STUDIA EKONOMICZNE ● ECONOMIC STUDIES
NR 4 (LXXXVII) 2015

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INSTITUTIONAL AND FEMINIST CHALLENGES TO NEOCLASSICAL ECONOMICS

(Artykuł nadesłany: 09.10.2015 r. Zaakceptowany: 11.02.2016 r.)

INTRODUCTION

Contemporary economics is dominated by the neoclassical perspective. The term neoclassical is used in two ways – firstly, to refer to the economics from 1870 to 1930s[1], and secondly, to describe modern economics in contrast to heterodox economics[2] (Colander 2000), covering diverse schools of thought. According to Foldvary (1996, p. 1), a school of thought can be defined as a group of scientists who adhere to a distinct body of beliefs, or as the set of beliefs of that group. The main objective of the following article is to present two contemporary heterodox[3] schools of economic thought – institutional and feminist[4]. According to the author, these two schools constitute interesting alternatives to neoclassical economics. Methodological changes postulated by institutional and feminist

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[1] Authors such as William S. Jevons, Leon Walras and Carl Menger are included in such understanding of the term.

[2] In this meaning, the term neoclassical is used to describe orthodoxy in economics, and this is the way it is used in this article.

[3] The term heterodox is often defined in reference to orthodox (most recent dominant school of thought), meaning to be against it. Heterodox economists refuse to use the framework of mainstream economics, because of the nature of the modelling process or assumptions used (Colander, Holt, Rosser, 2003, p. 6).

[4] Colander, Holt, Rosser (2003), Seiz (2007), Irene van Stavern does (2010), and Foldvary (1996) define feminist economics as a separate school of economic thought, however some feminist authors are hesitant to do so (Grapard, 1996).

schools, described in the article, challenge economics to pay more attention to problems of well-being, social provisioning, cooperation, and equity. Their concern with such issues promotes more active role of the state in the economy.

THE DEVELOPMENT OF MAINSTREAM[5] ECONOMICS: FROM CLASSICAL TO NEOCLASSICAL PARADIGMS

According to an old definition, economics is about the provisioning of goods and services to meet our material needs (Nelson, 2006). And this is how, more or less, classical economists perceived their discipline. Adam Smith saw political economy as a broad study of the many forces contributing to national wealth (Whalen, 1996, p. 83). However, it has to be stressed that Smith saw a world situated in scarcity and filled by selfishness. In Smith's world, custom, law and religion confined markets, and the expansion of markets represented, in many ways, a liberating force (Folbre, 2009, p. 326). He was relieved to discover that through a competitive economy human selfishness leads to the common good (Strober, 1994, p. 146).

Classical economists searched for universal and rational structure of economic systems or universal economic laws that would describe human behaviour in economic context. Classical school took an interest in economic institutions such as ownership, which determined the class structure, or the desirable scope and nature of government legislation (Chavance, 2009, p. 1). Despite being widely interested in both the production and reproduction of people and material resources, classical political economists applied sharp distinctions to analysis of the marketplace and the analysis of the home (Albelda, 1997, p. 107).

John S. Mill, one of the leading classical economists, has stressed in his methodological essays that the study of economic problems was a 'moral science'. Additionally he clarified that economists' theory was not broad enough to permit drawing policy conclusions. Classical economists firmly believed it was part of their duty to draw such conclusions and to do it on rational grounds, that is, as logical inferences from their knowledge about facts. In order to overcome the limitations of economic science and serve their duties, economists had to integrate knowledge from a wider field (Myrdal, 1978, p. 777).

Later developments of the discipline took place in the nineteenth century. The patriarchs of modern neoclassical[6] economic discourse[7] simultaneously developed

[5] According to Colander, Holt, Rosser (2003, p. 6), mainstream consists of ideas that individuals who are dominant in the leading academic institutions, organizations and journals at any given time find acceptable.

[6] It was Thorstein Veblen, who invented the term 'neo-classical', by which he means 'modernized classical concepts', in particular those of Alfred Marshall (Chavance, 2009, p.8).

[7] This is the beginning of the marginalist revolution in economics, attributed to three economists: Carl Menger from Austria, William S. Jevons from Britain, and Leon Walras from Lozanne. Nevertheless, only the last two promoted the use of mathematical instruments in economics, while Menger focused on developing psychological approach in economics.

general equilibrium models of price determination in 1870s (Backhouse, 2002; Samuels, Biddle, Davis, 2007, Albelda, 1997). Together with the professionalization of the economics as the discipline when it became more academic, its theorists concentrated on abstract, theoretical problems and began to analyse their models detached from the real-world. Scholars began formulating Smith's and other classics' ideas in mathematical terms. They explicitly borrowed their calculus-based models from earlier developments in mechanical physics "The concepts of economics were assumed to be direct counterparts to the concepts of physical science – profit, utility, and prices were compared to particles, raised and lowered by the impersonal forces of market interaction" (Nelson, 2006, p. 20). In order to develop mathematical models it used highly unrealistic assumptions.

Firms and households were envisioned by neoclassical economists as interacting on free, competitive markets. The idea gained ground that business firms are entities that produce goods, acting like 'economic man' in making calculations that maximize their mathematical profit function. Expenses and revenues are both measured in monetary terms, so the application of mathematics to the topic seemed to follow directly. They assumed that households solved mathematical problems analogous to those faced by profit-maximizing firms. They assumed that all household decisions were aimed at raising a single number representing utility to its highest possible value (Nelson, 2006, p. 19–20). Thus, the notion of rational economic agent – *homo economicus* – represents an individual maximizing actor interested only in his own material or financial gain. According to Thorstein Veblen (1898, p. 389) such a man is seen as: "A lightning calculator of pleasures and pains, who oscillates like a homogeneous globule of desire of happiness under the impulse of stimuli that shift him about the area, but lead him intact. He has neither antecedent nor consequent. He is an isolated, definitive human data, in stable equilibrium except for the buffetings of the impinging forces that displace him in one direction or another."

In the neoclassical perspective, an economy is based on voluntary contracts between individuals. Such an economy is self-regulating, in the sense that supply and demand are quickly brought into balance at micro- and macro-level through the mediating structure of the market mechanism (the economy tends towards general equilibrium). Such an economy is efficient in terms of Pareto optimality where no one can be made better-off without someone else being made worse-off. Such an economy is also experiencing dynamic development, as voluntary contracts between individuals mediated by the market mechanism supposedly encourage initiative and innovation, and the best use of scarce resources. "Neoclassical economics is an analysis that focuses on the optimizing behaviour of fully rational and well-informed individuals in a static context and the equilibria that result from that optimization. When dynamic context is assumed, individuals understand the probability distributions of possible outcomes over the infinite time horizon at the moment of decision" (Colander, Holt, Rosser, 2003, p. 6). In the neoclassical paradigm, different levels of economy are fully integrated, and simply represent pictures with varying amounts of details. What is economically rational at the individual level also appears to be economically rational at the level of society at large (Elson, 1994, pp. 33–34). The human activities of self-interested utility and profit maximization result in efficient and stable levels of economic activity. Resources are used to produce the most output possible, while generating maximum welfare. Unless outside forces come to alter the situations, equilibrium will reign. There are no internal forces to push the model out of balance (Albelda, 1997, p 112). Indeed, all the markets will end up in equilibrium as long as prices are set freely and consumers and producers are rational (Albelda, 1997, p. 110). The theory pays no attention to the institutional requirements of markets, even though a real-world markets need institutions, both physical and social, to function (Nelson, 2006, p. 51).

It should be stressed that there is a rather significant difference between classical and neoclassical economists. As it was outlined before, classical economists considered economics to be a science of wealth. Over the years, however, the discipline has narrowed from 'political economy' to 'economics' – a science in which the mainstream confines its analysis to issues involving market allocation under conditions of scarcity (Whalen, 1996, p. 83). Neoclassical texts define it, following Robbins definition, as the relationship between ends and the allocation of scarce resources with alternative uses (Foldvary, 1996, p. 3). The criterion of welfare or well-being in the neoclassical model has been limited to the single, narrow issue of efficiency in the use of resources (Nelson, 2006, p. 24). Within academic economics, the classical emphasis on wealth and its creation and distribution increasingly gave way to a neoclassical emphasis on the calculus of rational choice (Nelson, 2006, p. 20). Classical theory of economic development was exchanged for the static general equilibrium theory (Chmielewski, 1995, p. 21). The economic sphere seems to be driven entirely according to its own laws. Society becomes subordinate to the market – "instead of economy being embedded in social relations, social relations are embedded in the economic system" (Polanyi, 1944, p. 88 cited by Chavance, 2009, p. 31).

It is worthwhile to take a look at epistemology, methodology and the methods used by neoclassical economics[8]. The epistemology of neoclassical economics is scientific positivism. Mainstream economists view their subject matter through trans-temporal and trans-spatial regularities that can be uncovered and modelled (Wisman, Rozansky, 1991, p. 711). In neoclassical perspective, the methodology consists in the use of quantitative statistical analysis to test rigorous mathematical models of economic behaviour[9]. Preferred methodological approach is axiomatic deduction (MacDonald, 1995, p. 160–161; Colander, Holt, Rosser, 2003,

[8] Epistemology is a theory of knowledge, it defines what is acceptable, relevant data. Methodology, on the other hand, is the way in which questions of theoretical interests are translated into a plan of research, how data are collected and analysed. And research methods include both data-gathering techniques and data analysis techniques that turn the raw data into evidence.

[9] As Hamilton (1999, p. vii, cited in: Colander, 2003, p. 2) put it, standard economics follows a mechanistic Newtonian point of view.

p. 6). Formalism consists in a formal system of logical relationships abstracted from any empirical content it might have in real world. The starting point is the construction of a model of a system or process. A set of postulates and definitions is derived by separating an empirical process into its obvious divisions and specifying the necessary or possible relations among them. Once the definitions and postulates are established, the next step is to deduce the inherent dynamics of the system. The focus on the logic of the formal model means that rational behaviour is emphasized, competition is glorified, and the changing nature of technology, business organization, and the role of the state omitted. Economics has come to be conceived in engineering terms: how to maximize some objective function in the face of various constraints (Wilber, Harrison, 1978). Econometrics and statistically rigorous data collection techniques make up the method of neoclassical economics (MacDonald, 1995, p. 160–161; Colander, Holt, Rosser, 2003, p. 6). Attention is focused on the development of a set of 'engineering tools' – linear programming, input-output analysis, cost-benefit analysis, etc. (Wilber, Harrison, 1978). As David Colander puts it (2000, p. 138) "modern economics is economics of the model"[10].

Within the discipline, the neoclassical movement has acquired undisputed international hegemony in the second half of 20th century. "Of all the social sciences, only economics has a hegemonic school, only economics is driven by a seeming desire to pursue singular paradigms" (Samuels, 1996, p. xi). Neoclassical economic theory is universally taught in undergraduate and graduate schools. Neoclassical theory, because it is widely spread, very often constitutes bases for policy prescriptions. Because all the markets have a natural tendency to end up in equilibrium, as long as prices are set freely, and there are no exogenous forces that would limit the rational economic agents in making the best decisions concerning maximization of their economic goal, according to neoclassical economists, it is necessary to limit external interventions. Public policy is conceptualized as an intervention in the economy from the outside, an intervention made not by individuals but by the state, acting not via voluntary contracts but by the legislative commands (Elson, 1994, p. 34). In terms of policy prescriptions many free-market advocates seek to remove governmental regulations, business taxes, and restrictions on international trade that, they believe are obstructions disturbing market mechanism, creating a drag on the creation of wealth. They also oppose redistributive taxation and social welfare payments that, they believe, make less perfect the mechanism that leads from individual effort to individual reward. According to free-market advocates, poverty, unemployment, social distress, and environmental damage arise not from the workings of the system, but from obstructions put in its way. Take away government 'interference' and other

[10] Few year later together with Ric Holt and Barkley Rosser he diagnosed that method used by mainstream economics is the main point of distinguishing heterodox economists. "If it isn't modeled, it isn't economics, no matter how insightful" (Colander, Holt, Rosser, 2003, p. 8). So heterodox economists find themselves defined outside the field by the mainstream economists because of their methods, not their ideas.

encumbrances, and a market system will create wealth for all (Nelson, 2006, p. 15). In this perspective the state is not assumed to be an impartial, necessary social guardian, rather, it is looked upon as a "predator" (Chang, 2000, p. 3).

INSTITUTIONAL CHALLENGE TO NEOCLASSICAL ECONOMICS

Classical or even some neoclassical economists, from Adam Smith to Alfred Marshall, took into account all sorts of factors besides the economic (Myrdal, 1978, p. 773). Neoclassical economic theory supports the fallacy of linking individual attitudes to aggregate results without taking into account social institutions, guidelines and norms (Freiberg-Strauss, 2003, p. 90). However, it is more true in regards to authors outside that mainstream. Those visions are alternatives to orthodox economic view, therefore are referred to as heterodox economics. In the following two sections the development of two heterodox perspectives is presented. Institutional and feminist schools of economic thought, according to the author, are the ones that enable fullest analysis of contemporary economies.

The roots of the first school – institutionalism[11] – might be traced back to at least the 19th century, when three influences contributed most significantly to its birth: the German historical school in economics, the American pragmatism and Thorstein Veblen's writings on the preconceptions of economic science. German historical economists believed that just as there were no individuals living outside the society, there were no economic activities that could be separated from that society[12]. For historical economists from German school, there were no natural laws in economics. They promoted the project of constructing inductive, historical science, in which the diversity of economic circumstances was properly recognized (Tribe, 2007, p. 215). American philosophical perspective called pragmatism, first outlined by Charles Peirce and John Dewey, views notions of absolute truth and teleology with scepticism. Instead, it emphasizes the element of uncertainty in human understanding. It also stresses the practical consequences of belief. Pragmatists treat scientific investigation as an important step in the process of resolving practical problems, not merely an intellectual exercise. When it comes to a founding father of institutional school, Veblen was a student of Richard T. Ely and Charles Peirce (Whalen, 1996, p. 83–84). He set out in explicit way the link between the central role given to institutions and the evolutionary approach that focuses on the process of economic change. According to Veblen, the society in general and the economy in particular were evolutionary groupings of institutions; the evolutionary economic science that Veblen tried to construct was therefore centred on institutions, which were the prevalent habits of thought and action in the social community[13] (Chavance, 2009, p. 16).

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[11] Institutionalism is sometimes called evolutionary economics, a term derived from Thorstein Veblen (Whalen, 1996, p. 95).

[12] There are no activities undertaken only in order to pursue one's own interests.

[13] This is the most frequently given definition by Veblen in his writings.

Institutionalists regard economics as the science concerned with 'social provisioning' (Foldvary, 1996, p. 3). According to this definition, markets represent only one type of human institution involved in provisioning. Institutionalists recognize that other institutions – including the state, the family, culture in its totality – are also significant (Whalen, 1996, p. 87). In such a perspective, the economic system is a part of the greater social (or socio-cultural) system in which it is embedded (Gruchy, 1987), so it may be referred to as a sub-system. According to Gruchy (1987, p. 42), the economic system is a historic-cultural product and people who are parts of that system behave according to its rules when it comes to economic activities. Therefore, they are not rational individuals whose main goal is to maximize profits or utility, but members of a society, and their behavior is an outcome of rules that define this particular society. Economic activity takes place within an institutional context. The economy, like society, represents a set of institutions, ranging from the very smallest, such as the family, to the largest and most comprehensive, namely the state (Chavance, 2009, p. 23).

According to Walton Hamilton[14] (1932), the institution is a cluster of social usages, designating a way of thought or action of some prevalence and permanence, which is embedded in the habit of a group or the customs of a people. Culture represents the aggregation of diverse institutions, each of which fixes a type of behaviour and outlines a tolerance zone for an activity or complementary activities (Chavance, 2009, p.18). Geoffrey Hodgson (2003, p. 163) writes: "[i]nstitutions are durable systems of established and embedded social rules and conventions that structure social interactions. Language, money, law, system of weights and measures, table manners, firms (and other organizations) are all institutions. In part, the durability of institutions stems from the fact that they can usefully create stable expectations of the behaviour of others. Generally, institutions enable ordered thought, expectation and action, by imposing form and consistency on human activities. They depend upon the thoughts and activities of individuals but are not reducible to them." An institution is made up of people performing activities according to a set of rules that are justified by a set of values, beliefs and meanings. As people perform their activities according to the rules, they internalize values, beliefs, and meanings that justify the rules (Dugger, 1996, p. 25).

Institutions derive from the past and are inherited from the past (Chavance, 2009, p. 10–11). According to Veblen, "institutions are products of the past process, are adopted to past circumstances and are therefore never in full accord with the requirements of the present" (Veblen, 1899, p. 126 cited by Chavance, 2009, p. 11). "[T]he situation of today shapes the institutions of tomorrow through a selective, coercive process, by acting upon man's habitual view of things, and so altering or fortifying a point of view or a mental attitude handed down from the past" (Veblen, 1899, p. 126 cited by Chavance, 2009, p. 15). Most institutions are temporally prior to the individuals that relate to them. We are all

[14] Walton H. Hamilton coined the term 'institutional economics'.

born into and socialized within a world of institutions. Recognizing this, institutionalists focus on the specific features of specific institutions, rather than building a general and ahistorical model of the individual agent (Hodgson, 1998, p. 172). Additionally, it has to be mentioned that institutions do not stand separately from the group of individuals involved; institutions depend for their existence on individuals, their interactions, and particular shared patterns of thought (Hodgson, 2006, p. 7).

Although institutionalists form a rather diverse group of economists, they are united by a common methodological foundation – a shared set of philosophical preconceptions. These preconceptions can be grouped into the following four categories: a conception of society, an image of the economic process, an approach to values, and a philosophy of science (Whalen, 1996). The institutionalist conception of society is holistic in nature, in other words social reality is viewed as a unified whole. Therefore, contrary to neoclassical tradition, institutional analysis cannot begin with the world neatly divided into 'economic' and 'noneconomic' realms[15]. Institutionalists view society from a 'processual' perspective. This means they view social systems as dynamic, ever-developing entities, and are aware that all social activities occur in both historical time and an environment uncertainty regarding the future. Institutions are the real subject of economic theory and therefore the emphasis should be on processes, or temporal sequences of cumulative change and not on equilibrium. Institutional economists dismiss the neoclassical suggestion that economics can be value free. They also emphasize the importance of re-evaluating theories regularly, and the need for theories that help resolve real-world problems (pragmatic approach).

The institutionalist approach moves from general ideas concerning human agency, institutions, and the evolutionary nature of economic process to specific ideas and theories related to specific economic institutions or types of economy (Hodgson, 1998, p. 168). Evolutionary political economists recognize that producers, workers, and consumers are largely cultural products. An institutionalist interpretation of economic behaviour must therefore inquire into the various cultural influences shaping that behaviour (Whalen, 1996, p. 96). But in theorizing, they concern themselves with facts, not models (Witte, 1954, p. 135). For institutional economists, all economic laws rest upon facts, not assumptions – all the facts, and not merely those which their critics term 'strictly economic facts'. In arriving at conclusions, institutional economists have generally relied

[15] "Institutionalism's holistic theories are rooted in the belief that the social whole is not only greater than the sum of its parts but that the parts are so related that their functioning is conditioned by their interrelations" (Wilber and Harrison, 1978, p. 73). According to Gunnar Myrda, this is a concern with real-world problems that requires a holistic approach which sees beyond the conventional boundaries of economic science. "The most fundamental thought that holds institutional economists together is the recognition that even if we focus attention on specific problems, our study must take into account the entire social system, including everything else of importance for what comes to happen in the economic field. Foremost, among other things, is the distribution of power in society and, more generally, economic, social, and political stratification; indeed, all institutions and attitudes" (Myrdal, 1978, p. 773–774).

upon induction rather than deduction. They reason and develop theories – although they do not have a general theory which answers all economic questions.

Theory of knowledge shared by institutionalists is pragmatism – theories should aim to solve a real-world problems (Whalen, 1996) and/or relativism – if there are trans-temporal and trans-spatial regularities, one cannot know them (Wisman, Rozansky, 1991). Both production and distribution are human creations and are subject to change by human intervention. Thus, there is no "natural economy". In other words, social change is the consequence of human action, and is not purely mechanical, and it is not predictable (Wisman, Rozansky, 1991, p. 713). As humans create economies, they can change those economies to solve perceived problems. A central part of economic analysis should be the identification of problems. This analysis should lead to advocacy of reform (Mayhew, 2002, cited in Colander, 2003, p. 3). Positivistic economists claim that there are trans-cultural and trans-historical regularities in the subject matter of economics that can be modelled. Consequently, they believe that it is possible to rule out values from economic science. Institutionalists believe that values cannot be pushed out, and if this is the case, it is better to explicitly state these values (Wisman, Rozansky, 1991, p. 725).

A fundamental construct upon which the theories of institutionalism are developed is the dichotomy between technological change and institutions. It is a central analytical tool of institutional economics (Wisman, Rozansky, 1991, p. 715). Power and conflict stem from this dichotomy. "Thus, just as mainstream economists approach their subject matter anticipating forces that propel the economy toward a beneficent harmony, institutionalists expect to find conflict and the exercise of power by vested interests" (Wisman, Rozansky, p. 719–720). Institutional inquiry must be empirically based, examine process, see social change as evolutionary, focus on institutions, and recognize the role of values (Wisman, Rozansky, 1991, p. 710). Thus, they have adopted a form of holism that could be called a systemic form of storytelling or a pattern model (Wilber, Harrison, p. 71). One of methods employed by institutionalists consists in presenting a detailed description of economic behavior and/or institutional change (Veblen). Another one is the use of statistics and quantitative data (Mitchell). Some of institutionalists pioneered use of more qualitative methods, such as participant observation, comparative case studies, interview and surveys (Whalen, 1996, p. 88–89). Such diversity of methods used illustrates institutionalists' open methodology. However, Colander (2003, p. 8–9) claims that they mainly use verbal, historical approach, with non-mathematical methods, such as: literary exegesis, verbal argumentation, case studies and reasoned thought, with empirical data presented rather in a form of a table than in complicated econometrics. What is important is that in institutional perspective the tools are just the ways to achieve the goal of understanding the patterns of human behavior and how they change. Hence the tools do not define the discipline (Mayhew, 2002, cited in Colander, 2003, p. 3).

When it comes to policy prescriptions, advanced capitalist economies are perceived by institutionalists as cyclical and unstable. Markets are characterized by inequalities in the distribution of market power, income and status. Unfettered market forces rather than reducing, exacerbate these instabilities and disparities (Arestis, 1994, p. 31). Institutionalists are anti-competitive – competitiveness is viewed as "disservicable". It is cooperation, as opposed to competition, that furthers economic and social well-being (Wisman, Rozansky, 1991, p. 715). In such circumstances there is an obvious place for the intervention of the state. The state holds a key position among other formal institutions since state actions are based on normative representations of the "common good" for given societies. "The state is formally assigned the role of creating the conditions that maximize the possibility of attaining a general common good" (Storper, 2000, p. 89). The influence of the state on society, as well as the national economy, shapes institutions that systematically and constantly regulate the behavior of individuals and social groups in formal and informal ways (Wilkin, 1995). The ability of the state to influence or even create institutions has a dominant meaning in contemporary societies, because it is the state that creates basic frames for the institutional functioning of markets. "The development of a centralized state with extensive regulative and planning capacities appeared to be a logical counterforce needed to contain the inevitable natural disasters by a capitalist economy" (Block, 2000, p. 61). The role of the state in the economy should not be to leave it alone. Progressive states should rather fill the gaps in the social provisioning process (Dugger, 1994, p. 12). Institutional economists favor activist government using the tools of macroeconomic policy for this purpose. Such activity involves more than a simple acceptance of the need for government interventions to correct the failure of market capitalism (Peterson, 1994). The state cannot be neutral, because its pretended neutrality allows existing forms of inequality to remain legitimate (Dugger, 1994, p. 17).

FEMINIST CHALLENGE TO NEOCLASSICAL ECONOMICS

Institutional economics offers a broad perspective, which is very useful while analysing economic relations. However, it seems that one of categories that is crucial in society – gender – is somehow overlooked. Even though Veblen regularly referred to patriarchal norms and their disruptive role, contemporary institutionalism seems to be less concerned with gender (van Staveren, 2010, p. 21). But it is important to understand that gender is a fundamental organizing principle of institutions (Jacobsen, 2003, p. 92), and it could also be recognized as a major institution affecting economic behaviour, that in turn is also influenced by economic processes (van Staveren, 2010, p. 21; Palmer, 2003, p. 43).

Feminists are concerned with remedying the disadvantages historically born by women, and feminist theory offers important insights into the economic discourse. It presents economies as gendered structures (Rai, Waylen, 2014, p. 6).

Emergence of capitalism did not liberate women, nevertheless it contributed to significant improvements in living standards and advancements in human knowledge and technology (Folbre, 2009, p. XXVi). While women in capitalism gradually gained new rights and opportunities, their continued specialization in the care of dependents has been the main source their persisting worse position in the market in comparison to men. At the beginning of the development of modern economics, Adam Smith argued that motives and modes of conduct in the private sphere were entirely separate from what prevailed in the public sphere where men's contractual trade and exchange relationships take place (Folbre and Hartmann, 1988, cited by Grapard, 1996, p. 108). The first economists who worked in order to change such a strict division of women's and men's roles in the economic theory were John S. Mill and Harriet Taylor who theorized women's equality in employment and ownership of property. They were followed by authors like Charlotte Perkins Gilman, who analysed women's position at home and stressed the importance of market work for women. With the rise of the second wave of the feminist movement in the 1960s, a major wave of feminist economics appeared dealing with issues of labour-force participation, household work, earnings differentials, occupational segregation, the feminization of poverty, and the economics of child care. This literature sought to use new technical constructs and empirical findings to improve women's economic position. The current wave of feminist economic writings accelerated in the late 1980s and 1990s (Strober, 1994, p. 144–145).

Presentation of economies as gendered structures is manifested in the form of effort to encourage the advancement of women within the profession and by the application of economic analysis for feminist ends (Nelson, 1995, p. 131). Feminist economics can be preliminarily defined as an independent research programme, which has as its primarily goal the advancement of understandings of the disadvantaged economic conditions of women (Hewitson, 1999, p. 6). There are two major, though not mutually exclusive, emphases in feminist thinking: (1) one body of thinking emphasizes the exclusion of women from traditionally male activities and institutions, and (2) the second body that emphasizes low rewards accorded to activities and traits that traditionally have been perceived as appropriate for women (England, 1993, p. 39). Historical tendency to focus exclusively on relations among men in the market place led to a complete dismissal of women's productive and reproductive labour in households (Grapard, 1996, p. 108). Feminist economists work in order to reverse this perception. They, alike institutionalists, define economics as a science concerned with 'social provisioning'. Definition of economics as concerned with the realm of provisioning breaks down the usual distinction between 'economic' (primarily market-oriented) activities and policies, and familial or social activities (Nelson, 1995; Riley 2008, p. 1, cited in: Rai, Waylen, 2014, p. 7). To define economics as the study of social provisioning is to emphasize that economic activity involves the ways in which people organize themselves collectively to earn a living. Social provisioning does not need be done through the market, nor for selfish or self-interested reasons, although either of these is inconsistent with social provisioning. The concept allows for a broader understanding of economic activity that includes unpaid and nonmarket activities, and for understanding of motivation different than narrow notion of self-interest (Power, 2004, p. 6).

Feminist economic theory criticizes the implicitly gendered bias of economic theory, like for example neoclassical *homo economicus,* that is not concerned with the 'reproductive labour' of bearing and raising children (Foldvary, 1996, p. 17; Grapard, 1996, p. 101). Another concept criticized by feminist economists is the notion of the household. Despite the myriad ways of organizing economic production and the lack of uniformity in the types of work men and women perform, women are primarily responsible for dependent care. This care almost always is done in some kind of household unit and it universally takes a considerable amount of one's time. One cannot begin to comprehend women's economic position relative to men's unless there is a basic understanding of how the household operates within the context of all economic production (Albelda, 1997, p. 162). The family is an intrinsically gendered institution, in that the conjugal relation that constitutes it is gender ascriptive. Commercial relations between buyer and seller, employer and employee, are not intrinsically gendered in that way. Neither are the relations between users and providers of public services. But although they are not gender ascriptive, these relations are bearers of gender, in the sense that they are permeated through and through by gender in their institutional structure (Elson, 1994, p. 39). Macroeconomic aggregates – public expenditures and revenue, public debt, Gross Domestic Product, the money supply – are bearers of social relations and are imbued with social values (Elson, Cagatay, 2000, p. 1360). It is essential to have information about subsistence production, informal paid work, domestic production, as well as volunteer work in order to understand the whole economy and changes in it (MacDonald, 1995, p. 164).

The feminist analysis starts from the premise that economy is socially constructed (Nelson, 1995, p. 132)[16]. Feminist epistemology and standpoint theory express the contextualization of knowledge (van Staveren, 2010, p. 25). Feminist epistemology studies the ways in which gender influences our conception of knowledge[17]. "[F]eminist economics questions the whole notion of objectivity and argues that what one chooses to work on and how one formulates theories and policy recommendations are dependent upon one's culture, one's position in society, and one's life experiences" (Strober, 1994, p. 143). Women add to their considerations their values and experiences, and that, according to Nelson (1996), leads to more objective economic knowledge. As feminist analysis suggests, there should not be one economic model, but a variety, depending on the usefulness of various mod-

[16] As Ann Mayhew (1999) notices, both feminism and institutionalism emphasize a shared understanding of the cultural-specific and socially constructed economic reality.

[17] It identifies ways in which dominant conceptions and practices systematically disadvantage women and other subordinated groups, and strives to reform these conceptions and practices so that they serve the interests of these groups (*Standford Encyclopedia of Philosophy*).

elling techniques in various applications (Nelson, 1995). Hence, there is no distinctive feminist method, and research question rather than the method should derive the research. Qualitative methods allow more creativity about conceptualizing and measuring economic processes. They may help expand the range of topics to include issues, activities and groups of marginal concern to the discipline. The combination of qualitative and quantitative methods help feminist economists uncover and correct biases in survey data (Berik, 1997, p. 122–123). According to van Staveren (2010, p. 26) feminist economists are ambivalent about the use of formal models and econometrics. She claims that feminist economics needs both quantitative and qualitative methods in order to further the understanding of crucial concepts in economics, such as unpaid labour and care. Nevertheless, it needs to be stressed that data collected by national statistical agencies directly reflect the gender biases of neoclassical theory. National income and product or GDP accounts measure market production, while household income and expenditure surveys do not collect information on intrahousehold access to resources (MacDonald, 1995). For the most part, feminist scholarship involves collecting primary data trough the use of instruments like in-depth interviews, survey, or direct observations. Such instruments were very often used by historians, sociologists, or anthropologists, but were rather omitted by economists who concentrated on econometric models based on large data bases (Garpard, 1999).

As Grapard (1996, p. 109) notes, ”If women's activities are made invisible by the categories and taxonomies that economists develop, it would be surprising if the analysis and actual policy prescriptions following from that framework ended up serving the interests of women or the interests of society very well”. Overwhelmingly, the design of economic policy reform focuses on the ‘productive economy’. “Macro-policy generally takes the ‘reproductive economy’ for granted, assuming it can continue to function adequately no matter how its relation to the ‘productive economy’ is disrupted. Current forms of economic policy reform that emphasize rolling back the state and liberating market forces give scant consideration to how this will impact on the ‘reproductive economy’. (…) Since it is women who undertake most of the work in the ‘reproductive economy’, and in the organization of community mutual aid, this is equivalent to assuming that there is an unlimited supply of unpaid female labour, able to compensate for any adverse changes resulting from macroeconomic policy, so as to continue to meet the basic needs of their families and communities and sustain them as social organizations” (Elson, 1994, p. 41–42). Feminist approach in economics is one of efforts to better understand the ways in which individuals come to identify with others and care for them. Such form of solidarity challenge the conventional approach and help explain the formation and pursuit of collective interests (Folber, 2009, p. 306). Relations of reproduction, like production, are shaped by the specificity of different economic, social, and political contexts. A central element of this context is the nature and role of the state (Pearson, 2014, p. 20). Thus feminist economists are in favour of the active state that would, among other things, promote greater equality between women and men.

CONCLUSIONS

The paper presented three approaches in economics – neoclassical, institutional, and feminist.. The neoclassical (orthodox) approach can be traced back to 1870s, and nowadays, it constitutes the mainstream. It is based on logical positivism that applies a strict distinction between economic and non-economic problems, focusing on the former ones[18]. In terms of research method, neoclassical economists focus on formal modelling, using almost exclusively quantitative methods. Institutional economics appeared a few decades after neoclassical perspective, at the beginning of the 20th century. It is based on pragmatic philosophical perspective[19], and treats the economy as fundamentally institutionalized. Therefore economics as a science needs to concentrate its analysis on institutions, rather than ideal concepts, such as the equilibrium. The focus on social institutions also imposes the holistic approach of inquiry. Even though institutionalists are open in terms of methods used, they tend to use qualitative methods, also as a way to distinguish themselves from neoclassical economists. The feminist school emerged at the end of the 20th century. Its main focus of interest is one of institutions – namely gender. The research concentrates on inequalities that arise from gender differences in economies. Feminist economists use constructivism as a philosophical base of their inquiry, and they have not developed a distinct feminist methods, but rather use both qualitative and quantitative ones, and the choice between methods used depends on problems that they investigate.

Institutional and feminist economics challenge the neoclassical perspective in many ways. It uses different methodological bases that result in broadening the scope of inquiry, what in turn leads to widening the scope of the discipline. They use different methods, pointing out that focusing only on a narrow range of formal tools by the mainstream limits the knowledge acquired in this way. They also tend to analyse different problems, since institutional and feminist economists do not limit their investigations to strict 'economic' problems. The differences in theories developed by analysed schools lead to different policy prescriptions. While neoclassical economists perceive the activity of the state as a disruptive force, the institutional and feminist economists demand more active state in order to promote equality, development and better lives for everyone.

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[18] With well-known exceptions, like Gary S. Becker (1973, 1974, 1981).

[19] Although some authors point at relativism in this matter.

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ABSTRACT

Contemporary economics is dominated by the neoclassical perspective. However, there are also other approaches developed by very diverse heterodox schools of economic thought. The main aim of the paper is to present two contemporary heterodox schools of economic thought, namely institutional and feminist. According to the author, these two schools constitute interesting alternatives to the orthodox view of the economy and economic relations. Epistemological and methodological changes postulated by institutional and feminist economics broaden the scope of the discipline, by challenging economics to show more concern with well-being, and encouraging the discipline to rethink its main areas of interest.

Keywords: institutional economics, feminist economics, heterodox schools of economic thought.
JEL Classification: B40, B52, B54

INSTYTUCJONALIZM I FEMINIZM JAKO WYZWANIA DLA EKONOMII NEOKLASYCZNEJ

STRESZCZENIE

Współczesna ekonomia jest zdominowana przez perspektywę neoklasyczną. Jednak w dyscyplinie tej istnieją także inne ujęcia rozwijane przez zróżnicowane heterodoksyjne szkoły myśli ekonomicznej. Celem artykułu jest zaprezentowanie dwóch współczesnych, heterodoksyjnych szkół myśli ekonomicznej – instytucjonalnej i feministycznej. Według Autorki te dwie szkoły stanowią interesującą alternatywę dla dominującej wizji gospodarki i stosunków gospodarczych. Proponowane przez przedstawicieli szkoły instytucjonalnej i feministycznej zmiany epistemologiczne i metodologiczne rozszerzają zakres ekonomii jako nauki przez wezwanie, by poważnie rozważyć kwestię dobrobytu, i zachęcenie do ponownego rozważenia głównych obszarów zainteresowania tej dyscypliny.

Słowa kluczowe: ekonomia instytucjonalna, ekonomia feministyczna, heterodoksyjne szkoły myśli ekonomicznej.