Resource Management: INSTITUTIONS AND INSTITUTIONAL DESIGN
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The construction of social reality

NTNU, Trondheim
Fall 2007

Literature:

Relevant also
The construction of social reality

De Soto (2000) insists

• that property rights must conform to the rights people believe they have
• to write good law the government must study people’s law: the law people use in day to day dealings with each other

People’s law is a social reality
It is created by the people for the people

Two important theses

• This lecture: Important parts of institutions – even the most formal - exist only in the minds of people (Searle 1995)
  – They exist only because we believe they exist
• Next lecture: The strongest institutions exist only in the minds of people (Douglas 1987)
  – Usually at a subconscious level
  – Or disguised as “nature”
Searle 1995: Institutional facts

• Some facts exist only by human agreement
  – Money
  – Property
  – Governments
  – Marriages
• Yet they are objective, not depending on your or mine preferences, evaluations, or moral attitudes

Ontology based on

• The atomic theory of matter
• The evolutionary theory of biology

Objective-subjective
  – Epistemic judgements, a matter of degree
  – Ontological statements, either objective or subjective
A footnote on different kinds of truths

<table>
<thead>
<tr>
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<th>Subjective (observer relative)</th>
<th>Objective (observer independent)</th>
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<tr>
<td>Epistemic judgements</td>
<td>Truth depends on attitudes and feelings</td>
<td>Truth independent of attitudes and feelings</td>
</tr>
<tr>
<td>Ontological Existence</td>
<td>Truth depends on being felt by subjects</td>
<td>Truth independent of any mental state</td>
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Features of the world

May exist
- intrinsic to nature (‘brute facts’)
- relative to the intentionality of observers, users, etc.

Whether a feature is intrinsic or observer relative is not always obvious (e.g. colours)
Test:
- could the feature exist without sentient beings?
Acts of observing and using are intrinsic features of agents

- Mental states are intrinsic features of the world
- Intrinsic features of reality are those that exist independently of all mental states, except for mental states themselves, which are also intrinsic features of reality

Accounting for social reality

Requires
- Assignment of function
  - A feature of intentionality, observer relative
- Collective intentionality
  - A biologically primitive phenomenon (p24)
- Constitutive rules
  - Regulative rules vs. constitutive
Social concepts

- "Brute facts" as opposed to institutional facts
- Concepts of social facts are self-referential
- Types and tokens
- Linguistic elements are partly constitutive of a social fact
- Social facts are created by social acts
  - Social facts will refer to collective intentionality (p26)
  - Institutional facts are a subclass of social facts.
- Institutional facts are
  - Created by declarations
  - Created on top of brute facts
  - Exist in relationship to other institutional facts (IF)

Example: The Wall and the Boundary

- A tribe builds a wall to separate insiders and outsiders
- The wall functions to keep groups apart by sheer physical presence
- The wall decays to a ring of stones but it is still respected as a boundary
- The line of stones functions to keep groups apart by its symbolic significance
From collective intentionality to institutional facts

1. Commodity money: gold
2. Contract money: promissory notes
3. Fiat money: declared value

Formula: “X counts as Y in context C”

Language and social reality

• Institutional facts essentially contain some symbolic element
• Language dependent thoughts
• Language dependent facts

Example
• Rule of football: “touchdown counts six points” – a thought depending on linguistic symbols (see p 66)
Essential features of linguistic symbols

- They symbolize something beyond themselves
- They do so by convention
- They are public

Iteration, Interaction and Logical Structure

- The structure “X counts as Y in C” can be iterated
- There can be interlocking systems of such iterated structures operating through time
- Status indicators are required
Codification, Motivations

- Test: IF iff we can codify the rules explicitly
- Brute force cannot maintain IF
  - The system of acceptance (of IF) cannot be assumed to be backed by a credible system of force
- No single motivation for continued acknowledgement of IF

Conventional Power

- Status-functions are matters of power
- Creation of IF is conferring some new power.
- But only such forms of power where collective acceptance of the power is constitutive of having it.
- It requires the the ordinary collective intentionality of the street, so to speak.
Footnote: Types of powers?

- Symbolic: creation of meaning
- Deontic: creation of rights and obligations
- Honorific: status for its own sake
- Procedural: steps on the way to power and honour

- In the end it all reduces to deontic powers

The logical structure of conventional power

There is exactly one primitive logical operation by which institutional reality is created and constituted. It has this form:

- We collectively accept, acknowledge, recognize, go along with, etc., that (S has power (S does A))
Creation and maintenance of IF
(IF = institutional fact)

• The institution
  – The creation of institutional facts
  – Their continued existence
  – Their representation by status indicators

• Creation of IF
  – X counts as Y in C (constitutive rules)
  – Iterations of this process for complex IF
  – Practical advice: Act as if the IF existed

Maintenance of IF

• Continued existence of IF
  – Require that the individuals directly involved and a sufficient number of the members of the relevant community must continue to recognize and accept the existence of the IF

• Honour and prestige are used to secure recognition and maintain acceptance of IF
Status indicators

- IF cannot be read off from brute physical facts
- Need of official representation
  - Passport
  - Drivers licence
  - Signature (persist in time unlike speech acts, etc.)
- Function of status indicator is epistemic

Searle(1995:121) Figure 5.1 Hierarchical taxonomy of facts
IF and background capacities

• IF usually are not a result of a deliberate act or set of actions
  – Except for special cases where legislation is passed or authorities change the rules of the game
• Creation of IF is typically a matter of natural evolution

The background

• A set of nonintentional or preintentional capacities that enable intentional states of function
  – Capacities: abilities, dispositions, tendencies (generally causal structures)
  – Enabling: causing
  – Intentional states: - taken as unproblematic
  – Function of background: see next page
Functions of background (1)

- Enables linguistic interpretation
- Enables perceptual interpretation
- Structures consciousness
- Structures temporally extended sequences as narrative or drama
- Provides a set of motivational dispositions conditioning the structure of our experiences

Functions of background (2)

- Facilitates certain kinds of readiness
- Disposes for certain kinds of behaviour

Background causation is

- Not like intentional acts of causation (rational decision making)
- Not like brute physical causation (behaviourism)
Background causation

May be more like

- Evolutionary theory in biology

For example:

- Because institutions are there, people thrive and prosper by getting good at conforming to the rules in their behaviour without actually learning or consciously following the rules

Searle (1995:142-143) “There is a parallelism between the functional structure of the Background and the intentional structure of the social phenomena to which the Background capacities relate. The strict parallelism gives us the illusion that the person who is able to deal with money, to cope with society, and to speak a language must be unconsciously following rules. Here I am arguing, Of course there are rules and often we do follow them, both consciously and unconsciously, but ...
Searle (1995:142-143)

Of course there are rules

1. … rules are never self interpreting
2. They are never exhaustive
3. In fact, in many situations, we just know what to do, we just know how to deal with the situation. We do not apply rules consciously or unconsciously.”

Comments

• Searle’s use of “background” is not only close to Wittgenstein and Bourdieu (see p.132)
• It is also close to what Mary Douglas calls “thought worlds” or “thought collectives” and others call “mental models of the world”
• Background dispositions are easily translated into Mary Douglas’ “natural behaviour”
• And on a more general level: close to central features of the concept “culture”
Main points

- Institutions are created by assigning status functions to social facts
- Institutions exist if and only if the relevant group of people agree that they exist
- Formal institutions are founded on “background capabilities”
- Background capabilities can be seen as a system of informal institutions, or more general, as culture

Searle (1995:94) “One lesson to be derived from the study of institutional fact is this: everything we value in civilization requires the creation and maintenance of institutional power relations through collectively imposed status-functions. These require constant monitoring and adjusting to create and preserve fairness, efficiency, flexibility, and creativity, not to mention such traditional values as justice, liberty, and dignity. But institutional power relations are ubiquitous and essential. Institutional power – massive, pervasive, and typically invisible – permeates every nook and cranny of our social lives, and as such it is not a threat to liberal values but rather the precondition of their existence.”