Título: Rules, contract, and institution in the wage-labor relationship: a return to institutionalism?

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Resumo:

The development of economic thought on wage and labor relationships focusing on institutions is examined. It is shown that labor economics covers a wide body of knowledge that must be integrated with an understanding of the role and nature of institutions. Thus, the theoretical foundations of an institution and the productive rules and structures of such organizations must be considered in the study of labor economics.

Texto completo:

-----. Legal Foundations of Capitalism. New York: Macmillan, 1924.

-----. Institutional Economics. Its Place in Political Economy. Vol. 1. Transaction Publishers, 1990.

-----. The Economics of Collective Action. 1950. Reprint. Madison: The University of Wisconsin Press, 1970.

Commons J. R., and J. B. Andrews. Principles of Labor Legislation. 2d ed. New York: Harper and Brothers Publishers, 1920.

Defalvard, H. "Critique de l'individualisme methodologique revu par l'economie Recent research in labor economics is characterized by increasing interest in the nature of the labor contract. There is something close to consensus that the wage relationship can best be understood by recognizing that labor contracts are "incomplete" because they cannot be reduced to mere market contracts.

Reexaminations of the nature of the wage relationship lead to consideration of its institutional nature. Nevertheless, in the theoretical literature, contractual relationships are not always incorporated in a real institutional relationship. The interests of French and American institutional economists of the early twentieth century are reflected in the works of contemporary labor economists; it is therefore interesting to compare current work with the analyses of these early institutional economists. Convergences and divergences concerning the contractual and institutional dimensions of the wage-labor relationship will be emphasized in order to stress the potential of an institutionalist approach.

Our examination of orthodox and heterodox theories of the wage relationship draws upon the debate in the United States about the relationships and the fundamental divergences between "old institutionalism" and "new institutionalism" [Hodgson 1991; Jacoby 1990] as well as upon the institutionalist nature of labor economics [Ramstad 1981]. This literature has not attracted much attention in France, partly because little is known about old institutionalism. In addition to the examination in this paper of new developments in neoclassical theory and the "New Institutional Economics," our purpose is to analyze theories current in the French debate concerning the status of labor institutions and to compare them with institutionalist foundations.

Incompleteness of the Labor Contract and Rules in the Wage Relationship: A Contractual Relationship?

Recent developments in the theoretical analysis of the labor contract are part of a process of reappraisal of the Walrasian model of the wage adjustment as a condition for labor market equilibrium. This reappraisal takes the form of either contesting the realism of assuming an auctioneer (which allows disequilibrium theories with the possibility of underemployment equilibria by means of false prices and rationing, and therefore adjustment by quantities), or of emphasis on the particularities of the labor contract and of the labor itself. The intent is to give economic rationality to wage rigidities and to involuntary unemployment, partly by making the assumed individual more sophisticated through the development of the theory of contract and principal-agent relationships, and partly by the consideration of social norms or institutional features of the labor market [Solow 1990]. Contract theory tries to integrate rules into the market model through general questioning of "the way by which the exchange can be guaranteed in case of uncertainty about the quality of the product involved in the transaction" [Eymard-Duvernay 1987, 10].

The integration of qualitative uncertainty into economic analysis, and particularly into the labor relationship, leads to questions about the specific nature of both the wage relationship and labor: can the wage relationship be a pure market relationship? Is labor a mere commodity?

Recent neoclassical research considers the wage relationship as a specific contractual relationship. Its peculiarity is the nexus of mutual commitments, which make it incomplete and different than an exchange of goods. The impossibility of comparing the wage relationship with a pure market relationship derives from the length of time that the relationship continues; unlike the purchase of commodities, it is a durable relationship. This new consensus [Servais 1990] takes for granted that:

1. The labor contract governs provision of a work force, not the delivery of the labor product.

2. The contract is clinched in a context of "radical" uncertainty about the result of the exchange, due to economic hazards, strategic maneuvering, the degree of effort and involvement of the employee, and so forth. However, orthodox authors do not consider this relationship to be asymmetrical. If asymmetry is acknowledged, the labor contract is no longer comparable with a sales contract; subordination to the employer's authority is implied [Simon 1951]. These new conceptions lead to a reappraisal of the Walrasian model, partly because of the integration of rules into the process of resource allocation.

Reappraisal of the Walrasian Model and New Perspectives

The new microeconomic theory of the labor market aims at filling the gap between the Walrasian model and reality and explaining the rigidity of nominal wages in the face of underemployment. There has been a shift from a "Standard Theory" (ST) to an "Extended Standard Theory" (EST) [Favereau 1989; Servais 1990]. EST components add organization to the market as a complex device for the allocation of resources and for the coordination of activities.(1) In contrast with the Walrasian model, which considers rules as constraints on optimization, EST tries to incorporate them by considering them as contract rules. In EST, the wage relationship based on an incomplete labor contract becomes an organized labor relationship [Servais 1990]. EST pays less attention to labor market equilibrium than to the analysis of relationships between employers and employees. The labor contract is seen to be a method of organizing these relationships. Also evident is a shift of analysis away from the external labor market toward the links forged during exchange that extend inside organizations.

The idea of the incompleteness of the labor contract is consistent with the neoclassical paradigm, for it can be added to factors (uncertainty, bounded rationality, opportunism) that affect outcomes. The labor contract is seen as both a long-term relationship and a device for contractual organization. The wage relationship is no longer a purely market relationship, since it is not managed entirely through market mechanisms. Rules are required for its management: "The incompleteness of the labor contract requires the implementation of rules for the assessment of individual behaviours and for the definition of exchange modalities" [Reynaud 1988].

Efficiency wage models identify a possible method of solving the uncertainty of a labor contract, i.e., the payment to the employee of a higher wage than the market wage for the commitment of a sustained effort. The supply of incentives with a view to mutual benefits is the cornerstone of this theoretical innovation. The product depends on the duration of work, as well as on the intensity of effort, which is assumed to increase with the wage. The incentive effects are both direct (through the wage level) and indirect. The use of efficiency wages makes the fear of costly unemployment an incentive to work.

Implicit contract models must solve a similar problem. Here, the aim is to avoid a prisoner's dilemma situation between employer and employee. The solution lies in the exchange of a commitment by the employee, who transfers to the employer the free organization of his work force for the guarantee of a permanent wage, disconnected from the state of the market and from the efficiency of the firm. This tacit agreement makes the labor contract a quasi-contract.

These models have many points in common. On the one hand, they operate on the principle that the stable behavior of both parties stems from their optimizing rational behavior, while on the other hand, the impossibility of drawing up contracts covering all contingencies does not impede the consensual nature of the agreement, which is itself devoted to the prevention of adverse selection or moral hazard. In both cases, the employee's commitment results more from anticipated risk (mutual loss), in the case where the labor contract is broken [Eymard-Duvernay 1987], than from behavior in compliance with the rules. Thus, "the risk-sharing agreements by the contracting agents over a span of time" [Malcomson 1986] are at the core of these approaches. The implicit part of the contract can be summarized by mutual profit and loss in the case where the contract is broken. The incompleteness of the contract separates the conclusion of the contract and its execution, which requires incentive mechanisms that can be described by rules, norms, and conventions. Some rules are external, others are internal insofar as they concern work force mobilization [Reynaud 1988]. These rules are incorporated (implicit) contract rules whose nature is believed appropriate to the conviction that the quality of the relationship lies within the domain of the contract. This excludes a real institutional content in the wage relationship.

Can All the Conditions Regarding Quality in a Wage Labor Relationship Be Incorporated within the Contract?

This question can be answered in two ways. The concept of a contract can be seen as a suitable analytical tool for dealing with qualitative uncertainties, in which case the hierarchy (the organization) can be considered as a structure devoted to the execution of the contracts. The institutions are then a nexus of contracts and a variable explained by the choice of individuals [Dutraive 1991]. This is the direction followed by most recent neoclassical models. Or the incompleteness of the contract can be described as intrinsic to the wage relationship. The labor contract requires a set of institutions for obtaining cooperation and productive labor. Therefore, institutions cannot be reduced to contractual phenomena; rather, they condition the feasibility of contracts. According to heterodox theories, institutional phenomena, including the contract, are fundamental to the understanding of activity, labor relationships, and efficiency. The two different answers can be illustrated by drawing from the New Institutional Economics and the French Theory of Conventions.

New Institutional Economics is a component of EST. Its intent is to provide an "institutional content" to the relationships of exchange and cooperation between economic agents in a world where the coordination of activities and behaviors cannot be totally secured by a system of prices [Coase 1937; North 1990; Williamson 1984]. This school tries to integrate the institutions of capitalism as a significant dimension, assuming that:

institutions are the humanly devised constraints that structure political, economic and social interaction. They consist of both informal constraints ... and formal rules ... Throughout history, institutions have been devised by human beings to create order and reduce uncertainty in exchange [North 1991, 97].

However, because contracting remains dominant and institutions are confined to a role of decreasing transaction costs, there seems to be no substantial difference between New Institutional Economics and the neoclassical models mentioned above.

Indeed, Williamson studies the wage relationship as a particular case of a more general problem: the choice of an efficient governance structure. Here, efficiency is connected with minimizing transaction costs. Specific labor transaction attributes must be analyzed in order to understand alternative governance structures (various kinds of work organization, market versus organized relationships, i.e., internal versus external labor markets) and efficient contractual relations. This consists in a systematization of the neoclassical amendments. Williamson focuses on two peculiarities of the transactions: the degree of specificity of human capital with regard to transactions (idiosyncratic competencies, specific skills of a firm) and the degree of difficulty in the assessment of individual productivity.

Another perspective has been developed by the French School of Conventions (Thevenot, Salais, Favereau). They dispute the neoclassical assumptions about the centrality and self-sufficiency of the contract. For them, the existence of a contract and its efficiency require noncontractual devices: conventions and rules that concretize and determine the contracts themselves. Although their origins are similar (the specificity of labor and wage relationships), the consequences of their analyses and theories are different. The French School of Conventions puts the real institutional nature of the wage-labor relationships to the fore.

This implies a theoretical reformulation of the analysis of forms of coordination that would take into account the diversity of the "worlds of production" and would attempt to root economic phenomena in the social field. The notion of convention covers the social forms that enable coordination, in a world of cognitive constraints and in a universe characterized by deep uncertainty regarding the action by other agents and by the procedural nature of rationality. There must be a common framework in order to produce regularities and compatibility of individual representations and behaviors and in order for agreements to be reached and interindividual relationships managed. "Conventions are practices, routines, agreements, and their associated informal or institutional forms which bind actors together through mutual expectations" [Salais and Storper 1991, 4]. This "common agreement" does not stem from a "preliminary document, where each detail can be specified and which reflects similar rationality and intentions from each party ... " [Salais 1989, 213].

Incompleteness is not a problem, but a solution if one transcends the purely market framework to take into account the complexity of production relationships. The relational framework that enables the subordination incorporated in the labor contract is that of hierarchical organization, and this cannot be analyzed in terms of contract, but only in terms of collective knowledge incorporated in rules and learning. The need for a connection between individual and collective learning implies incompleteness of the contract and characterizes its specificity. Here, both the agreement (the signature of the contract) and its implementation (the mobilization of the work force) require the existence of conventions. With this approach, conventions are specific social institutions, necessary because of the need to manage cognitive uncertainties, whose aim is to achieve regularity of comportment. The employees' commitment is a matter for "convention-rules," or for conventions implemented by means of rules, that develop a system of mutual expectations concerning skills and behaviors.

To sum up, both Standard Theory and Extended Standard Theory reduce institutions to contractual phenomena. Institutions are analyzed either as a constraint or as a result of optimization behaviors. The characterizations "norms," "rules," and "institutions" are blurred. In some cases, "institution" means "regulation" and appears to be exogeneous; in other cases, it is directly connected with the rules governing the wage relationship within organizations, though these rules are nevertheless produced from the contractual relationship between employer and employee. These imprecisions are highlighted in Non-Standard Theories, which assume that every contractual relation requires the existence of a suitable institutional framework able to provide homogeneous patterns of thought, action, and behavior.

The Wage Relationship: From Contractual to Institutional Bases

We will now examine more precisely the status of institutions and the relation between contract and institution in contemporary theories. This examination will be made from an institutionalist viewpoint, i.e., rooted in the school of thought developed in the United States at the beginning of the century(2) and especially in the analyses of J. R. Commons. This school aimed at creating institutional and evolutionary economics, with special emphasis given to the nature and the role of institutions. Curiously, Commons's analyses are never really used, especially in France, where the influence of the institutionalist school was not strong in spite of its close analytical links with French jurists and economists of the twenties and thirties (such as Pirou and Renard).

One must underline the crucial contribution of the early institutionalists to the study of the "labor problem" within the scope of political economy. Although labor economics was to be limited later to the sole problem of the functioning of the labor market, thus neglecting many other relevant aspects of labor in the economic process, labor economics was once more thoroughly institutional [see Ramstad 1981; Jacoby 1990; Segal 1986; McNulty 1968, 1980]. Our aim is to consider how useful institutional economics may be for the analysis of labor through an examination of (1) the analytical bridge between contract and institution, and (2) the foundations of contemporary theories as far as institutional aspects of wage-labor relationships are concerned.

Contracts, Institutions, and Transactions in Labor Analysis: An Institutionalist Perspective

We do not intend to give a complete overview of the institutionalist school of thought. However, it is useful to summarize some features of institutionalism as they shed new light on questions of labor and institutions. The main characteristics and principles [see Samuels 1988; Pirou 1946] may be defined briefly as follows:

1. Institutional economics intended to provide a real alternative to neoclassical economics while elaborating a non-Marxist paradigm, denying scientific validity to the labor-value theory and its philosophical foundations.

2. It aimed at conceiving economics as embedded within the sociological whole. It attributed significant weight to the legal-economic nexus that gives meaning to production, exchange, and redistribution.

3. It intended to provide both a conceptualization and a mode of integration of institutions into political economy. Theoretical investigation focused on the relationships between individual and collective levels and between individuals and groups in their cooperative and conflictual dimensions. Seen as the substance of social life, institutions acquired the status of a fundamental economic entity in the study of allocative and productive processes.

4. This analysis was rooted within an evolutionary and historical perspective, emphasizing the essential role of the evolution of institutions as a process of cumulative change.

Legal and Economic Representations of the Contract and the Evolution of the Legal Foundations of Capitalism

Neoclassical analysis uses the notion of contract without taking into account its legal meanings. For institutionalists, contracts and the particularity of labor contracts were conceived in both legal and economic terms. In this framework, the contract is initially considered a legal institution regulating interindividual relationships. Institutionalists stress the importance of the labor contract among the legal foundations of capitalism. The economists' concept of contract is insufficient for the analysis of the wage relationship, which is fundamentally collective and involves conflict.

Commons's institutional approach defends the need to consider the legal framework of the economic system: capitalism constitutes an economic and legal whole [Pirou 1946]. The main legal institutions of capitalism, ruled out by most classical theories (except Marxism) on the basis of naturalism and universalism, are those of property and contract. The contract proceeds from property, which itself defines a set of rights and duties and specifies economic relationships and processes. Property shapes the legal definition of the contract ("give and take," equality, negotiability, and enforceability). According to Commons, these institutions are the very substance of capitalism and make the exchange value supreme over use value. These two institutions regulate relationships between people and with goods. Basically, institutional economics also distinguishes between engineering (industrial) and proprietary (pecuniary) economics. This distinction is required in order to treat the twofold dimension of production. The double meaning embodied in the concept of wealth (ownership and material wealth) involves different kinds of processes and rationalities but both are intertwined in the institutionally organized processes of production.

Under capitalism, the contract organizes individual relationships. From an individualistic perspective, neither property nor contract are considered in.terms of their social function. However, the institutionalists emphasize the role played by regulation, collective property, and collective agreements in the capitalist process. Therefore, the concept of institution is considered as integrating both the practical and theoretical aspects of the contract for several reasons. The first is a methodological and epistemological objection to individualism: individuals are parts of groups and the collectivity; behaviors (cognitive processes included), socio-economic relations, and structures are made intelligible using holistic methodology. The "Theorie de l'institution" (institution theory) conceived by two French lawyers (Hauriou and Renard), and institutional economics share in denial of a method that reduces community to individual parts via the contract [Renard 1930]. Human relationships - which, in Commons's theory, distinguish the institutional sphere from the material one - can be classified into two types: individual and social. The individual contract governs the first kind of relationship (corresponding with commutative justice, cf. Renard), while the second type of relationship involves groups, hierarchical organization, and an organic link between individuals and institutions (distributive justice). Finally, whereas the contract belongs to the field of discontinuity, the institution belongs to the category of continuity.

Labor is both an economic category and a social reality, and thus it cannot be reduced to a commodity. Consequently, the labor contract differs from the basic legal notion of the contract within capitalism. Therefore, the incompleteness of the labor contract is merely a starting point in the analysis of labor contracting but not its core. This incompleteness requires going beyond the framework of the contract. The labor contract is considered:

1. A medium for an ambivalent and dual relationship on the basis of superficial equality; the labor contract cannot express more than the legal moment and aspects of the agreement. The agreement, however, is vitiated since the contracting agents are vested with different powers. This requires a shift of the investigation from the contract on the individual level to the real content of the relationship, thus providing room for an economic analysis of wage bargaining and productive activity, where account is taken of the conflicting dual nature of wage-earning, efficiency, and equity.

2. The labor contract differs from the usual or common definition of contract: Commons states that the labor contract is not a real contract, but "a continuing implied renewal of contracts" [Commons 1924, 285]. In comparison with the legal framework of business, its particularity lies in its unenforceability, its dimension of liberty and exposure involving a propertyless seller and a propertied buyer. This nature leads to the development of labor legislation and trade unions, i.e., practices, customs, and institutions different to those of other aspects of business.

The peculiarity that characterizes labor stems from the worker selling his goodwill, his willingness to work, and the use of his manual, mental, and managerial capacities (labor power). This willingness cannot be specified within the contract but has to be obtained continuously: the labor contract is bound within a network of institutions of which the two most important are the firm and collective agreements. In the case of labor, one cannot separate productive power and bargaining power, both of which precede and follow the contract. There is a continuous process of conflict and negotiation. Thus, the industrial goodwill of labor becomes the central problem; it constitutes the intangible factor of production without which the other factors cannot operate, and it is dependent on the reciprocity of the wills involved in the labor contract.

The conceptual starting point is thus the rejection of both the economists' commodity theory of labor and the engineers' machine theory. Commons's project is to build a real political economy of labor, and this requires consideration of labor as a human agent of production. Labor is an active agency, a human power, a power of production, of bargaining, of protest, and an active human mind.(3) Cognitive and institutional phenomena are thus essential in any analysis. Motivation and willingness are at the heart of the process, but they are not psychologically simple. Knowledge (can do) must be differentiated from action (is doing); institutions operate in the space between them. The institutionalist labor problem focuses on the analysis of the participation of individuals and groups in transactions involving their powers, their behaviors, and their collective activities or actions, and it considers as essential productive and cooperative work that cannot be achieved by means of a contract. This problem is not market centered. It asserts the need to analyze not only the labor market and its corresponding legal act, but labor institutions as a whole. Consequently, the wage-labor relationship must be distinguished from the labor contract.

The wage relationship is thus a central institutional relationship within capitalism. Institutionalists working in the tradition of Commons focus on the social control of the economy through the conciliation of conflicting interests and thus provide an interpretation of the historical evolution of capitalism. They argue that the development and recognition of trade unions and collective agreements play a crucial part in the social evolution and transformation of the foundations of capitalism. They supply a progressive solution to social conflicts, leading to new methods of managing capital-labor relationships. Since production is the result of cooperation and joint efficiency, and as bargaining involves power-vested agents [Woodbury 1987], a new kind of organization of the relationships between capital and labor is needed. The ultimate aim of such an organization lies in the balancing of bargaining powers. Taking into account the basic social asymmetry inherent in the dialogue between capital and labor, this task implies attributing new rights and powers to the workers. The rationale of such a process relates first to the unsuitability of the individual contract both for managing the growing complexity of labor relations with the development of collective industry [Pirou 1909; Commons 1950] and for negotiating production conditions; second, it refers to the critical discrepancy that always arises between the technological development of production and existing social institutions. The balancing of powers enables the development, at different levels, of collective agreements and collective bargaining. This collective action restricts and limits the scope of individual contracts. Collective agreements are not contracts in the legal meaning of the term, but conventions, negotiated agreements dedicated to a collective definition of working conditions and collective general topics (general rules), whereas individual contracts deal with specific individual matters. They imply the substitution of collective rights (labor law) to individual ones. Insofar as labor legislation cannot solve all production conflicts by legal means, collective agreements are necessary and institute change in power relationships. According to Commons, industrial practices and collective bargaining lead to an important transformation of the institutional framework of business: "The customs of labor and of labor organizations are as different from the customs of business as the latter are different from the customs of feudal agriculture" [1924, 301]. These institutional changes provide new foundations for wage bargaining and are a path toward industrial democracy and industrial government. These foundations are conceived as being a condition for collective industrial efficiency and for attaining "reasonable capitalism."

Thus, this approach provides a historical and theoretical foundation for the differentiation and hierarchy between contract and institution. What is at question is, on the one hand, the total incapacity of the pure contract to guarantee the social link and, on the other hand, its inadequacy as a support for the "trust dimension" and conditions of participation, foth of which are necessary for the wage-labor relationship [Hodgson 1989].

Labor, Transactions, and Institutions

We will now develop a more analytical investigation that focuses on the institutionalist conceptualization of both institutions and wage-labor relationships.

It is necessary to underline both the place and the double status given to labor analysis in theoretical institutional economics.(4) First, on the basis of pragmatic (realistic or problem-oriented) epistemology, institutionalists have often begun their research by an analysis of labor institutions. For instance, Commons himself clearly indicated that his notion of institutions was grounded in his activities as a member of labor-oriented industrial or legal commissions. Second, in the search for an alternative to marginalist theory, labor studies were considered [especially by Hoxie, see McNulty 1973] perfect evidence of the inadequacy of classical "pre conceptions." Consequently, institutionalist thought comprises a project with two aims: a theoretical reform-through the integration of institutions within an evolutionary framework of economics and social reform-with the quest for the regulation of conflicting interests.

The institutionalist conception of institutions results from the basic willingness to take into account the dual nature of social sciences that both investigate human behaviors and activities on the one hand, while they analyze holistic relationships on the other. The result is severe criticism of individualism. The subject matter of institutionalist economic science thus becomes the transactions between human beings and groups, making a living with each other by producing and acquiring limited parts of wealth through cooperation, conflict, and working rules [Commons 1934, 93]. To consider institutions not as constraints, but rather as the substance of social life, requires the rejection of Homo Economicus, whose existence cannot explain the individual/society nexus since it rules out not only the various forms of associated and organized action and the inherent imterfection of knowledge and information [Boland 1979; Hodgson 1989]. The basic units become the group, collective action, and social relationships. Commons then asserts the need to consider the dual dimension of individual cognition and actions. On the one hand, there is the volitional dimension, the active role of the individual, though rational calculation does not dominate. On the other hand, there is institutional determination; the individual is an institutionalized person and mind, integrated within habitual and collective action.

As emphasized by Hodgson [1989], a central objection of institutionalists is the incorrect conception of the individual held by marginalists.

Commons's approach to labor economics rests on his basic concepts: transactions and institutions.(5) Transactions operate within and through the various institutions composing society. The prevalent institutions determine and inform transactions, especially through the working rules they uphold. These rules govern and regulate groups of associated agents and enable collective control over the transactions; they also guarantee the consensus for action and evaluation required for joint actions. Thus, there is a merging of transactions with institutions, which in turn encompass the other categories. The theoretical status of institutions aims first at explaining the mediation between individual and collective action;(6) second, it tries to understand how routines and value systems are formed; third, it analyzes the structural forms of the economic system as a modality of conflict management. Commons defines the generic concept of institution as "collective action in control, liberation and expansion of individual action." The analysis of collective action thus enables us to go beyond individual routines. Furthermore, a major distinction is made between two kinds of institutions [Gonce 1971; Boland 1979]: collective representations, or customs, or "consensus institutions," on the one hand, and organized institutions, or "concrete institutions," on the other hand.

Commons rejects the notion of labor as an abstract concept (labor-value theory); instead, he puts to the fore a threefold dimension [Commons 1950]: wage bargaining, productive activity, and collective labor. Efficiency and social progress, as well as work organization and rules governing the wage relationship, depend on the consistency of the various labor institutions. These institutions include: the wage-earning system, the factory system, the industrial relations system, and the model of representation of labor and production.

Bargaining transactions correspond to the hiring wage relationship, i.e., to the individual labor contract as the legal basis for the managerial transactions that forms the institutional medium for this exchange. They are the medium for wage bargaining in the negotiation of the terms of the relationship and of the sale of the productive powers belonging to the workers. This entails a transfer of property from worker to employer. At this stage, whether the contractors have an equivalent legal liberty to commit themselves or not, their economic freedom is different by nature.

Once an individual agreement has been obtained, the terms of the relationship change: there is legal inferiority in the workshop, as there is now a relationship of command and obedience. Managerial transactions concern the relationships between workers and managers; they ensure cooperation and coordination between different types of productive powers (manual, mental, managerial) and their connection with productive resources. The production of social wealth and the development of the industrial system result from productive organization. These relationships and cooperations depend on institutional processes defining incentives, control, participation, and organization; they condition joint efficiency, productive and technical mastery, and thus, output.(7) Here, conflict arises concerning the methods of managing the coordinated exercise of productive powers. Participation is conditioned by the possession of bargaining and management power. This analysis emphasizes that it is not possible to establish direct causality between the wage rate and the degree of efficiency. These economic categories correspond to two different transactions, although the rules they both define affect each other. The motivations at stake are more complex. In managerial transactions, the essential rules are those of work; they are either negotiated or dictated, either formal or informal. The implementation of agreements also produces working rules.

Last, the exercise of collective powers and the definition of general and distributive rules are the result of the links between organized labor and organized business at different levels of organization. These relationships constitute the rationing transactions. Through collective bargaining, production, and the implementation of working rules, these transactions are a means by which change and the institutionalization of practices and power relationships develop and other transactions are brought about. They lead to the administration, organization, and evolution of labor relationships. In Commons's view, this forms the basis of the "constitutional government of industry." He lays emphasis on the progressive prevalence of rationing transactions over bargaining transactions. They institute an industrial relations system and operate by means of collective agreements. The analysis of these transactions highlights the status of the legal sphere and the role of the state, especially concerning changes in the loci of decision and bargaining powers. Collective bargaining is analyzed as a force opposing established law, i.e., economic liberalism [Morel 1975]. Legal and conventional rules, as a result of a nexus between two collective forces, organize and institute different modes of work force allocation, use, and reproduction. Conflicts are concerned with the sharing of powers and result from opposition between two different bargaining logics.

Although this trinity of labor transactions provides a map of levels and processes involved in labor relationships and activities, it is also necessary to analyze the connections between these transactions and their historical reasons for being. These transactions show that productive activity is also a bargaining process. As attention must not only be given to analysis of the labor market, the labor process must not be conceptualized either as a pure submission relationship or as a mere technical activity. Institutionalist analysis emphasizes the fact that bargaining transactions and, at a higher level, rationing transactions, define the rules of managerial transactions, which concretize the collective aim of the concern and establish rules on these bases:

The salient point is that the labor process is surrounded by an air of institutional indeterminacy reflecting the relative power of workers and management to manipulate or modify the existing working rules in determining not only the size of the wage bargain, but also provisions relating to job security, job content, working conditions, and the organization of work [Gimble 1990, 628].

Therefore, the nature and content of social conflict are shaped by these rules and relative powers: conflict originates from and is rooted in institutions, and it occurs when the different transactions are in progress. In conclusion, this theory supplies substantial foundations for analyzing the institutions supporting the wage relationship within organizations [Jacoby 1990] by linking cognitive, institutional, and productive dimensions. The question is, is this theory capable of contributing to contemporary analyses?

The Status of the Relation Between Contract and Institution in Current Theories

Internal Labor Markets, Rules, and Incentives

The rooting of recent models of the wage relationship within the boundaries of internal labor markets is interesting as it leads to a shift of labor economics from the external labor market to the organizations that manage the usage and reproduction of the work force. The mechanical game of price and quantities in the labor market have given more space than before to behaviors and labor institutions. The indicators governing these activities are no longer restricted to prices but take the form of rules, norms, or conventions. Whatever the expressions in use, they mark a priori the absence of self-sufficiency of the labor contract. Moreover, they evoke, explicitly or not, an institutional content in the wage relationship. In neoclassical wage relationship models, such as the efficiency wage or implicit contract theories, phenomena explicitly labeled as institutional are evoked in two ways: (1) either they are considered as legal constraints whose relevance is questionable with regard to solving uncertainty via private settlements, or (2) they describe the result of interactions of individual behaviors in game theory. Institutions are thus rules arising unintentionally from the games played between employers and employees, therefore from individual arbitration.

Consequently, we agree with Reynaud when she defines the orthodox paradigm as that which considers that institutions and rules boil down to contractual relationships [1988, 159]. Thus, if the wage relationship constitutes a particular contractual relationship, it remains above all a contractual relationship. Therefore, there is no substantial difference between the various relevant places where the relationship can develop. Indeed, the notion of contract renders the categories of market and organization homogeneous [Favereau 1989]. With the contract as a central analytical category, the framework of analysis remains purely that of the market [Eymard-Duvernay 1987], and it is not possible to observe the inadequacy of market transactions for the management of behaviors after the conclusion of the contract. In Commons's terms, the analysis of contract incompleteness leads to a shift of investigation from bargaining transactions to managerial transactions. Rules of wage determination in external labor markets correspond to the first level, whereas theoretical analysis concerning the use of the work force within the organization, after conclusion of the contract, corresponds to the second. However, orthodox theories continue to make explicit use of the analytical tools of the market for the study of managerial transactions, whereas Commons insisted on their irreducibility. Moreover, the level of rationing transactions is not integrated, revealing the exclusion of collective phenomena.

EST aims at incorporating the rules as an optimal contractual arrangement in order to define the nature of the optimal contract when performances cannot be perfectly monitored. The rules integrate the incentive schemes and the optimal contractual forms of the wage relationship. Thus, EST selects the first of the two following directions for the analysis of the rules:

1. The emergence of the rule and its durability can be explained within a contractual framework: it is the contractual relationship that gives rise to the rule and that constitutes its medium. The rule does not exist outside the contract.

2. The rule participates in the building of a framework that informs and organizes the contractual relationship, giving rise to cognitive collective devices and enabling the achievement of economic activities in the organizations.

In the first case, the institutional element is neutralized. The organization can be conceived as a nexus of contracts. However, in the second case, the organization is typified by its institutional and cognitive characteristics. Therefore, the organization manages contractual relationships, but it has its own existence. This conception is not very different from Commons's notion of transaction, according to which:

Contracts are always integrated into a network of non-contractual interactions (rules, standards, habits), so that it is impossible to establish an analytical frontier between the two elements. Hence, for Commons, it is the very nature of the institution (and its specific non-contractual elements) which provides relationships and transactions with their characteristics and not the reverse [Dutraive 1991, 14].

In contrast with Williamson, transactions are not incorporated within a contract. Nevertheless, research carried out by NIE and notably by Williamson makes a central reference to the institutions of capitalism. The aim of this school is to penetrate the "black box" of the firm, which comprises the wage relationship and work organization, by using different criteria: the specificity of human assets, bounded rationality, moral hazard, frequency of transactions, and so forth. This project aims at a comparative institutional assessment of contracting modes in order to provide efficiency attributes to the internal labor markets, which are a mode of managing contract incompleteness. The theory of contracts is supposed to supply both a general analysis of internal labor markets and a typology of these markets by associating the attributes of the transactions. The status of institutions in NIE analyses can be expressed in terms of three ideas.

1. The dissociation between exchange and implementation completes the analysis of the allocation of price-directed resources with an analysis of the management of these resources within the organizations that implement them. The firm as an internal organization is no longer a black box but the privileged structure in which the wage relationship is enacted. Within the organization, the allocation of the work force and its remuneration are regulated by rules. Nevertheless, the labor contract is always linked to the market. If one considers the firm as a network of contracts or as a contract governance structure, the organization can be reduced to an interindividual phenomenon, and it therefore disappears. There is no real place for an institutional content in the organization and in the labor contract. As pointed out by Jacoby [1990], NIE "has given Crusoe a boss but not a great deal more!"

2. The Walrasian world remains the analytical framework of institutions. If the rationality of agents was not bounded, if there were no flaws in the market or in the information, if interindividual relationships were devoid of opportunism, and if there were no transaction costs, then the analysis would not need institutions: the market would be sufficient as an efficient mode of coordination. According to Guerrien [1990], the New Institutional Economists consider that as the ideal market system, without imperfections, is efficient, it is necessary to draw closer to it by implementing appropriate institutional mechanisms enabling the best of all possible specifications of property rights. Hence, institutions stem from the rational choice of agents which, "for reasons of efficiency, prefer to contract their interactions" [Dutraive 1991, 10]. Hodgson [1989] and Boland [1979] point out that these theories remain rooted in the usual hypotheses concerning the individual agent and knowledge; to explain institutions by means of the logic of choices can only produce a static and exogeneous vision.

3. In NIE, the institution is founded on the concept of voluntary exchange. The NI economists attempt to define the optimal institutional structures, but they are not considered as decisive for the analysis of economic matters. Their only function is to decrease transaction costs. Their cognitive and practical roles are not taken into consideration.

As a consequence, the wage relationship is always reduced to a contractual pattern. Although Williamson aims at developing an institutional comparison of forms of work organization, he raises the question of the comparative framework of alternative governance structures. One may ponder over the institutional content of these governance structures themselves and of the firm defined as a network of contracts. This conception has been the subject of debate for a long time. In 1930, Renard wrote: "The firm is not a mere network of contracts governed by commutative justice but an institution ruled by distributive and general justice" [1930, 464]. This is essential for the conception of the capitalist firm.

Other theoretical developments, also based on the central figure of the contract, emphasize the noncontractual bases of a high-quality wage relationship. The notions of convention or common knowledge are significant for the importance given to the regularity of behavior in the wage relationship [Favereau 1989]. In this framework, however, the noncontractual elements still appear as unintentional consequences of deliberate attitudes, whether they be static [Lewis] or dynamic [Schotter]. Models rooted in game theory either make the conventions the equilibrium in a game or its result.

Certain models, such as those of Leibenstein or Akerlof, emphasize the irreducibility of the noncontractual elements in the wage relationship in a more decisive way. Thus, Leibenstein's convention of effort raises the main question regarding the motivations governing the effort, which is no longer predetermined but becomes a variable.

As the labor contract is incomplete, the choice of effort depends on the interpretation of the labor and of the motivation inside the firm. But the motivation is not a merchant concept. In part, the motivation is necessary, because the lack of a complete knowledge of the production function entails the impossibility to supervise people in detail and in the whole dimensions of their effort [quoted by Reynaud 1988, 182].

In analyzing individual and collective standards of effort, Akerlof conceives the labor contract as being a partial exchange of mutual gifts. Introducing a collective dimension into the individual labor contract, he highlights the dependency of individual effort on the norm of effort provided by the group of workers. Phenomena such as collective esteem of the group or collective management of the work force confirm the irreducibility of the wage relationship to interindividual relationships, which can be covered in their entirety in the contract or in the contract rules. However, many authors underline the contradiction between the aims of this theory and the support of orthodox hypotheses.

The French "Regulation" and Convention Schools: What Status Should Be Given to Institutions?

We will now present briefly French theoretical analyses which, in opposition to orthodox theories, aim at giving a status to institutions in the study of wage-labor relationships.

It is the opinion of the "Regulation" approach(8) (and particularly the Parisian School) that "the logic, the genesis and decline of the institutional forms" is the basis of another way of analyzing economics. In standard theory, institutions "can only introduce an intolerable gap between the real world and the world of the pure theory" [Boyer 1986, 9], whereas the challenge of the "Regulation" school is to elaborate a theory of institutional forms. The study of their genesis, their principles of action, and their decline enables understanding of periods of crisis and regularity of economic growth mechanisms, as viewed in the long-term history of capitalism. These institutional forms are defined as codifications of fundamental social relationships. One of the main hypotheses is as follows:

Economic adjustments cannot be disentangled from social relationships and

values, political and economic rules of the game, and more generally the web of interrelated institutions [Boyer 1992, 12].

From the beginning, the "Regulation" school project uses holistic methodology within a heterodox approach. The initial project, derived from a critical analysis of Marxism, has been increasingly inspired by Keynesian macroeconomics. It aspires to the renewal of "institutionalist questioning" [Boyer 1986, 21]. The institutional forms, defined in a structural and holistic manner, are mainly considered as forms of social relations devoted to the regularity of behaviors and of economic and social processes. There are four major institutional forms: the wage-labor nexus (division of labor, work organization, worker mobility, direct and indirect wage setting), the forms of competition, the configuration of the state (weight of collective infrastructure and nature of economic policies), and relations with the international regime (degree of openness and specialization); the monetary constraint is added as a fifth major structural form. The main problem is to identify the rules that enable a set of institutional forms that support the regularity of growth regimes. These institutional forms act by way of three modalities:

* The law, the rule, or the regulation.

* The compromise or the convention.

* The community, a system of values, or representations.

However, this approach provides less elements to deal with the appearance of these forms than their raison d'etre and how they operate; in fact, relatively little progress has been made in analyzing how these institutional forms work precisely. The "Regulation" approach does not focus on the labor contract itself. This is recognized as a legal and institutional act, characteristic of the capital/labor nexus. The real subject of the theory is institutional forms. This approach contrasts with neoclassical analyses, which considers the contract as a notion encompassing institutions.

(The contract stems from a microeconomic quest for coherence from a set of decentralized incentives, regardless of the surrounding institutions.) Although institutions comprise ad hoc devices in most modern neoclassical analyses, in the "Regulation" approach they are the "vertebral column" of social organization. Thus, at the outset, the labor contract is nothing more than a particular element of the wage relationship, whose forms are configured historically and is subordinate to institutional forms, especially the wage-labor nexus. Simultaneously, the labor contract is one of the elements that codify this wage-labor nexus.

... labor institutions do not represent mere frictions or approximations with respect to a canonical and unique pure labor market, but they shape individual behaviors and consequently their macro-economic outcomes [Boyer 1992, 23].

The labor contract - its conclusion and its implementation - results from "rules, practices and institutions" [Peaucelle and Petit 1991]. The regulationists show, for instance, that in countries where strong institutions for employment protection exist (labor contracts based on a long-term commitment to the firm), the microeconomic cost for firms may be high in the short run, but the long-term efficiency of the economy, in terms of productivity and competitiveness, is higher in comparison with the efficiency of other countries where the labor contract is accorded less protection:

These (social institutions) are not only rigidities and constraints upon micro and macro adjustments, but they can be opportunities and advantages in order to solve the trade-off between efficiency and equity which is inherent to the wage labor contract [Boyer 1992, 1].

However, the real stake at play is less that of the labor contract than the way in which the work force is used. This is expressed through the abstract concept of "capital/labor nexus" or "wage/labor nexus," which defines the work force's conditions of use and reproduction at a collective level. For these authors, the labor contract does not regulate reproduction, and its incompleteness is in fundamental need of correction. For example, the present process of restructuring achieved by means of a weak labor contract (with low equity and low trust) can aim only at static efficiency; offensive internal flexibility requires the protection of the labor contract (higher equity) and makes the real stake a shift toward the long-term internal mobilization of the work force (through its reconversion and availability). That which is at stake is not the fact that "even rigid, the labor contract enables flexibility" but, since it is rigid, it becomes a condition for the implementation of a scheme devoted to offensive flexibility. The more protective the labor contract, the more the employer feels prompted to introduce measures aimed at increasing competencies (for example, in-house training).

The problem is therefore to pinpoint what, beyond the contract, enables stronger and more flexible internal mobilization of the work force. Could it be a convention between contracting agents? Or is it, at base, compatibility with the other labor institutions of the wage labor nexus (such as the minimum guaranteed wage or the social protection of resources) if overall consistency is required between all institutional forms in order to found a new basis for growth? The Parisian "Regulation" school rejects the approach of the NIE, analyzing the contract through the delivery and the compatibility of a set of incentives; for its part, it stresses the structural compatibility of the major institutional forms:

No Fordist wage formula exists without a permissive monetary system, a rather closed economy or at least a stable international system. Conversely, what many economists attribute to an inherent flaw at the micro level (for example, wage rigidity) might result from the inadequacy of the labor institutions given the new macroeconomic context and the occurrence of unprecedented shocks at least in the present configuration (decay of the international system, shift in the objective of economic policies, consequences of global competition and financial deregulation) [Boyer 1992, 14].

The Parisian "Regulation" school gives great emphasis to the search for macroeconomic regularities and to the quest for convergent institutional forms. One form of the wage-labor nexus supposedly dominates during several decades; this prevalent form is not able to make the other forms disappear, but they retain only a limited role and power. However, another promising direction (which is not the one followed by this school) could be the search for rules and modalities for creating intermediate wage labor nexus (intermediate because of their elaboration at intermediate levels of the productive system), which leads to the emergence, stabilization, and eventually the crisis of the macroeconomic wage-labor nexus. More generally, the regulationists do not need to state the microeconomic foundations of their macroeconomics but, from our point of view, they do need to theorize more about the interactions between the micro- and meso-governing principles of capital/labor relationships and the transformation process of macro-institutional forms (this covers in part what Peaucelle and Petit call the connections between "the behaviors of firms and the central coordination programme"). Although these institutional forms have a meaning on a general level, they are partially determined at intermediate levels. This brings us to another criticism - conceded by the authors themselves - concerning the lack of maturity of this theory inasmuch as it has not yet produced a real theory of institutional forms [Boyer 1986; 1992], though this is one of its main aims.

It is partly for this reason that the authors, especially Boyer, now refer to the notion of wage-labor convention. Boyer puts forward the idea of "hol-individualism" to express the complexity of "regulationist" methodology in order to analyze both the genesis of macroeconomic institutional forms and the basis of cooperation and division relationships at social group level (a bounded rationality, shaped by institutions). This shift closer to the conventionalists than to the former American institutionalists is perhaps surprising. But Boyer rejects resorting to the American institutionalists. They are reproached for their eclecticism. Their analyses, which are supposedly empirical, would be unable to oppose a theoretical refutation from the neoclassical viewpoints because they do not really tackle institutional logic itself. Concerning these criticisms, we observe that: (1) institutionalist thought does not constitute a complete research program; the founders of this movement developed original ideas that gave rise to different institutionalist schools (sharing, however, a common basis), and (2) its empiricism is reproached mostly because of Mitchell's statistical studies concerning cycles. This criticism misjudges the pragmatic epistemology underlying institutionalist thought and Commons's will to conceptualize. More specifically, Boyer sets "regulationist" institutional forms in opposition to the notion of institutions held by American institutionalists. The former have immediate overall meaning, whereas the latter are eclectic in terms of origin and field of validity. According to Boyer, one must separate the chaff from the wheat:

Underlining the permanence (of institutions) is not enough for relativizing the hypothesis which makes usually - at least among economists - market and competition alpha and omega [1986, 118].

Thus, drawing closer to the American institutionalists would be of no relevance to the "Regulation" school, even if it were in search of micro- and meso-analytical bridges.

This appraisal seems rather excessive, partly due to the similarity of some of the initial theoretical stakes of the "Regulation" school and institutionalism. Both approaches aim at establishing a historical economics of capitalism within a heterodox perspective. The criticisms call for three remarks:

1. The economic system is not reduced to a market economy by institutionalists; they develop a monetary economics of production [Dillard 1980; Stevenson 1987]: a conception of the production process where monetary institutions play a decisive part. This is why they distinguish between wealth and assets.

2. In this framework, market and firm are two cardinal institutions of capitalism; the integration of institutions within economic analysis leads to a change in analytical tools and epistemological bases.

3. Institutions form a category that allows conceptualization of the connection between individual and collective phenomena. Hodgson [1989, 10] points out that, from an institutionalist viewpoint, "the study of institutions offers a means of examining the basis of routinized action from the point of view of a system as a whole."

Moreover, both schools are based on a close conception of the asymmetry of social relationships in a capitalist regime. Institutionalists such as Commons or Veblen considered social relationships and collective action as fundamental strengths in the transformation of capitalism. During the nineteenth century, social relationships were still extremely individualized. With the establishment of new organized institutions such as trade unions, twentieth century capitalism reached a higher degree of organization characterized by the increase of collective action. Similarly, Aglietta demonstrated the role of the emerging collective agreements in the transformation of the American mode of "Regulation." Fundamentally, the regulationists define the wage-labor nexus as a capital/labor submission nexus and give great importance to collective compromise in the stabilization of a "Regulation" mode. These approaches may, at first sight, appear to be complementary in improving understanding of the genesis of labor institutions. In particular, Commons's transactional trinity and the principle of the artificial selection of institutions [Biddle 1990] seem to provide a clear analytical means of linking contract and institution, the contract being more complete than in the "Regulation" theory, while also recognizing the analytical superiority of the category of institution. Last, the institutionalist principle of part-whole relationships expresses clearly the status of micro and meso institutional forms set within a social whole and based on the relationships between individuals and institutions. This last point appears to be lacking in the "Regulation" theory.

In rejecting American institutionalism, the regulationists turn to the French conventionalist approach ("an approach more complementary than antagonist") in order to enhance comprehension of the genesis of institutions and of social coordination mechanisms. They distinguish two levels: that of rules and conventions and that of economic activity. The emergence of an institutional form results from a conflict concerning the "rules of the game" [Boyer 1992, keynote speech]. The convention codifies social relationships, is valid for a given moment, and is all the more difficult to change or supplant as it represents a compromise reached with difficulty. In a joint article, Boyer and Orlean [1991a; 1991b] explain how a local innovation ("une trouvaille") leads or does not lead to a new wage labor convention. They define a wage labor convention in the light of the Convention theory: it needs no bargained voluntary agreement. A convention is said to be stable when it is "perceived as optimal by a majority of economic agents" [1991, 18]. On the one hand, the Fordian convention (as theorized and implemented at the micro-level by Ford himself) is not a bargained voluntary agreement, but a microeconomic decision; on the other hand, the movement from an individual strategy (the strategy of a firm) to a Fordist (and no longer a Fordian) convention became possible because of the emergence of collective actors (trade unions, state) and of collective agreements that "implemented collective procedures of coordination" [1991, 45].

One might be surprised at this theoretical progression insofar as the concept of institutions formulated by the Convention school offers even less possibility for immediate overall understanding than that of the American institutionalists. There is strong evidence of imprecision both between the notions of wage-labor norm and wage-labor convention and between resorting to the convention in the meaning of the Convention school and resorting to collective actors and collective action in the study of the way by which a convention can spread. While the "Regulation" school is more interested in the collective procedures of coordination through the interaction of collective actors, the Convention approach focuses more on the micro-mechanisms of coordination enabling the emergence of a convention. The Convention school emphasizes the analysis of "the microeconomic foundations enabling the understanding of the role and the evolution of institutions" [Boyer and Orlean 1990].

The use of Convention economics by the "Regulation" school is all the more surprising as the conventionalists do not adopt the same methodological and analytical baseS. They refer basically to methodological individualism.

The conventionalist concept of institution is closer to NIE than to the "Regulation" school: even though they aim at incorporating economic matters within the social field, the conventionalists refer to market economics and its concepts. A certain ambiguity remains between the definition of conventions as an alternative to the market and the reference to the existence of market conventions, among others. Allocation remains the cornerstone of the analysis; the productive sphere is poorly understood by analytical tools. The notion of convention can explain neither the social relationships of production nor the materiality of the production process.

Above all, they focus on the production of a common framework of representations. Centered on cognitive uncertainties, they pay more attention to the informal/nonorganized institutions of inter-individual cooperation than to the formal/organized institutions through which the cooperative and conflicting relationships between the social groups are enacted. Nevertheless, in our view, the impetus of formal and informal, organized and nonorganized labor institutions is a key issue in understanding current transformations in contemporary societies.

Although it cannot be said that the conventionalists consider the labor contract to result from market logic, these convention-institutions seem to derive from the incompleteness of the contract within a context of non-probabilistic uncertainty. A contract requires a convention.

Moreover, although the conventionalists admit the inequality of powers, they do not aspire to an analysis of the asymmetry of social relationships, which was one of the foundation stones of the "Regulation" school. On the one hand, they do not really consider social groups, while on the other, their analysis of coordination focuses more on the dimensions of cooperation than on the source of social divisions. One might wonder whether the connection with the Convention approach does not lead to underestimating the fundamental contradictions regarding the search for new regularities. Is it consistent to reproach Williamson for reducing the firm to a nexus of contracts while analyzing society as a network of conventions? Conflicting/cooperative relationships and their regulation cannot really be treated by this school. Conversely, the convention seems to produce social links whereas institutional economics and the "Regulation" school make social relationships the origin of the institution. They do not tackle the question of the power structures and social controls embodied within institutions. The convention arises from interactions between economic agents, socialized only once the convention has been implemented.

Last, the Convention theory is basically an ahistorical approach. If convention encompasses contract, we cannot find any clear explanation of the mechanism by which one convention is replaced by another. Conventions are self-enforcing insofar as they rule routinized relationships. This theory does not provide an evolutionary approach and does not offer any explanation for the rising level of social organization of capitalist society. As pointed out by Livet [1991], "what differentiates Conventionalist economics from the Institutionalist school is the desire to build conventions as solutions emerging from problems of coordination in general," whereas institutional economics can be characterized, on the one hand, by the analysis of the institutions of capitalism, the role and evolution of collective action within this system, and, on the other, by the desire to change capitalism by putting instrumental values to the fore.

Conclusion

If the institutions of capitalism become a crucial issue of economic theories, whatever the diversity of theoretical frameworks and methods, then emphasis must be given to the analysis of institutions within the scope of labor economics. The need for such analysis comes from the central role played by labor institutions in societies, which have instituted wage-earning relationships. The complexity of labor phenomena requires thorough study into the complexity of institutions. This assertion has two implications: (1) the provision of a theoretical basis to the concept of institution and (2) a shift from the allocative perspective of labor market analysis to the study of rules and structures of organizations, giving emphasis to their productive dimensions. Given this viewpoint, the analysis of the formal institutions that frame economic activities in general, and labor in particular, must be completed by and connected with the study of the cognitive dimensions of productive organizations and collective labor. The importance of these cognitive dimensions has been highlighted by recent research into collective learning processes. These links between formal and informal institutions involved in production processes were essential in the initial institutionalist project, and it is this aspect that makes it so relevant today. That suggests a need for a new dialogue between Regulation, Convention, and institutionalist schools of thought.

Notes

1. EST encompasses incitement theories, agency theories, contract theories, new information economics, efficiency wage theories, and the analyses of institutions based on game theories.

2. The representative authors include: Thorstein Veblen, John R. Commons, and Wesley C. Mitchell.

3. As Hodgson [1989] points out, labor is typical of a conception of the individual based on categories of purposeful action; this represents a common feature between Marx and the institutionalists.

4. This statement enables understanding of the fundamental aspect of one specific conception of institutions in the field of labor economics.

5. These categories signify a holistic epistemology, which confers a nodal status to the twofold

movement, social and individual.

6. This school of thought sheds light, in particular, on the links between individual and collective levels. On the one hand, it is based on an analysis of human nature and cognition, integrating the results of the psychological sciences. On the other hand, it aims at linking sociology, law, ethics, and economics for the study of rules and organizational structures of society (process of socialization). One should note that these authors are among the first to underline the bounded nature of rationality. They also emphasize the fact that behaviors are necessarily grounded on habits established through experience and learning.

7. In this conception, productive activity is both work and technical creation, since production experiences and technical knowledge are complementary.

8. The "Regulation" approach, "i.e., a method for analyzing long run transformations of capitalist economies, which is not at all related to the similar word in English speaking economic literature" [Boyer 1992].

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