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**THE ROLE OF INFORMAL INSTITUTIONS
IN DEVELOPING HUMAN
– NATURAL ENVIRONMENT RELATIONS**

Summary: The paper briefly presents selected elements of institutional economy concerning informal institutions. Then the informal institutions are presented, such as: tradition, culture, customs, models of actions, ethical norms, as well as informal relations between community members which create social capital. The article also analyses the role of informal institutions in the creation of the relation man – natural environment, which are an indication of the norms and rules of social behaviour in the field of usage and the protection of the natural environment.

Key words: informal institutions, the protection and use of the natural environment, the economic choices of households, consumer behavior, rules of conduct, standards of conduct, reduce choices.

1. Introduction

Economic development, satisfying needs, and increasing social welfare are processes present in continuous and repeatable relations between man, thier environment, and the economy. Demand decisions made by households about purchasing certain kinds of goods, in a certain amount and from a certain location, are very significant because they affect the supply of goods and services and therefore have an impact on the decisions of manufacturers and distributors. In addition, the decisions about the way of consuming the purchased goods have an impact on the amount of gathered environmental resources and the scale of pollution contaminating the environment.

Management has both the technical-natural dimension, connected with the attitude of man to the environment, and the social dimension, manifested by human relations. On the grounds of old institutionalism (according to Veblen) and sociology, institutions are defined as patterns of behaviour and perception of the world imposed on an individual by society, consolidated by experience and becoming “actions worth copying”. However, on the grounds of the new institutional economics (NIE), it is emphasized that institutions are norms regulating social life, enabling a resolution of conflicts resulting from limited environmental resources and intellectual and

moral human imperfections [Godłów-Legiędź 2010, pp. 65-66]. New institutional economics has proved that in every situation there are certain institutions enrooted in social environment which provide information about the limited range of options one chooses from [Klimczak 2006, p. 35].

Phenomena: increasing pollution of environment, expiring of natural ecosystems, loss of natural environmental balance, occurrence of ecological disasters or climatic changes, which results in worse quality of environment and are the consequence of human activity, both related to production and consumption. The latter is the main adverse factor, being the major lifestyle based on maximising utility by means of individual, short-term consumption, especially of material resources.

The aim of this article is to present broadly defined informal institutions and their role in shaping economic choices of households in the field of protection and exploitation of the natural environment. This aim is inscribed in seeking answers to the questions, what rules of conduct and limitations of choices shape the current behaviour of consumers (i.e., households) in their relations with the natural environment and what the conditions of developing more environmentally-friendly attitudes are. The answer to this question may lie in the new institutional economy theories, especially the concepts of formal and informal institutions.

2. The role of informal institutions in the institutional system influencing individual actions

Institutions are the subject of both sociologic and economic research, especially in the field of old and new institutional economics (NIE). NIE offers a new perspective on economic processes, different from the traditional economy, because it takes into account the social conditions of economic activities.

In sociology, an institution is defined as a set of rules related to the given social context, having similar, socially significant functions. The social context is defined as certain spheres of social life and social functions of people associated with them [Sztompka 2002, pp. 264-265, 285]. Nevertheless, an institution has many economic institutions. According to D.C.North, "Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction" [North 1990, p. 3]. The term "institution" has a large capacity and covers different rules, phenomena, processes, and instruments. B.Klimczak, quoting North's opinion, claims that an institution consists of the following components [North 1984; after Klimczak 2001, p. 31]:

- a set of limitations imposed on behaviours in the form of rules and regulations;
- a set of procedures used to detect deviations from rules and regulations;
- a set of moral, ethical, behavioural norms, with a limited array of ways in which rules and regulations are set and established.

The main representative of NIE, O.E. Williamson, distinguished four levels of institutional analysis, affecting actions of individuals in the society, and described the relations between them [Williamson 2000, p. 597]:

- rootedness: informal institutions, customs, traditions, norms, religious rules;
- institutional environment: formal game rules, such as justice administration, administration, ownership system;
- governance: game lead, choice of contract management structures, adjustment to changeable conditions;
- allocation of resources: prices and amounts, stimuli system (motivations).

Apart from that Williamson emphasizes the third dimension of institutions – the necessity of adopting some mechanisms of executing law [Williamson 2000, pp. 54-57].

The functioning basis of lower level institutions are informal institutions, which constitute their social roots and include culture, traditions, customs, moral norms, religious norms. These institutions establish informal game rules and change very slowly. The second level is institutional environment, which defines strict game rules, imposing limitations on individual behaviours. These are formal game rules, which include legal system, political system, regulations related to ownership and functioning in economy. They are shaped by man in a conscious and purposeful way [Williamson 2000, pp. 596-599]. The third level includes processes defining precisely the rules of exchange and competition and alternative ways of coordinating resources as well as processes related to the creation of new institutional solutions [Klimczak 2006, p. 34], connected first of all with the distribution of resources, and secondly with stimuli and motivations underlying the undertaken actions (the fourth level).

D.C. North proposed a distinction between formal and informal institutions. Formal institutions are legal and constitutional norms established by legislative organs. On the other hand, informal institutions are conventions and behavioural norms, codes of command created spontaneously as the result of interpersonal interactions. They are a sign of experience and knowledge gathered by society and passed on across generations, therefore they are a significant element of culture [North 1990, pp. 37-48]. Hence, they are not just a simple extension of formal limitations and they do not match automatically to changes in formal institutions. They may be complimentary to formal institutions, but they may also contradict them and in this way limit their efficiency.

North emphasized the significance of informal institutions and underlined the fact that formal rules are only a part of the institutional matrix. The necessary element are informal limitations, which are the extension, transformation and supplement to the regulations. Informal rules allow people to participate in the everyday exchange process without thinking constantly about the agreement conditions. Routines, customs, traditions, and culture are the terms frequently used to describe rules and informal limitations. These limitations include [North 1990, pp. 37-48]:

- conventions, which help to resolve coordination problems;
- norms of behaviour, which are commonly accepted behavioural standards;
- self-imposed codes of conduct, such as honesty and righteousness.

Conventions are self-enforceable. Norms of behaviour are enforceable by the second party (revenge) or by a third party (social sanctions or authority pressure). Contrary to them, self-imposed codes of conduct are not always oriented at maximising wealth, on the other hand they lead to sacrificing wealth or income in the name of other values [North 1990, pp. 37-48].

Taking into consideration informal limitations, North emphasizes the key role of ideology in understanding individual choices, which in turn affect economic results. An individual assessment of honesty and righteousness of game rules affects the results in an obvious way [North 1990, pp. 37-48]. In this context, the problem of the acting subjects' hierarchy of values appears, alongside the factors which are taken into account in utility functions of subsequent participants of the economic process.

As far as the households are concerned, the most important elements are firmly established and deeply rooted patterns, regulations, and behavioural rules, resulting from culture, defined as a set of convictions, opinions, and beliefs characteristic for the given community, which have been forming for ages in a spontaneous way. It does not mean that everybody respects them in the same way and applies analogically to their actions.

Pejovich claims that informal institutions are the image of a dominant perception of the world by a society, are the gathered knowledge (wisdom) of the earlier generations and the values that people nowadays believed in [Pejovich 1999]. Informal institutions shape individual behaviours, affect directly or indirectly their economic behaviours and other non-economic actions, whose results are economic, though. It is worth remembering that every person brings into these institutions his or her own burden of judgements, opinions, and convictions. Therefore, the system of informal institutions is a map of behavioural patterns with a lot of space left for individual interpretations, choices, sometimes manipulation. People make use of these in a different way and think about them differently [Kostro 2004; Pejovich 1999].

3. Informal institutions in human – natural environment relations

The role of informal institutions in protecting and developing the natural environment has been broadly discussed, especially in terms of ecological regulations and ecological policy instruments, used first of all to internalize external costs, conduct ecological education, create conditions during social consultations devoted to implementation of environmentally harmful investments, etc. However, the fulfilment of objectives compliant with the idea of sustainable development depends largely on moral norms, traditions, customs, habits enrooted in the society, cutting a long story short – it depends on informal institutions.

Man has for ages fulfilled his or her needs in close relation with the natural environment, which was for him or her both the place of living and running his or her economic activities, but also the provider of consumable goods and production

factors. Many years ago the natural environment was for man, on the one hand, a great mystery full of incomprehensible phenomena and, on the other hand, a provider of resources allowing him or her to satisfy his basic needs. This relation was reflected in beliefs, religious norms, convictions, and desired behavioural patterns.

Culture is broadly defined as a holistic way of life characteristic for a community and including everything that people “do, think, and own” as society members (thinking, acting, and material ownership patterns). In terms of environmental aspects influencing the choices made by household, it is worth distinguishing between the symbolic, material, and normative culture. Symbolic culture is a set of convictions, beliefs, and meanings ascribed to phenomena and objects characteristic for a community. Material culture is a set of objects characteristic for a community – tools, houses, machines, food products, means of communication, domestic animals, etc. Normative culture is a set of behavioural rules characteristic for a community [Sztompka 2002, p. 255]. Therefore, there were different cultural norms and subsequent stages of humanity’s development which were regulating attitudes and ways of exploiting the natural environment and its resources, as well as technology and technique used by man to transform primary resources into products satisfying his needs.

Informal institutions change very slowly (the pace of change equals, according to Williamson, about 10^2 - 10^3 years) [Williamson 2000, p. 597], often as a consequence of escalating conflicts, it also refers to cultural changes related to ecological aspects. First humility towards nature, people developed a conviction that natural environment is an inexhaustible reservoir of resources and environmental services and that it is a tool which can be used by people in pursuit of the highest consumption satisfaction. This attitude triggered significant changes in material culture. The culture of consumption and the accompanying industrialization and urbanization were implemented with no respect for natural ecosystems, the capability of natural environment to neutralize negative external outcomes of human production and consumption, the environmental assimilative capacity, and the exhaustion of natural resources. The usefulness of the environment became a derivative of material resources utility and the usefulness of goods used to satisfy the human needs. Unfortunately, such instrumental attitude to the environment is still a feature of actions undertaken by many individuals and social groups, convinced that the option of substituting the environmental capital with technological progress and technical capital are limitless.

Habits and traditions form complementarily to the long-term informal cultural institutions, alongside behavioural routines and natural rules of actions typical of households. These change much quicker and often refer to the choices made by certain, more or less numerous, social groups or single households. Sometimes they are simple adjustments to the changing regulations of exploiting and protecting the environment especially if the introduced legal and administrative instruments are connected with some sanctions.

Habits and traditions arise and change spontaneously, by means of rank-and-file initiatives, they stem from the spreading and in a way objectified massive actions and refer to the course of social life. Their important function is making life simpler, automating it, and eliminating the necessity to make choices in every common situation [Sztompka 2002, pp. 269-270]. People make up their minds all the time, as consumers of goods and services, producers, employees, entrepreneurs, politicians etc. Using routines, i.e., the verified behavioural patterns, make these activities easier. Behavioural routines have well-defined functions: they make behaviours of others predictable, preserve knowledge about certain abilities, may be modified in order to serve the individual interests in the best way, may be imitated and shared by other subjects [Kostro 2004]. The customs, routines and behavioural norms shaped and present at the given time in the social life, decide about the way of exploiting natural environment by individuals. Therefore, they are the decisive factor ensuring respect for subsequent needs of the natural environment in everyday activities. In everyday consumption choices, they affect the patterns of satisfying needs; hence, they will have an impact on what goods, in what amounts and where they will be purchased by households. They will also determine the way of using and exploiting them and then getting rid of post-consumption remains. They will affect such choices, as ecological vs. conventional food, the choice of household equipment and later the way and time when it is used, finally, whether we will segregate rubbish and make an attempt to minimise its quantity.

Customs and manners practised in the society, stemming from tradition and cultural factors, may remain appropriate for action even when the environmental conditions are changing and as are the formal institutions, e.g., in the binding legal provisions regulating the exploitation of the natural environment and its pollution. In such cases there may occur a lack of adjustment of informal institutions to the enforced regulations concerning environmental protection and economic exploitation. They may create a barrier for the efficient implementation of tasks and objectives of state ecological policy and impede or slow down the implementations of sustainable development goals and hence sustainable consumption.

In the broadly understood institutional environment, we may also include social capital and social bonds. These are very significant when we consider making use of environmental services and resources, their development and protection, especially that many elements of the natural environment are public assets. This is why it is so crucial to maintain the cooperation between individuals and business entities and get involved in state affairs and self-government bodies' activities, concerning shaping and developing the natural environment. Personal commitment, civil activity, stemming from the sense of belonging to some group or community, sharing convictions and opinions with its members, results in actions aimed at the common goal of making use of environmental resources and protecting them at the same time. These common actions may be demonstrated by becoming a member of an ecological organization and getting involved in enterprises aimed at propagating knowledge

about the natural environment, increasing ecological awareness, or participating in projects aimed at protecting the environment.

Environmental resources, which are public assets, are often over-exploited and actions which would preserve them or improve their quality are often socially neglected, since these are not private assets and individuals do not see a connection between environmental costs to bear and tangible individual benefits. Apart from that, the character of these resources creates perfect conditions for avoiding environmental costs, i.e., for behaviours called in economy as “fare dodging”. Considering the significance of social capital and social bonds for environmental protection and solicitation, it is worth remembering that they may be used for anti-social purposes (analogically to human or material capital) and will affect destructively the beneficial processes. Local community members uniting in order to block certain enterprises (such as the construction of sewage treatment plants, wind farms, dams, communication infrastructure, etc.) are a consequence of believing in common norms and values and sharing them within a community, and hence working to achieve a common objective. An important economic value resulting from shared convictions and values within a community is social trust. If people do not trust each other, no social action aimed at environmental protection or reform will be successful.

The aforementioned informal institutions create a kind of normative system. Institutions may not be adjusted to each other, there may occur a certain dissonance, there may arise conflicts between norms and rules referring to different or the same levels of the same institution. Considering consumers’ actions, it is reflected in the functioning of different behavioural patterns, also in terms of environmental protection and exploitation. Formal and informal institutions influence each other, which leads to their changes and mutual adjustment (see works about institutions by Williamson, North, Pejovich). Such interactions are also present within the formal institutions’ zone and within the informal institutions’ system. The compliance of the formal institutions’ system with the established informal institutions is the condition of their effectiveness. As long as formal institutions are not supported by the informal ones in protecting and shaping the natural environment, their efficiency and effectiveness in carrying out sustainable development will remain limited.

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ROLA INSTYTUCJI NIEFORMALNYCH W KSZTAŁTOWANIU RELACJI CZŁOWIEK – ŚRODOWISKO PRZYRODNICZE

Streszczenie: W artykule dokonano krótkiej prezentacji wybranych elementów ekonomii instytucjonalnej, dotyczących przede wszystkim instytucji nieformalnych. Zostały przedstawione nieformalne instytucje takie jak: tradycja, kultura, zwyczaje, modele działania, norm etycznych, jak i nieformalne relacje między członkami społeczności, które tworzą kapitał społeczny. Artykuł analizuje rolę nieformalnych instytucji w tworzeniu relacji człowiek – środowisko naturalne, które są wskazaniem norm i reguł zachowań społecznych w zakresie użytkowania i ochrony środowiska naturalnego.

Słowa kluczowe: instytucje nieformalne, ochrona i użytkowanie środowiska przyrodniczego, wybory ekonomiczne gospodarstw domowych, zachowania konsumentów, zasady postępowania, normy postępowania, ograniczenia wyborów.