's and Favereau's contribution is in creating a so-called theory of "matrix institute." As a minimum necessary "equipment" of each economic activity it assumes three categories: language, money and law. From these three meta-institute (or better: a meta-conventions) are derived all other institutes. Language is of fundamental importance for conventionalist analysis, which focuses on the critical ability of subjects to make decisions and to interpret. Codified rules, which are the essence of the legal system, inevitably have a linguistic form. This means that the language appears as a "meta-institute" in relation to the law (and also in relation to other institutes of discursive nature). Convention theory emphasizes the notion of intersubjectivity, which means a healthy sense of "encounters of entities" (R. Rorty). A collective sense does not exist outside language forms.

Should considered theory take necessary scientific consistency, understandability and applicability, Boltanski and Thévenot (1991, pp. 203-257) proposed *"the concept of the worlds"* (key institutional and real subsystems of economic reality) directly related to the economic the-

ory. It is about seven *institutional subsystem* (worlds) that have their own specific procedures and mechanisms of coordination, their own order of things and standards (requirements for people behavior).

Figure 1: Structure of the "concept of seven institutional worlds" of economic reality



Source: M. Draskovic, 2007, p. 215, adapted from: Olejnik 1997, s. 65; Thévenot 1997, pp. 69-72.

Relations between various institutional subsystems ("worlds") of economic reality Thévenot qualifies as critical: what is important in one is irrelevant in another world. Collision of different worlds is likely to lead to a crisis that can be avoided by seeking compromise and exceeding a critical charge between the "worlds". Compromise is very different from a private agreement, which is dominated by mutual concessions.

Table 1: Incomplete matrix institutional worlds

subsystem name	coordination principle	order of things	dominant behavior
commercial	market transactions	set of goods	rationality
industrial	standardization	set of standardized goods	functionality, compatibility
traditional	personification of connections and traditions	-	-
civil	subordination of private interests to general	-	-
public opinion	based on famous and most attractive events	-	-
creativity	-	-	-
ecologic	harmonization with cycles of nature	-	protection of environment

Source: M. Draskovic, 2007, Adapted from: Lafaye, Thévenot 1993.

These actions are affected by severe constraints, focused on search for reality and meaningful action in order to establish an overall balance between observed "worlds", which are vari-

able. Search and find a compromise in long perspective contributes to building a new "world," said Thévenot (Ibid., p. 79). In fact no form of argument has a universal character because it contradicts to other forms, which allows explaining the nature of critical situations. Any form of coordination is a constitutional arrangement, whose character is manifested only in the process of conflict with other forms of coordination.

Observing the above matrix of institutional worlds, we can see it is unfinished and criteria of specified subsystem (worlds), who are heterogeneous and questionable. The issue of incompleteness becomes clear after reading the work of Thévenot (Ibid., pp. 69-84) "Various modes of coordination: balance and rationality in a complex world", in which he discusses the first two subsystems (commercial and civil) to explain specific phenomena of the proposed theory, such as "critical situation", "commercial agreement", "real (designed) actions" and "critical uncertainties".

Other "worlds," he states pragmatically, to indicate complexity of conditions and consequent unjustified simplification of economic reality and its reduction to perfect competition, where it is possible to achieve a general equilibrium. This is original theoretical concept, which attempts to, analyzing the mutual relations of different "worlds", which really exist and operate in an economic reality, point out the complexity of economic behavior in modern conditions exponentially growing changes. Also, there is a synergism (*pluralism*) of institutional subsystem, which maintains a dynamic balance of their relation and compromising reconciliation, which neutralizes possible expansion of individual subsystems at the expense of others. For a better understanding of the basic ideas of the French conventionalist - institutionalists we "amended" these empty fields of stated matrix (Table 2).

Table 2: Amended matrix institutional worlds

<i>subsystem name</i>	<i>coordination principle</i>	<i>order of things</i>	<i>dominant behavior</i>
commercial	market transactions	set of goods and services	rationality
industrial	standardization	set of standardized goods	functionality, compatibility
traditional	personification of connections and traditions	set of reputations, trust and habits	respecting seniorly and local obligations
civil	subordination of private interests to general	collective awareness of obligations	respecting collective awareness
public opinion	based on famous and most attractive events	set of media influence	following
creativity	inspiration	set of inovations	creative scientific-research
ecologic	harmonization with cycles of nature	natural balance	protection of environment

Source: author M. Draskovic amendments are marked bold italic (2007, p. 216)

The above figures and tables are presented to show the great complexity of economic reality and its environment, i.e. to perceive the complex conditions in which individuals make their economic decisions by exercising choice. All these institutional systems are important factors influencing the economic behavior of particular individuals, where each one has its own norms and mechanisms of behavior, principles of coordination, types of arrangements, order of things,

dominant behavior, objective world, information sources and the time dimension (orientation). Considering the above factors it becomes clear that the processes of market exchange are very different from hypothetical and abstract model of perfect competition, which uses neoclassical theory. It also suggests the conclusion that these are not the imperfections of the market *per se*, but characteristics of the complex economic reality in which all these institutional "worlds" act realistic and pluralistic.

Institute of money is largely "specialized" in relation to the law. If the money as a "language market" provides a market coordination, ie refers to one of the worlds or "cities", as pointed out by Boltinski and Thévenot, then the law, as stated, comes from a variety of justification sequences, related to complete set of worlds. Institutional matrix of society has historically variable character. Triad "of language-money-law" should characterize modern Western liberal democracy, where money acts as a universal exchange equivalent. And, in the case of emerging conflict, the actors resort to codified procedures based on rational arguments. In other words, the convention arises from several conflicted models (or "hypothesis" of social peace) and crystallizes in the consensus. One can logically ask the question: what is the situation in societies of so-called post-socialist transition, dominated by elitist (neo-liberal and other) arguments of nomenclature authorities, i.e. there is considerable political influence on economic activity and development of the institute?

Besi and Favro believe that is an example of so-called "*political paradox*". It consists of contradictions between moral, horizontal model of politics (as a coexistence of various private interests) and model of political state enforcement, i.e. vertical nature of dominance. Conventionalists believe that this paradox can be solved introducing the principle "*civil-level*" as one of the social sphere, which coexists with others (such as family, market, etc.) and also incorporates all the others. It represents a general condition to agreement of social wealth, equity and other forms of creating common goods.

2.3 Similarities in interpreting the institute and conventions

In social sciences, the term "institution" is used in a different sense. Interpretations vary considerably. There is no unique definition. The institute includes constitutional system of government (D. Richer), any legitimate social association (M. Douglas), a collective belief and way of behavior (E. Dirckhaim), rules of the game, where players are organizations and entities of domestic economy (J. Commons), rules of behavior known to all members of society, whose respect is provided by personal interests or external power (K. Castrodiadis), codification strategies to reach evolutionary equilibrium (M. Aocki), etc.

Generally, D. North views institute as a foundation for functioning of the organization. Economic institutes are regulators and coordinators of economic behavior, containing rules and mechanisms for successful implementation of economic activities. V. Draskovic (2006, pp. 49-50) states their primary functions:

- a) restrict behavior of economic agents,
 - b) economize their time and efforts in making decisions,
 - c) reduce transaction costs,
 - d) help adapt to changes,
 - e) minimize the risk, uncertainty and entropy,
 - f) allow implementation, connectivity and coordination of economic relations, resources, subjects and activities,
 - g) facilitate economic and interpersonal communication, and
 - h) provide reliable protection against opportunistic behavior.
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According to North, the main economic institutes (property, market regulation and state regulation) are supplemented with positive acts, which regulate rights, obligations and permitted forms of economic behavior, as well as sanctions for its violation. In addition, the same author (Ibid.) insists on importance of institutions and institutional competition. For institutional development has become one of the fundamental and universal *progress criteria* of civilization. It includes formed institutional environment (set of basic political, legal, social and other rules governing economic activity) and existence of institutional arrangements, stipulating ways of cooperation and/or competition between economic agents. Protection is especially important part of property institute and specification of property rights on resources and results of their use, because it is the basis of any economic activities and stimulus assumption for effective use of resources. V. Draskovic (2009, p. 24.) describes them as defined, agreed and generally accepted patterns that govern human behavior and represent means for adaptation to the changes, minimization of entropy, risk and uncertainty.

Table 3: Similarities and differences in interpretation of institutes and conventions

<i>differentiation criteria</i>	<i>neo-institutionalism</i>	<i>conventionalism</i>
basic concept	institute	convention
interpretation of basic concept	formal and informal game rules, representing restrictions	scheme of rule interpretation
short definition	rules of behavior, agreement and its mechanical implementation	interpretation (implementation) of rules
basic problem	coordination of actors	harmonization of mutual expectations of actors, their coordination and reproduction
function	coordination i regulation of reciprocal effects	coordination and assessment of reciprocal effects
goal	meta-individual results	harmonization of social autonomy with the idea that people act individually
way of expressing	form	essence
accent on	rational behavior of economic agents	situationality and reasonable action that involves political perception and criteria of public good
reciprocal action of economic agents	exchange of goods and information	exchange of goods, information and arguments
evaluation of efficiency	reduce transaction costs	logic of justification
relation tip to methodological individualism	rationality of individual agents	social essence
relationship to Popper's three worlds	objective content of thought	state of knowledge – subjective and interpersonal qualities
factor model	institutes	conventions-institutes-organizations

Source: adapted from various sources cited in the literature

According to D. North, institutes are "game rules" of society, i.e. limiting framework determined by people, serving to organize and coordinate their mutual relations (behavior). They provide driving motives of action among people in politics, economy and social sphere. This formulation includes economic and noneconomic institutes. If institutes were game rules, then the first fundamental question concerns the nature of these rules: are they completely external or not? What are the elements of this game rules? To what extent are these economic agents recognized and what impact is made on them? Characteristically, North presents this concept in reversed order. Institutions determine formal (rules) and informal (norms and conventions) constraints, structural interaction between the actors, especially the organization. Institutions are not always aligned with the efficiency criteria, which denies them ability to reduce (but not eliminate) uncertainty in terms of mutual interaction between agents, *a priori* (but not systematically) rational and working for their own interest. During a collision of informal restrictions with new (exogenous) assumptions, as well as formal restrictions and interests of organization, changes in relative prices gradually change institutes, too. That way, individual economic entities expend resources to modify the rules. But they work on two logical levels: choice of rules and ways of their implementation.

To create a rational model, which connects these logically disparate areas (i.e. levels: rule selection and in accordance with them, selection and mode of rule application), conventionalists introduced the idea of *rational action*, which includes: a) political adjustment (or suitability) and b) common good criteria in society. Interactions within economy of conventions are represented not only as exchange of goods and information, but also as exchange of arguments. Along with "exit", A. Hirschman introduces to the economic analysis the idea of "voice acquisition." That way, homo-economicus regains his right to vote. The economy of conventional approach to institutes is thus based on language.

Through the prism of the above said, a critical scientific review of the economy of conventions cannot ignore following elements:

- ❑ high level of abstraction, and thus complete theoretical concepts, arguments, and terminology for theory consideration, and even certain parts of its methodology basis,
- ❑ little or no practical implementation possibility of considered theory, both because of its abstract-theoretical analysis and structure, as well as its specific economic policy recommendations, and
- ❑ optionality of key analytical term convention (agreement), and all other derived categories and analytical structures, which, unlike the rules of the institute as a rule and behavioral limiter, suggest the need for moral, self-conscious and rational behavior of economic agents, as former experimental construction of an "agreed economy. "

3. Three-Dimensional Relational Models: Institutes-Organization-Conventions and Language-Money-Law

The simplest model version of the economy of convention is based on following assumptions:

- ❑ existence of systematic errors of coordination is associated with incomplete knowledge (awareness - rem. D.R.) of economic agents about the different states of economy (and its environment),
 - ❑ economic agents, whose rationality is not entirely obvious, regularly enter into contractual relationships based on partial knowledge of the future, and
-

- after gathering information and negotiation, rational economic agents can reach consensus on common ideas about the collective, which should ensure normal functioning of their relations (hereinafter - convention).

This form of "*reasonable common world*" allows us, according to conventionalists, to evaluate the contingencies that are outside this contractual relationship, and to respond with "voice" or "output". In addition, there is a need to satisfy critics of economic subjects, associated with a desire to take into account social values and arguments related to morality, justice, equality, etc., essential to the people. Conventionalists assume that these "*chains of arguments*" have a unique logical structure (construction). L. Boltinski and L. Thévenot those constructions, established by society, call "cities". There is an attempt to unify some aspects of economics and sociology: cities and conventions are the phenomena of the same nature, and therefore same or similar structure, because the problems of coordination and reproduction are tightly bound (as in everyday reality). The unification of sociological and economic approach essentially means that there is no coordination of behavior without coordination of behavioral evaluation, just like in reproduction there is no reproduction inequality, without its critics. Interaction result of these evaluations and critics Boltinski and Thévenot call *justification*. This term includes understanding of efficiency (coordination) and fairness (reproduction).

There are two key questions to be answered: *first*, why is the role of language so important? All that economy of conventions tries to explain is *homo economicus* talking to his peers, and *second*, does originality of the conventionalist explain the institute as the game rules? North divided those rules to formal and informal. Conventionalists for all rules, even the most formal for their implementation (interpretation) require a collective object, i.e. *justification of common worlds* (conventions or cities). Discovering conventions, i.e. collective structures, which facilitate implementation (interpretation) of institutes changes scientific approach to them. Institutions are now being considered through the prism of the need for justification, relegating the problems of coordination and/or conflicts of reproduction. Game rules (institutions) are now viewed as a set of *justification resources*, which originally exist and it is in the distribution of the economic agents. That schedule should solve the problems of coordination and conflict of reproduction, which are constantly appearing before the economic entities. These resources are triggered by organization of real (not potential) human associations. They use institutional rules and legally create new rules peculiar to it self. There are many questions, such as: How will use and creation of institutional rules affect the environment? Is it a resource that is updated or unproductive?

An effect of organizations is dual in its nature: value of goods is calculated as a clean balance of financial resources, on one hand, and symbolic value as a pure balance of resources justification, on the other, created or undermined by them. Institutional environment is exogenous to individual organizations in the short term, while medium-and long-term perspective for all organizations becomes endogenous.

It is important to resolve the status of institute in the conception of three worlds. Boltinski and Thévenot in theory include criticism and justification, shown by people in everyday life. They study inner attitudes of collective members according to the rule of righteousness, which occurs during justification. The set of justification modes allows individuals to overcome reduction of all values to economic or social life, by practicing individual rationality, which simultaneously adjusts to the context of solution. This is unattainable in other models. The first world, that previously held the position of supplier of inputs and outputs, which are the objects of desire and calculation of economic magnates, gets independent theoretical status from now on. This marks a break with methodological individualism of mainstream.

Along with the role of argumentation in the justification process, Boltinski and Thévenot emphasize the importance of "objects" and the instruments (which include the rules, cognitive artifacts and material equipment). Their specific connection points to the order of justice. Since

the objects that belong to the same "world" resist outside influence, agreement on values allows them to reduce the uncertainty of natural ability and make predictable behavior of other people. But asset value is constantly under threat of competition from other principles of justice, other general forms of coordination. In addition to natural uncertain value (quality) of man or object, the authors distinguish the *critical ambiguity*. It regards the choice in favor of one or other order of value (quality), putting an end to discussing the situation that recognizes a multitude of orders - sets of justice. Under the influence of this dual principle of uncertainty, controversy in appropriation of value or quality can be left unfinished. However, the main problems of economy of conventions are in the third world. The consistency of reviews / reactions leads to consensus, followed by realignment of power relations and their relocation to the field of argumentation, where agents develop a general sense.

Conventions breed institutes, institutes form conventions, and organizations are the place of their mutual functioning. Following the tight intertwine of the second and third, Boltinski and Thévenot come to the conclusion that it is necessary to rethink the concept of macroeconomic stability and macro-social order. One way of reconsideration is in parallel with consideration of the money value, considering its symbolic value. In this way, John Rawls' concept of reflective equilibrium is generalized. In accordance with it, the interaction of institutional rules, theoretical models of the world and "deliberate conviction" creates a permanent configuration, reproduced in the second and third world.

The economy of convention analysis re-affirms the principle of methodological individualism. Rational economic agent is now located in the most simple institutional environment. Nature of institute, viewed as a source of institutional environment, influence the substance of individual rationality. On the other hand, rational behavior draws resources from institutional environment and consequently participates in configuration. Three institutes that make minimal set of economic conventions research program are language, money and law. Individual rationality is not possible without language, a market economy without money, a democratic society without law. Core of each institute analysis is politics, because the area of interaction of economic agents initially bears a political character. This is the first effect of merging theoretical language of coordination and reproduction. On the other hand, speaking of institutions, ie game rules that give the world a general sense, it is necessary to distinguish real rules in accordance with their logical hierarchy. For example, change of legal relations in the sphere of wage labor is logically subordinated to the existence of the wage labor rights, which determine the existence of legal system.

Language is the condition of individual rationality. Without it is impossible to speak of criticism and justification. Conventions act as the representatives of corporate world, institutions as mechanisms for monitoring policies and subject that structure and simplify process of forming a permanent corporate world. One of the main tasks of economic convention, which requires explanation, which relies not only on logic, but the history, is studying behavior and processes, which realize transition of masses to the global world. The existence of language is a logical and necessary condition of forming those worlds. A rational individual should be able to evaluate characteristics of the collective he is interested in, representing useful factors for him. Therefore, it is necessary for *homo economicus* that he knows how to interpret linguistic processes, in addition to rationality. Methodological individualism of conventional economics assumes an interpretative rationality that does not coincide the standards of rational choice.

Money is a condition of a trade. As such, it is foundation and symbol of the global world. Aglieta and Orléan emphasize that their model of choice of money is not historical but logical reconstruction of money origin. They developed a theory of "market city", analogous to one of the Boltinski and Kjapel's cities. Aglieta and Orléan suggest to economists that even standard calculating rationality implies trust, ie. it is possible only in peaceful social relation. Economists make a big mistake in understanding the historical circumstances of transition from planned economies to market, without separating the elements of appeasement as basic endogenous changes,

channeling the violence, necessary for each, even the simplest economic transaction. Logical connection between two discussed "matrix" institutes can be found in the Aglieta and Orleéna's quote:

"The most abstract manifestation of the rule of money is the unitarily account. Money dictates common language for all owners of goods, language of numbers".

Language of words, which enables creating a common world of mutual understanding in the process of exchanging information, is necessary to amend with language of numbers, which allows the existence of common world in the exchange of goods.

During the exchange, law is the essential for mutual correlation of behavioral norms, being ignored for so long by economists. Law is a condition of democratic society. It is part of a complex world, with plenty of cities or justification logics. This is the third and the last phase of economists-conventionalist argumentation, based in logical model sets of fundamental institutes of economic conventions, on which all the others are developed. It is believed that the existence of law is the logical consequence of many justifications, such as the existence of money is a result of many goods, and the existence of language features the human nature. Multitude logic of justification makes inevitable compromises that must overcome their differences. Compromise cannot mobilize a substantial concept of justice, because it would not have been a compromise but justification. Instead of a substance it requires a procedure. "Procedure" are the rules that comprise the agreement. Law arises as a logical continuation of a similar rule reading. It is necessary to create a language of rules e.g. technique of argumentation, which allows solving the conflicts and managing disagreements that arise in a collision of potentially unlimited number of rules, norms, values, opinions. This creates possibility of affecting the people, without resorting to violence. That technique is a law. From here arise an important feature of law. Paradox is, its effectiveness depends on so-called "superficiality", according to B. Latour:

"It is comprehensive, applicable to all the people and all their actions in a continuous motion. It allows that constitution calls for resolution of matters of least importance, partly due to the fact, that in all things it has only an insignificant part of its essence".

Law makes sense only in the world saturated of even oversaturated with rules. Diversity and abundance of legal rules makes the ability to solve the conflict, partly because of commitments to ensure law priorities over all non-legal rules. Thus, apart from superficiality, law has status of "reflexivity": a legal rule must disclose about itself as legal. This line explains the difference between the law and science, which is successfully explained by Latour. There are no degrees of law: a statement is a legal rule or it is not. In contrast, scientific evidence can have varying degrees of scientific value. According to Latour:

"Even engaged in the most trivial case, law takes the form of total... Speaking of law, it is always the law as a whole".

The most obvious feature of law is its linguistic nature. If law is a procedure, then it is a procedure of argumentation. Once characterized as superficial and reflective, these processes can be understood much better, preceding argumentative, thus linguistic procedure that follows. Argumentation precedes operation of attributing statements related to the subject showing these arguments. When conflict is brought to consideration in legal instances, everything, without exception, that subjects had said and/or done to each other or to some other object, must be translated into some form of written statements of the persons accused. Any violation of this continuity threatens the integrity of law. Afterwards, procedure of argumentation is achieved: a decision is inseparable from totality of arguments. That is a condition of law eligibility. Although the quality of used evidence can influences the legitimacy of decisions adopted in the trial, its most important characteristic is that they must lead to solutions. Argumentation leads to a legal opinion, comparable with legitimate, "reasonable" opinion, which is always formed from a series of critics

and responses. According to Thévenot, the economics of legal solutions is determined by restricting possibilities of the legal rules.

4. Conclusion

The consensus theory has no conceptual boundaries, which methodologically provides for the argumentative critic of neoclassical and neo-institutional rationality. Therefore, as well as for its multidisciplinary, it presents an alternative theory, since, instead of a thesis on the universality of market behaviour norms, it insists on the existence of the abundance of (reasonable) coordination forms and consensus types. Methodologically and terminologically, it is similar to neo-institutionalism, especially in part of limitations in economic behaviour and the pluralism of coordination forms, but there is also a difference in the originality of their interpretation, language expression and extremely wide range of motivation system. Numerous mutual elements (terms, categories, economic imperialism and similar) such as norms, regulation, reasonable as a synonym for rational and other, imply that the attempt to create an original concept appears rather as a substitute than as a constructive and paradigmatic theoretic alternative. Additionally, we cannot deny numerous descriptive elements of convention economy conceptual originality, nor can we dispute certain visible compilation reflections of neo-institutional economic theory. It seems thought, that the latter is much more consistent, more appropriate for economics and terminology, and therewith applicable in economic reality. The multidisciplinary of convention theory has ambitiously grown into the „economy of conventions“. It is visible in all its representatives' papers, especially in abstract analytical and categorical apparatus, featured by numerous metaphors, original abstract terms and more abstract interpretations and explanations. They cannot neutralise the obvious similarity with neo-institutional economic theory.

Regardless the previous statements, and for the purpose of the application in economic policy, it is important that the existence of norms, rules and conventions is not coherent with universal (essentially monistic and vulgarised) interpretation. It is about the neoliberal promotion of market and individual rationality and polarized orchestrated interpretation of state interventionism. Similar to neo-institutionalists, conventionalists advocate for pluralistic mechanisms of coordination. They correctly imply that neither free market nor state intervention can or may be the only universal form of coordination. The cited conclusion is sufficient to evaluate the appearance and development of the economy of conventions positively from the aspect of possible influence on economic policy and economic development. Future theoretic discussions are yet to show how significant the contribution of theory and/or conventions is.

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