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CHARACTERISTICS OF DEVELOPMENT OF INSTITUTIONAL ECONOMY

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Abstract: This article is devoted to the analysis of the main features of the development of the institutional economy. The work examines the main concepts and trends in the development of this line of economic theory, paying special attention to the role of institutions in the formation and operation of economic systems. Also, the interdisciplinary nature of institutional economics, its historical approach is studied.
Key words: institutional economics, institutions, economic theory, transaction costs, uncertainty, economic policy.
Аннотация. Данная статья посвящена анализу основных особенностей развития институциональной экономики. В работе рассматриваются основные концепции и тенденции развития этого направления экономической теории, особое внимание уделяется роли институтов в формировании и функционировании экономических систем. Также изучается междисциплинарный характер институциональной экономики, ее исторический подход.
Ключевые слова: институциональная экономика, институты, экономическая теория, трансакционные издержки, неопределенность, экономическая политика.

Institutional economics is a branch of economic science that focuses on the analysis of economic interactions within and between various social institutions. A social institution can be defined as a defined and historically formed form of organizing the joint activities of people performing certain functions in society. For example, such institutions include the institution of marriage, the institution of the family, and institutions of public administration. From this perspective, institutions are understood as formal (laws, rules, norms) and informal (customs, customs, social norms) restrictions on human interaction. A distinctive feature of institutional economics is its interdisciplinary nature. Economic processes are not separated from other spheres of social life. They are closely related to politics, law, culture, history and sociology. In addition, institutions such as laws, norms, customs, and organizations play an important role in shaping economic behavior. To analyze them, knowledge from different fields is required. And institutional economics itself recognizes that economic behavior of people is determined not only by economic motives, but also by social, cultural and psychological factors. The interdisciplinary nature of institutional economics makes it a powerful tool for analyzing economic processes and developing effective economic policies. The combination of economic, social, political, historical and other knowledge allows a deeper and comprehensive understanding of economic reality.
Institutional economics focuses on the analysis of evolutionary processes and the influence of institutions on the formation of economic behavior. At the beginning of the development, he focused on the dichotomy proposed by Thorstein Veblen, which distinguishes two aspects: the technological side and the "ceremonial" sphere of society. The name and main components of this concept are rooted in an article by H. Hamilton Walton published in the American Economic Review in 1919. Institutional economics focuses on a deeper analysis of institutions and sees markets as the result of a complex interaction of many institutions, such as individuals, companies,

states, and social norms. This early tradition still exists today and remains the leading non-traditional approach in economic sciences.

Classical institutionalism is one of the first trends in economic theory that questioned some of the postulates of the neoclassical school. Representatives of this trend focused on the role of institutions, historical context and social factors in economic life.

Thorstein Veblen is one of the most famous representatives of classical institutionalism. Veblen criticized neoclassical theory for formalism and detachment from reality. He introduced concepts such as "laziness," "waste," and "technological change" to explain economic behavior. John Commons, for his part, emphasized the importance of legal norms and social agreements for economic activity, focusing on the study of institutions as "collective actions". Warren Sumner defended the idea of social Darwinism, linking economic success to biological evolution and adaptation.

Classical institutionalists believed that neoclassical theory was too abstract and failed to take into account historical and social factors. Neoclassical theory, according to institutionalists, neglected historical, social, and institutional contexts and produced highly abstract models of economic behavior. They answered that all people act rationally and seek to maximize their utility. Institutionalists emphasized the influence of social norms, customs and irrational factors on economic behavior. Neoclassical theory often ignored the role of institutions (laws, norms, customs) in economic life. Institutionalists argued that institutions shape the rules of the game in which economic agents operate. Institutionalists have shown that economic phenomena cannot be understood outside of the historical context. They also emphasized the importance of institutions in shaping economic behavior and economic development, and demonstrated that economics is closely related to other social sciences such as sociology, anthropology, and political science. Thus, classical institutionalists made a great contribution to the development of economic theory, expanded its boundaries and proposed new approaches to the analysis of economic phenomena.

Classical institutionalism emphasized the evolution of institutions and the role of culture in economic life. Classical institutionalists considered institutions not as static structures, but as a result of a long evolution formed under the influence of various historical, social and economic factors. Institutional change occurs gradually as a result of adaptation to changing conditions. Customs and traditions play an important role in the formation and maintenance of institutions, resisting inertia and change. Institutions not only reflect economic processes, but also actively influence them, form economic incentives and restrictions.

Understanding the evolution of institutions and the role of culture allows us to explain the diversity of economic systems. Different countries have different institutions and cultures, which lead to differences in their economic systems. It also helps to analyze long-term economic changes. An evolutionary approach allows us to understand how institutions change over time and how these changes affect economic development. Understanding the role of culture and institutions helps to develop economic policies that take into account the specific characteristics of a particular country and its historical development. Thus, classical institutionalism has contributed greatly to the understanding of how historical, social, and cultural factors shape the economic system.

Institutional economics focuses on the analysis of institutions—the formal and informal rules, norms, and customs that structure economic interaction. Institutions are formed historically, reflecting the specific characteristics of the development of a certain society, its culture, political system and geographical conditions. Conflicts and cooperation between different social groups (classes, ethnic groups) also influenced the formation of institutions that reflect the balance of power and interests. It should also be taken into account that institutions are not static, they

constantly evolve in response to changing conditions, and the state plays an important role in the formation of institutions by establishing laws that regulate economic activity.
The formation of economic systems is a complex and multifaceted process in which various factors, including historical, cultural, geographical and, of course, institutional factors play an important role. Institutions determine the rules of interaction between participants of economic activity. It can be laws, contracts, social norms, etc. They form a system of incentives and constraints that govern people's economic behavior. For example, property laws encourage investment and tax systems affect income distribution. Institutions help reduce uncertainty in the economy by providing information and establishing rules of conduct. This fosters long-term relationships and reduces transaction costs. Institutions also determine how resources are distributed in society. For example, a property system determines who owns resources, and market mechanisms regulate their exchange. Institutions play an important role in shaping social relations and determining the roles and statuses of different groups of the population.

In recent decades, institutional economics has become one of the most rapidly developing areas of economic science. Its interdisciplinary nature, focus on the role of institutions in economic life, and its ability to explain complex socio-economic phenomena have made it widely recognized. Contemporary institutionalists study a wide range of issues including globalization, innovation, inequality, sustainable development, etc. New theories are emerging to explain the formation and functioning of institutions, such as new institutional economics, evolutionary economics, etc. the interaction of institutional economics with other disciplines is increasing, helping to develop new interdisciplinary directions.
Institutional economics continues to develop actively and has a significant impact on economic theory and practice. Its interdisciplinary nature allows it to adequately reflect the complexity and diversity of economic phenomena. In the future, it is expected to deepen research in the field of institutional economics, to expand its methodological tools, and to apply the obtained results to solving current economic problems.

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