

UNIVERSIDADE FEDERAL DO PARANÁ

JOSÉ PAULO MIKETEN MALTACA

PATHS OF INSTITUTIONALISM: CONVERGENCES AND DIVERGENCES ON  
ORIGINAL INSTITUTIONAL ECONOMICS ROAD

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2023

JOSÉ PAULO MIKETEN MALTACA

PATHS OF INSTITUTIONALISM: CONVERGENCES AND DIVERGENCES ON  
ORIGINAL INSTITUTIONAL ECONOMICS ROAD

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Orientador: Prof. Dr. José Felipe Araujo de Almeida  
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“The two most powerful warriors are patience and time.”

Leo Tolstoy

## RESUMO

Esta tese discorre sobre conexões entre a economia institucional original e outras vertentes teóricas. A tese está estruturada em três ensaios, os quais discutem sob uma perspectiva histórica como a economia institucional original conectou-se a outras correntes de pensamento heterodoxas e como houve e há uma tentativa de encapsulamento da economia institucional original por parte da corrente de pensamento ortodoxa. O primeiro ensaio diz respeito a como as obras finais de Celso Furtado podem conectar-se à economia institucional original de Thorstein Veblen. A partir da tradição de James Street, a qual conecta os trabalhos da economia estruturalista cepalina aos escritos institucionalistas, construiu-se uma estrutura analítica que engloba os elementos centrais das últimas obras de Furtado aos preceitos de Veblen. O segundo ensaio tange à aproximação entre a economia institucional original e os trabalhos do economista polonês Michal Kalecki (1899-1970). Nesta seara, busca-se primeiramente entender como ocorreu a aproximação entre a economia institucional original e o pós-Keynesianismo, para então verificar em quais pontos desta aproximação a economia de Kalecki pode contribuir. O terceiro ensaio busca, por meio de uma análise bibliométrica, descobrir se a *Journal of Institutional Economics* afastou-se da economia institucional original em prol da nova economia institucional. A bibliometria foi realizada de forma a compará-la à *Journal of Economic Issues*, e assim verificar o quão diferentes são as abordagens institucionalistas entre as duas revistas. Ao todo, a tese enfatiza que as conexões entre a heterodoxia econômica e a economia institucional original agregam poder analítico ao institucionalismo, desde que haja compatibilidade teórica, metodológica e ideológica entre as correntes de pensamento.

**Palavras-chave:** Economia institucional original. Celso Furtado. Michal Kalecki. Journal of Economic Issues. Journal of Institutional Economics.

## ABSTRACT

This dissertation addresses the connections between Original Institutional Economics and other theoretic strands. The dissertation is structured into three essays, which discuss under a historic perspective how Original Institutional Economics connected itself with other heterodox strands of thought and how there was and there is an attempt at encapsulating Original Institutional Economics by the orthodox strand of thought. The first essay concerns the final works of Celso Furtado, and how they can connect to the Original Institutional Economics of Thorstein Veblen. Departing from James Street's tradition, which connects the works of ECLAC's structuralism to institutionalist writings, we built a framework that encompasses the central elements of the Furtado's last works to Veblen's precepts. The second essay analyzes the connections between Original Institutional Economics and the works of Polish economics Michal Kalecki (1899-1970). Within this scope, we seek to understand first how the approximation between Original Institutional Economics and post-Keynesianism occurred, so that we can check in which elements of this approximation Kalecki's economics may contribute. The third essay seeks, through a bibliometric analysis, to find out if *Journal of Institutional Economics* dissociated itself from Original Institutional Economics in benefit of New Institutional Economics. The bibliometric analysis was undertaken so that it was possible to compare it to *Journal of Economic Issues*, and thus to verify how different are the institutionalist approaches between the journals. Overall, the dissertation stresses that the connections between economic heterodoxy and Original Institutional Economics add analytical power to the latter, as long as there is a theoretical, methodological and ideological compatibility between the strands of thought.

**Keywords:** Original Institutional Economics. Celso Furtado. Michal Kalecki. Journal of Economic Issues. Journal of Institutional Economics.



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## LIST OF ABBREVIATIONS AND ACRONYMS

|       |                                                             |
|-------|-------------------------------------------------------------|
| AFEE  | Association for Evolutionary Economics                      |
| AFIT  | Association for Institutional Thought                       |
| CAFE  | Comunidade Acadêmica Federada                               |
| CAPES | Coordenação de Aperfeiçoamento de Pessoal de Nível Superior |
| CEPAL | Comissão Econômica para a América Latina e o Caribe         |
| EAEPE | European Association for Evolutionary Political Economy     |
| ECLAC | Economic Commission for Latin America and the Caribbean     |
| ECLA  | Economic Commission for Latin America                       |
| EGB   | Economic Growth of Brazil                                   |
| FEB   | Formação Econômica do Brasil                                |
| IW    | Instinct of Workmanship                                     |
| JOIE  | Journal of Institutional Economics                          |
| JEI   | Journal of Economic Issues                                  |
| JPKE  | Journal of post-Keynesian Economics                         |
| NIE   | New Institutional Economics                                 |
| OIE   | Old Institutional Economics                                 |
| PKI   | Post-Keynesian Institutionalism                             |
| U.S.  | United States of America                                    |
| WoS   | Web of Science                                              |

## SUMMARY

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## 1. INTRODUCTION

Original Institutional Economics (OIE) went through several phases throughout the years. Its advent can be traced back to the end of the 19<sup>th</sup> century, after the publication of Veblen's seminal book, *The Theory of the Leisure Class* (VEBLEN, 1899). Besides Veblen, another thinker who laid the foundations of what we consider today as OIE was John R. Commons, especially in his famous works *Institutional Economics* (1931) and *The Legal Foundations of Capitalism* (1924). Veblen and Commons, who can be considered the precursors of OIE, saw the institutions as the primary element concerning the state and change of the economic process. The authors' main ideas will be presented in order to clarify what we consider as OIE.

### 1.1 VEBLEN'S INSTITUTIONAL ECONOMICS

Thorstein Veblen's Institutional Economics had its origin with the publication of "The Theory of the Leisure Class" (1899). In this book, Veblen "deals with the psychological, social, and economic issues of how institutions influence people's behavior from an evolutionary perspective" (ALMEIDA, 2015, p. 227).<sup>1</sup> Within the broad approach that defines Institutional Economics, Veblen is not the only author who uses institutions as the theoretical framework in order to analyze how people behave and make their decisions. What we call "Original Institutional Economics" (OIE) is this type of Institutionalism, which analyzes individual behavior taking as its foundation the institutions through an evolutionary perspective, using in this process contributions by other sciences, such as biology and psychology (AGUILAR, SILVA, 2010).<sup>2</sup> This approach encompasses authors such as Veblen, John R. Commons and Wesley C. Mitchell.

First of all, it is of paramount importance to highlight the evolutionary aspect of Veblen's economics. Veblen (1898) criticizes the state of the art of economics, drawing attention to the fact that most of it is based on a system of taxonomies that consist of a body of

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<sup>1</sup> Neale (1987) discusses extensively the concept of institutions, a source of ample discussion among institutionalist authors. Veblen considers that "an institution is of the nature of a usage which has become axiomatic and indispensable by habituation and general acceptance." (VEBLEN, 1924, p. 101).

<sup>2</sup> The approaches which seek to understand the economic environment under an institutional framework, but whose methodology bases itself on traditional economics, are named "New Institutional Economics" (NIE). Among its most known authors, we highlight Douglass North, Oliver Williamson and Ronald Coase.

logically consistent propositions concerning the normal relation of things, or a set of rules to conduct business.<sup>3</sup> He rejects the teleological nature of economics, pointing out the pre-Darwinian concept imbued in it, which accepts the existence of tendencies and achievable goals for the economy.<sup>4</sup> Differing from the aforementioned economics, Veblen embraces the evolutionary nature of the economic process, once “the economic life history of the individual is a cumulative process of adaptation of means to ends that cumulatively change as the process goes on” (VEBLEN, 1898, p. 391). Evolutionary economics is thus the theory of a process of cultural growth set by the economic interest, a theory that encompasses a cumulative sequence of economic institutions referred to by the process itself (VEBLEN, 1898).

Veblen (1899) approaches the emergence and the main traits of what he calls the “leisure class”, which is usually linked to private property in developed countries or communities. This connection did not characterize the leisure class in its embryonic state, once its emergence connects to the individual affirmation of possession as an honorific panoply. Therefore, while activities that would extol individuals were linked to a certain collectivity’s honor and dignity, the leisure class did not own subterfuges to emerge within the community. These activities, in the barbaric society, were associated with hunt and war, whose spoils ascended to the condition of collective exaltation’s instruments:

“Property set out with being booty held as trophies of the successful raid. So long as the group had departed but little from the primitive communal organization, and so long as it still stood in close contact with other hostile groups, the utility of things or persons owned lay chiefly in an invidious comparison between their possessor and the enemy from whom they were taken. The habit of distinguishing between the interests of the individual and those of the group to which he belongs is apparently a later growth. (...) The man’s prowess was still primarily the group’s prowess, and the possessor of the booty felt himself to be primarily the keeper of the honor of the group.” (VEBLEN, 1899, p.23)

A preponderant concept in Veblen’s analysis is man’s tendency to sustain a purpose-oriented logic, i.e., teleological. Consequently, any effort must own a certain scope that shuns any futility, waste or incapacity, being thus effective. Veblen called this human aptitude “Instinct of Workmanship” (IW). This instinct functions as an emulative way to compare individuals taking as a measure how efficient they behave within their environment, i.e.,

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<sup>3</sup> More specifically, Veblen (1898) refers to authors who follow the classic tradition, the Historical School and the Austrian Economics.

<sup>4</sup> Veblen (1898) does not preclude individual teleological motives, but points out that each action within the economic process alters the very environment in which the person acts. Therefore, it is impossible to point out a trajectory for the economy as a whole, or an achievable and fixed goal for the collectivity.

society's circumstances and traditions. The IW also works as an emulative demonstration of individuals' strength, which promptly translates to their esteem among peers.

Therefore, when society evolved from a barbaric society, in which the property was collective and force demonstrations characterized the individuals' esteem, to an industrial society, in which the accumulation of assets is seen as a signal of efficiency and is esteemed by individuals, the leisure class emerged.<sup>5</sup> This class rejects directly productive activities, owning a social status of honor because of its property accumulation, which leads to the fact that there is a clear division within the industrial society between the leisure class and the industrial class. The latter works with directly productive activities, while the former has as its main occupation honorific activities, and uses its leisure time to spend on unproductive activities. This concept leads to the matter of the respect that individuals attribute to themselves in relation to their peers:

“So soon as the possession of property becomes the basis of popular esteem, therefore, it becomes also a requisite to that complacency which we call self-respect. In any community where goods are held in severalty it is necessary, in order to his own peace of mind, that an individual should possess as large a portion of goods as others with whom he is accustomed to class himself; and it is extremely gratifying to possess something more than others. But as fast as a person makes new acquisitions, and becomes accustomed to the resulting new standard of wealth, the new standard forthwith ceases to afford appreciably greater satisfaction than the early standard did. (...) The invidious comparison can never become so favorable to the individual making it that he would not gladly rate himself still higher relatively to his competitors in the struggle for pecuniary reputability” (VEBLEN, 1899, p. 25-26).

Thus, such as in barbaric societies, activities considered as directly productive are seen as derogatory in regards to their status. Certain activities, however, which involve demonstrations of time used leisurely, are valued as a token of dedication. Veblen calls this trait “conspicuous leisure”, and highlights that there are four typical activities connected to the leisure class considered honorific within the society, which can be comprised under government, warfare, religious observances and sports. These four activities may be the main occupations of the leisure class.<sup>6</sup>

As well as in the case of leisure, there are certain consumption forms and items that are reserved and conditioned to the leisure class. These consumed goods evidence the pecuniary strength of their owners and, therefore, the consumption of certain goods becomes an honorific

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<sup>5</sup> Veblen highlights: “In the sequence of cultural evolution the emergence of a leisure class coincides with the beginning of ownership” (VEBLEN, 1899, p. 20).

<sup>6</sup> Veblen (1899) states that the term “conspicuous leisure” does not denote indolence or quietude, but the unproductive consumption of time, i.e., time used leisurely in activities that do not involve repetition effort or work in the industry.



action, and the failure to consume them becomes a mark of inferiority and demerit. Therefore, Veblen's definition regarding conspicuous consumption necessarily deals with consumed goods: "Conspicuous consumption of valuable goods is a means of reputability to the gentleman of leisure" (VEBLEN, 1899, p. 53).

As the riches are accumulated, the leisure class individuals are subdivided into strata that establish a hierarchy among its members. This trait, in turn, is determined by their pecuniary heritage or by their nobility. The exposure to these characteristics in terms of comparison, which is directly connected to the respect attributed to an individual, is preponderantly determined by the consumption of goods that indicate their position. This consumption is not only restricted to individuals who own nobility or riches, but also to those connected to them. Some examples are the wife, the children and the employees who act as maintainers of activities linked to conspicuous leisure. This kind of consumption and leisure "by substitution" was called by Veblen "vicarious".

Although the leisure class can be characterized by the aforementioned traits, the consumption or leisure emulation of the consumption sphere whose social position is higher and more noteworthy is also performed by members of the industrious class in regards to the maintenance of their social position. Veblen highlights that in lower and middle classes, the role of vicarious leisure and consumption is performed by the women in the family unit, which were treated as property of the patriarch of the leisure class since its advent.<sup>7</sup> Hence, gradations not only exist within the leisure class, but also within all social ranks:

"This vicarious consumption practiced by the household of the middle and lower classes cannot be counted as a direct expression of the leisure-class scheme of life, since the household of this pecuniary grade does not belong within the leisure class. It is rather that the leisure-class scheme of life here comes to an expression at the second remove. The leisure class stands at the head of the social structure in point of reputability; and its manner of life and its standards of worth therefore afford the norm of reputability for the community. The observance of these standards, in some degree of approximation, becomes incumbent upon all classes lower in the scale. In modern civilized communities the lines of demarcation between social classes have grown vague and transient and wherever this happens the norm of reputability imposed by the upper class extends its coercive influence with but slight hindrance down through the social structure to the lowest strata" (VEBLEN, 1899, p. 59).

It is important to give emphasis to how urbanization led to an importance of conspicuous consumption in relation to conspicuous leisure, which happens as a consequence of a need for a method of ostentation for an audience each time less known to individuals. The capacity to

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<sup>7</sup> Veblen highlights that before the advent of the industrial society, women were seen as an inferior class by performing productive activities. The appropriation of women is also highlighted as the advent of the process of private property creation.

pay for goods and services, as the impersonality of relations becomes cumulatively boosted, is more valued in detriment to the spent time in non-productive activities that lead to abilities and to the knowledge of subjects not linked to the productive sphere. Thus, it is understood that the higher the degree of interaction and relationship among individuals, the higher the importance of conspicuous leisure.

## 1.2 COMMONS' INSTITUTIONAL ECONOMICS

John R. Commons is considered, besides Veblen, one of the founding fathers of OIE. Commons' investigation is essentially a pragmatic one, and shuns conceptualism in favor of the study of particular cases in the field of law and labor, which gives Commons' Institutionalism a strong inductive bias (GRUCHY, 1947). While Veblen's theory uses anthropological foundations to achieve generalizations and to speculate in regards to cultural aspects of the economic process, Commons, although also interested in habitual modes of human behavior, favors concrete examples of court decisions that might have an impact on the way with which the economic processes operate.

Commons defined as his basic unit of analysis the transaction. He defines the transaction as "the alienation and acquisition, between individuals, of the *rights* of property and liberty created by society which must therefore be negotiated between the parties concerned before labor can produce, or consumers can consume, or commodities be physically exchanged" (COMMONS, 1931, p. 652). Therefore, the transactions are *not* simply the exchange of commodities. Commons also emphasizes that an institution is directly linked to transactions, because for Commons, "an institution is a collective action in control, liberation and expansion of individual action" (COMMONS, 1931, p. 651), in which these actions are the very transactions.<sup>8</sup> The collective action is mediated by the "working rules", stated as "the universal principle of cause, effect or purpose, common to all collective action" (COMMONS, 1931, p. 650). When the collective action is organized, it is called a "going concern", and Commons sets many examples, such as the state, the family, the corporation, the trade union, among others. On the other hand, "rules, regulations, common practices, customs and laws that regulate the actions of individuals and concerns are the 'working rules of collective action'"

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<sup>8</sup> Commons defines the collective action as "more than *control* of individual action, it is (...) a *liberation* of individual action from coercion, duress, discrimination, or unfair competition by other individuals" (COMMONS, 1931, p. 651).

(RUTHERFORD, 1983, p. 723). It is noteworthy how Commons' Institutionalism, concerned deeply with property rights, is connected to legal decisions that might change the *status quo* of institutions within the economy. It is thus possible to use this instrument in order to mitigate abuses of economic power.

Organized collective actions instill differences of economic power among individuals, which are mediated through the transactions. This discrepancy of economic power is dependent upon the type of transaction that occurs, which Commons classifies:

“Transactions, as derived from a study of economic theories and of the decisions of courts, may be reduced to three economic activities, distinguishable as bargaining transactions, managerial transactions and rationing transactions. The participants in each of them are controlled and liberated by the working rules of the particular type of moral, economic or political concern in question” (COMMONS, 1931, p. 652).

Bargaining transactions occur when there is a legal transfer of ownership between legal equals, but this transaction does not preclude the existence of economic power, which is determined by opportunities and bargaining power available to those involved in the transaction (RUTHERFORD, 1983). On its turn, managerial and rationing transactions include a legal superior and a legal inferior: while the former involves the production within an organization and conditions the relations of command and obedience between unequal parties, in which one commands and the other must obey, the latter also assumes inequality between parties, but in which the legal superior is a collective, such as the state, the courts or even the corporate board of directors of a corporation.

The resolution of conflicts arising out of the relations established by the different types of transaction, as stated by Commons, happens through the decisions of courts. The operation of individual action is thus constrained not only by ethical and customary norms, but also by judicial and political institutions. These institutions have the role of maintaining workability throughout time, as new problems that arise must be solved. This process in which members of a legislature reach voluntary agreements that distribute burdens and benefits of the economic process is called “log-rolling”, which is not deleterious in itself, but that can be captured by private collectives that seek to influence the decisions. By nature, rationing transactions and managerial transactions involve an unbalance of legal power between the individuals, while bargaining transactions, although may involve differences of power regarding different opportunities or bargaining, assumes a more equitable balance of power:

“If managerial and rationing transactions are the starting point of the philosophy, then the end is the command and obedience of communism or fascism. If bargaining transactions are the units of investigation then the trend is towards the equality of

opportunity, the fair competition, the equality of bargaining power, and the due process of law of the philosophy of liberalism and regulated capitalism. But there may be all degrees of combination, for the three kinds of transactions are interdependent and variable in a world of collective action and perpetual change, which is the uncertain future world of institutional economics” (COMMONS, 1931, p. 657).

Therefore, Commons sought the resolution of conflicts within the economic processes as a way through which capitalism could be more adequately suited to the needs of the masses, reaching thus a “reasonable capitalism”. This concept pertains to the fact that the gradual decisions reached by courts and negotiations between employers and employees eliminate the exploitations of capitalism, in which the final achievement would be to stabilize the economy and maintain full and steady employment (GRUCHY, 1947).

### 1.3 OIE’S BRIEF HISOTRY

The tradition established by Veblen and Commons influenced a myriad of economists such as Wesley C. Mitchel, John Maurice Clark and Walton C. Hamilton, who shared the commitment to a number of theoretical, methodological and ideological ideas consonant to OIE. This commitment gave coherence to the institutionalist movement in the period before World War II (RUTHERFORD, 2011; RUTHERFORD, 2015), and set it as a prominent strand within economics (BIDDLE, 1998; HODGSON, 2004a; MORGAN; RUTHERFORD, 1998).

After World War II, the institutionalist movement lost prestige as a consequence of the methodological shift of the profession from a more empiricist approach towards a more theoretical one, such as the one characterized by the combination of a Keynesian macroeconomics and a neoclassical microeconomics (RUTHERFORD, 2015) or Chicago’s theoretical neoclassicism. As the new mainstream in economics emerged and institutionalists lost their influence over American economics (BATEMAN, 1998; CAVALIERI; ALMEIDA, 2015; MORGAN; RUTHERFORD, 1998), the dissatisfaction with the way with which institutional economics was undertaken led to the founding of the Association for Evolutionary Economics (AFEE) in 1965, in an attempt to combat the decline of Institutional Economics (CAVALIERI; ALMEIDA, 2017). Subsequently, in 1967, AFEE established the *Journal of Economic Issues*, which became the main journal for divulging ideas aligned with OIE. Henceforth, the Veblenian tradition was followed in the 1970s by the Ayresian institutionalists (followers of Clarence Ayres), a group called *Cactus Branch*, which focuses on the instrumental-ceremonial dichotomy of institutions (BÖCK; ALMEIDA, 2018), and by its subdivision during the 1970s and the 1980s, the radical institutionalism, which sought to center

their approach in Marxist economics but using as its foundation the Veblenian social analysis instead of the value theory (DUGGER, 1988). This attempt at cross-fertilizing institutionalism with other heterodox economics – of which radical institutionalism is an example - became, since then, an important strand of research within institutionalism.

Mainly during the 1980s, another of these attempts was led by James Street, who was able to identify resemblances between structuralism of the Economic Commission for Latin America and the Caribbean (ECLAC) and the institutionalism (STREET, 1967; STREET, 1976; STREET, 1987; STREET; JAMES, 1982). Street (1987) based his analysis essentially on the Ayresian dichotomy and saw that a restructuring of social institutions was paramount to solve the issues that thwarted Latin America development. This view is shared both by structuralist authors as well as institutionalist ones. For Sunkel (1989a), both institutionalism and structuralism do not see the economic processes as a static or circular mechanism, but as evolutionary and based on socio-historic idiosyncrasies (STREET, 1967; STREET, 1987; SUNKEL, 1989a; SUNKEL, 1989b).

During the 1980s, another attempt at cross-fertilization was occurring, but seeking to combine OIE to post-Keynesian economics. This convergence began non-explicitly even before (WHALEN, 2019), when Wallace Peterson (1977), in his presidential speech for AFEE, pointed out that there are similarities between institutionalism and post-Keynesianism. The establishment of a name for this combination occurred in 1983, when Wilber and Jameson (1983) used a framework with elements pertaining to both strands, and explicitly called this combination post-Keynesian Institutionalism (PKI). Simultaneously, some authors such as Hodgson (1989) and Harvey (1994) attempted a convergence between institutionalism and Keynes' original writings. The PKI remained an important theme within institutionalism during the 1990s due to Minsky's writings. Minsky based his framework on the assumption that the capitalism was going through its fifth stage, called "money manager capitalism" (MINSKY, 1993), and that the financial instability within capitalism is linked to economic cycles. Minsky's hypotheses continued to spark interest among heterodox economists after 1996, when he passed away (ZALEWSKI, 2002), and this link spurred on the PKI tradition, thus helping to explain the Great Recession in 2008.

On the other hand, since the 1970s, there has been an attempt to capture institutional economics within an orthodox framework based on viewing institutions as a vector of transaction costs (WILLIAMSON, 1985; NORTH, 1990). This kind of analysis has been called New Institutional Economics (NIE), and it differs methodologically from OIE, since it does not preclude methodological individualism and organization of the economy through markets. This

attempt at cross-fertilization is distinct from the previously discussed ones because NIE changes the methodological and ideological foundations of OIE, adapting them to a more traditional analysis. Therefore, it is presented here not as a relation of symbiosis as were the examples of radical institutionalism, structuralism and post-Keynesian institutionalism, but a relation of predation. These convergences and divergences are intrinsically connected to Lee's (2010) view of pluralism within economics' heterodoxy, since most economists who follow institutional economics are connected to other strands of heterodoxy economics, while mainstream economists seek to isolate themselves within their own journals and citing only authors linked to their own tradition.

This dissertation is concerned with attempts at linking Institutional Economics to other theories within economics. The first essay relates itself to James Street's tradition of connecting OIE to structuralism. Thus, we analyze the works of Celso Furtado, one of the most notorious economists who helped shaping structuralist ideas. We use only his latter works to analyze the connections which Furtado presents with OIE, because (1) his earlier works are too aligned with structuralism, and this connection is already established by Street and Sunkel and (2) the cultural dimension of Furtado's thought is consolidated only in his final writings, from 1992 until 2002, and it is only in these books that this dimension is fundamental to explain Brazil's underdevelopment. Therefore, we establish that Furtado's writings became closer to Thorstein Veblen's. Thus, following James Street's tradition, we build a framework of analysis combining Furtado's latter works and Veblen's institutionalism.

The second essay deals with PKI, which attempts to combine post-Keynesianism to Original Institutional Economics. However, given that PKI is focused on the links between the writings of Keynes and those of institutionalist authors, we analyze the writings of another important author to post-Keynesianism, Michal Kalecki. According to Lavoie (2014), a strand within post-Keynesianism is composed of authors who follow Kalecki's writings, and according to Whalen (2019), there is still a shortage of works that combine Kaleckian economics to PKI. We bypass the post-Keynesian route and aim directly at finding out which elements within Kalecki's writings can contribute to improve PKI. We establish that Kalecki contributes much to explain matters regarding distribution of income and political power within a society, components lacking in the Keynesian analysis. Furthermore, Kalecki's method of mingling a microeconomic framework to a macroeconomic one, in which they function interdependently of each other, is more aligned to OIE than to Keynes' framework, which essentially bases itself on a macro analysis.

The third essay aims at understanding if the *European Association for Evolutionary Political Economy* (EAEPE), whose main vessel to divulge its ideas is *Journal of Institutional Economics* (JOIE), is aligned more with OIE or if it follows a more orthodox approach, thus better characterized by NIE. In order to perform this analysis, we use *Journal of Economic Issues* (JEI) as the reference in order to compare it to JOIE regarding its alignment to OIE. Thus, using a bibliometric method, for each journal, we performed four analyses: (1) we counted the number of appearances of original institutionalist authors (Veblen and Commons) in Keywords-Plus, Author's Keywords, titles and abstracts; (2) we ranked the ten most cited papers; (3) we built a co-citation map and (4) we built a thematic map. Analyzing the results, we see that there is a clear distinction between the two journals, once NIE is much more present than OIE within JOIE, while OIE is the bread and butter of JEI.

## 2. FIRST ESSAY - CONNECTIONS BETWEEN THORSTEIN VEBLEN'S INSTITUTIONALISM AND CELSO FURTADO'S MATURE WRITINGS

### RESUMO

Este ensaio associa a Economia Institucional Original a quatro livros de Celso Furtado da década de 1990 e do começo da década de 2000, dado que Furtado discutiu as dimensões culturais do fenômeno do subdesenvolvimento nestas obras. Baseamos esta análise na associação de temas entre o institucionalismo de Veblen com os aspectos culturais da análise de Furtado. Os conceitos Veblenianos de emulação pecuniária e consumo conspicuo apoiam o entendimento dos hábitos de consumo da elite brasileira conforme abordado por Furtado. Dessa forma, este ensaio examina uma conexão inexplorada entre o institucionalismo e o estruturalismo, uma vez que tais associações usualmente baseiam-se na dicotomia cerimonial-instrumental. Introduzimos uma leitura da sociedade brasileira atual para ilustrar o nosso argumento. Tal leitura fundamenta-se em mudanças promovidas na educação superior e no poder de compra das classes sociais menos abastadas.

**Palavras-chave:** Celso Furtado. Estruturalismo. Instituições. Brasil. Classe ociosa.

### ABSTRACT

This study associates Original Institutional Economics and four books by Celso Furtado from the 1990s and early 2000s, as he discussed the cultural dimensions of underdevelopment in those writings. We rely on the association of issues from Veblen's institutionalism with the cultural aspects of Furtado's investigation. The Veblenian concepts of pecuniary emulation and conspicuous consumption support the understanding of the habits of the Brazilian elite as addressed by Furtado. Hence, this study examines an unexplored connection between institutionalism and structuralism as such associations usually rely on the ceremonial-instrumental dichotomy. We introduce a reading of the current Brazilian society to illustrate our argument. Such reading relies on changes promoted in higher education and the lower classes' purchasing power.

**Keywords:** Celso Furtado. Structuralism. Institutions. Brazil. Leisure class.

### 2.1 INTRODUCTION

Original Institutional Economics is a heterodox approach that is open to cross-fertilization. For instance, recently, there have been efforts to establish associations between institutional economics and post-Keynesian economics (NIGGLE, 2006; FERNÁNDEZ-HUERGA, 2008; TAUHEED, 2011; WHALEN, 2022). However, the institutional openness to cross-fertilization is not a novelty. Since the late 1970s and the early 1980s, radical institutionalism has been exploring a connection with Marxism (DUGGER, 1988; DUGGER; SHERMAN, 1994). Another merger of ideas that occurred during the 1970s was that of institutional economics and Latin American structuralism.<sup>9</sup> It can be understood as the James

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<sup>9</sup> To systemize structuralism, Bielschowsky (2004) enumerated its five basic features, whose ideas were widely used by most theorists. They are the characterizations of underdevelopment: (1) a periphery's condition, the "center-periphery" relationship, is of utmost importance in the structuralist analysis. Its foundation lies in the fact that the technical progress developed unequally among countries, creating differences in their productivity and



H. Street tradition, upon which this study relies as it connects Original Institutional Economics and Celso Furtado's writings. The connection focuses on Furtado's more mature writings that address his cultural dimension of underdevelopment.

The Brazilian economist Celso Furtado (1920-2004) is undoubtedly one of the greatest economists who studied the underdevelopment of Latin America. He is one of the main theorists whose contribution helped in developing the ideas behind United Nations Economic Commission for Latin America and the Caribbean (ECLAC), which were collectively called Structuralism.<sup>10</sup> The theory contained in ECLAC sheds light on the problems inherent to the underdeveloped world. Structuralism was also a milestone in the creation of economic policies to address the challenges faced by Latin America during the 1950s and part of the 1960s. Furtado not only contributed to an economics approach that was more aligned with Latin America, but also applied this perspective to his own country, Brazil (BIELSCHOWSKY, 2004).

Furtado obtained his Ph.D. from Université Paris-Sorbonne in Paris in 1948, and subsequently joined the ECLA in 1949, where he contributed to designing the main ideas of structuralism.<sup>11</sup> After his return to Brazil in 1954, Furtado held positions at several governmental agencies.<sup>12</sup> After the 1964 military coup, he was exiled, and spent his subsequent years as a professor and consultant in various universities and institutions in Europe and the United States.<sup>13</sup> Furtado got amnesty from the Brazilian military dictatorship in 1979, before the 1985 re-democratization process. From 1979 until his passing in 2004, Furtado remained

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creating a well-developed center and an underdeveloped periphery; (2) the identification of a spontaneous process of industrialization in Latin America and its historical significance after World War I, a change of direction in the global economy transformed the world economy when the flow of exports to the underdeveloped countries was reduced drastically. This allowed these countries to produce internally to supply their repressed demand. Nonetheless, this process was boosted especially from 1930 on; (3) the industrialization of the periphery is seen as an unparalleled and problematic development model. There are four problematic tendencies that accompany the process of industrialization in the underdeveloped world: unemployment, the deterioration of the terms of trade, the external imbalance, and inflation; (4) the structuralist thesis concerning inflation; and (5) the thesis of import substitution.

<sup>10</sup> The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) is a regional commission to encourage economic cooperation among the countries of the region. Established in 1948, it was aimed at solving problems related to the underdevelopment of Latin American countries. Its name was changed in 1984 to accommodate the Caribbean. It is headquartered in Santiago, Chile (ECLAC, 2021).

<sup>11</sup> The structuralism of ECLAC intends to identify non-economic parameters in macroeconomic models – here identified as historical and institutional factors which contribute to the economic development (AGUILAR; SILVA, 2010), or which structures contribute more adequately to economic development, such as the ones that thwart it (LOVE, 2005). We state that Furtado joined the ECLA, in 1949, instead of ECLAC by the reasons introduced in footnote 10.

<sup>12</sup> From 1954 to 1955, Furtado was the head of the “Grupo Misto Cepal-BNDE” (Mixed Group ECLA-BNDE); between 1959 and 1962, he was the head of Sudene (Superintendence for the Development of Northeast); from 1962 to 1964, he was the Minister of Planning, who dealt with the economic issues of the Brazilian federal government (BIELSCHOWSKY, 2004).

<sup>13</sup> Furtado was a professor at Université Paris-Sorbonne (France), University of Cambridge (UK), Yale University (U.S.), American University (U.S.), and Columbia University (U.S.) (FURTADO, 1991).

immersed in Economics research. Furtado's *magnum opus*, "The Economic Growth of Brazil," (EGB) was published in 1959 and is a widely influential book taught in almost all undergraduate economics courses in Brazil (SAES; MANZATTO; SOUZA, 2015).<sup>14</sup> This book is an analytical report on the process of constructing the economic foundations of Brazil (BARBOSA, 2010). EGB is the result of the combination of Furtado's historical perspective and economic thinking. Furtado's analysis provided a perspective on the formative years of the Brazilian economy, from the years of Portuguese colonization to the 1950s. EGB reinforces and spreads the message of structuralism and provides a historical study crucial to the legitimation of the approach (BIELSCHOWSKY, 2004).<sup>15</sup>

After 1964, during exile, Furtado focused his analysis on the concept of modernization as an important explaining factor of Brazil's underdevelopment. Modernization is understood as "the process of adoption of sophisticated consumption standards, without a corresponding process of capital accumulation and progress in the productive methods" (FURTADO, 1974, p. 81). Therefore, Furtado did not abandon the aspect of unequal diffusion of technological standards across countries, but highlighted the decisive role of modifications in consumption standards for the economic growth of peripheral economies. The development concerned not only an economic dimension but also a cultural dimension, a type of cultural colonization by those who accumulate the economic surplus (FURTADO, 1974). In the 1990s, when his last books were written, Furtado had already consolidated the cultural element into his analysis, an indispensable feature to locate similarities between his last publications and the Original Institutional Economics.<sup>16</sup>

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14. It is a translation of "Formação Econômica do Brasil". Since its first edition, the book sold more than 350.000 copies in Brazil, and it was translated into nine languages (D'AGUIAR FURTADO, 2009).

15. In EGB, Furtado emphasizes some of the basic elements of ECLAC's theory, such as peripheral underdevelopment as a historical process, which demands economic planning, and the meaning and dynamics of the spontaneous industrialization in Latin America (BIELSCHOWSKY, 1989). The historical approach of ECLAC issues was responsible for EGB's status as a classic (SILVA, 2006) and was considered a bastion of structuralism, or even its masterpiece (BIELSCHOWSKY, 1989).

<sup>16</sup> Although the cultural element was present in Furtado's analysis since "The Myth of Economic Development" ("O Mito do Desenvolvimento Econômico"), published in 1974, it wasn't until the 1990s that this aspect became preponderant in his books. Specifically, the cultural element was highlighted twice since 1974 until the 1990s, in "Creativity and Dependency in the Industrial Civilization" (1978) and in "Culture and Development in an Age of Crisis" (1984). His other books emphasized Brazil's economic situation in the beginning of the 1980s, such as "Brazil post-'Miracle'" (1981), "The New Dependency, Foreign Debt and Monetarism" (1982), "No to Recession and Unemployment" (1983) and in "ABC of Foreign Debt" (1989a). Between 1974 and 1991, Furtado also published three autobiographical books, wherein he only uses his theory as a background to his personal and professional experiences: "The Organized Fantasy", (1985), "The Undone Fantasy" (1989b) and "The Air of the World" (1991).

This study posits that in his mature writings, Furtado adopted an economic perspective closer to that of Thorstein Veblen, a founding father of Institutional Economics.<sup>17</sup> Our core argument is that Furtado's mature economics is another chapter in the connection between Latin American thinkers and institutionalists. To this end, this essay is divided into four more sections. The next section introduces the approach between structuralism and institutionalism as a tradition initiated by James H. Street. The subsequent section discusses the crux of Furtado's mature writings, and the section thereafter discusses its connection with Veblen's institutionalism. Then, it is introduced as an illustration of a Veblenian-Furtadian perspective of present Brazil. The essay concludes with a few final comments.

## 2.2 CONNECTIONS BETWEEN INSTITUTIONALISM AND STRUCTURALISM: A LIFELONG TRADITION

It is a prevalent tradition to approach Furtado's writings with institutionalism. We can affirm that this tradition had as its main contributor James H. Street. Street had several in-loco experiences in the countries that he studied to build a connection between structuralism and institutionalism. He gave lectures on economic development at universities in Argentina, Colombia, Mexico, Paraguay, and Peru. He was a part of a team of specialists working with secondary teachers in Central America and Panama for eight years to improve the economic education there. Street was also the director of an exchange program between Rutgers University and seven Argentinian universities (DIETZ; JAMES, 1988). He also approached members of ECLAC. Because of Street's efforts, Osvaldo Sunkel was appointed as a Clarence Ayres Visiting Scholar, and he addressed the connections between structuralism and institutionalism through the former perspective (SUNKEL, 1989a).<sup>18</sup>

Street saw similarities between studies of social institutions undertaken by the institutionalists and the structuralists (STREET, 1967; STREET, 1976, STREET, 1987; STREET; JAMES, 1982). Accordingly, the reorganization of social structures and technological development would be vital to solve the main issues of Latin American economy. On the structuralist side, Sunkel (1989b) emphasized that both institutionalism and

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<sup>17</sup> Since 1974, Furtado only cited Veblen once, in "The Organized Fantasy" (1985), referring to the fact that the investment rate is influenced by institutional factors, and that this discussion stems from the works of Veblen and Max Weber.

<sup>18</sup> Street's approach to Sunkel was supported by Edythe Miller, AFEE's president of that time, and Dilmus James, who was another institutionalist interested in structuralism (SUNKEL, 1989a).

structuralism were created as a reaction to *laissez-faire* doctrines. Institutionalism is associated with interests, idiosyncrasies, and national concerns related to the US, while structuralism regards the same issues from the Latin American perspective. Both approaches have a reformist, and consequently, non-revolutionary quality, and both intend to tame capitalism, not extinguish it. For both approaches, the economic process is not considered as a static or circular mechanism, reiterating and equilibrating and limited mainly by what occurs in the markets. Rather, they are evolutionary and socio-historic processes, comprised of cumulative causes and effects of conflicts and changes in the economic, social, cultural, and political forces (STREET, 1967; STREET, 1987; SUNKEL, 1989a; SUNKEL, 1989b).

Additionally, Aguilar and Silva (2010) confirmed the assumption of similarities between the two approaches and stated that the importance that structuralists attribute to institutions in fostering economic development is undeniable. They also claimed that the structuralists' theory coherently concatenates the holistic and historical dimensions, providing structuralism with sufficient flexibility to its application to specific cases in Latin America without rejecting its more general hypotheses.

Nonetheless, there are dissimilarities between institutionalism and structuralism. Sunkel (1989a; 1989b) stated that while the structuralist focus is global and neglects technological development as a transforming element of society and its culture, institutionalism gives great importance to technological development.<sup>19</sup> Street (1982) agreed with the distinction and stated that for institutionalists in Latin America,

“[...] obstacles to economic development remain in the repressive features of local institutions, in which nationalistic military intervention and control, reverence for the caudillo, or charismatic leader, and a preference for ceremonial over functional behavior in nearly all strata of society play a large part” (STREET, 1982, p. 683).

However, the dissimilarities between institutionalism and structuralism do not imply incompatibility; in fact, they can be complementary (STREET, 1967; STREET, 1987; STREET; JAMES, 1982; SUNKEL, 1989a; SUNKEL, 1989b).

Despite such an important connection between institutionalism and structuralism, it takes into account a specific understanding of institutional economics: the Ayresian Institutionalism. Clarence Ayres (1891–1972) was “the dean” of institutionalism in mid-20th century. Ayres developed a segment of Veblen’s writings that became known as the ceremonial-instrumental dichotomy which became popular because of Ayres. Generally, the dichotomy can

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<sup>19</sup> It should be noted that despite Sunkel giving importance to structuralism, he did not speak for all structuralists. For instance, Furtado did give technological change an important analytical role, as previously addressed.

be understood as the inert and conservative institutions that are obstacles for the technology driven development. Street, as Ayres's former student, relied on his professor's perspective to understand Latin American economies. This study addresses other cross-fertilization between institutionalism and structuralism.

### 2.3 INSTITUTIONALISM IN FURTADO'S MATURE WRITINGS

Furtado is not unknown in the discussion about the connection between institutionalism and structuralism. He is quoted by some institutionalists who deal with structuralism, such as Street (1967; 1987), Street and James (1982), and Cypher (2013; 2015; 2018). Furtado's writings have also been explored by institutionalists beyond the scope of a ceremonial-instrumental dichotomy connection with structuralism. Amaral Filho and Farias (2016) point out that Furtado follows a Veblenian perspective in dealing with the cultural aspects of economic activities, a connection that this essay also explores. Vidal and Marshall (2014) applied Furtado's economic ideas to understand the economic development of the US. Martins (2021) relies on Furtado's perspective of unifying productivity and a humanistic view of development. This study follows the same perspective, illustrating a connection of Furtado's writings with other institutional perspectives apart from ceremonial-instrumental dichotomy. We address the fact that in Furtado's mature writings, he offered a reading of the Brazilian economy that was aligned with Veblenian social criticism. To our knowledge, several passages of Furtado's mature works can be seen as a Veblenian perspective on the Brazilian economy.

Furtado's perspective on underdevelopment changed throughout his career. The cultural dimension, which is central to our study, emerged mainly after 1974, and persisted in Furtado's works until his final writings. Therefore, we can assume that the cultural issues in Furtado's writings are the outcomes of his intellectual maturity, and in the last decade of his career, the concepts concerning the cultural aspect of the underdeveloped countries were already incorporated into his theory. Hence, to address Furtado's cultural dimension, we analyzed the last decade of his bibliography.<sup>20</sup> In *Brazil, the Interrupted Construction* (1992), Furtado observed the Brazilian reality immersed in the context of the decline of labor unions in light of the rise of multinational and transnational companies, which evoked supranationalism as a subterfuge to cutting costs.<sup>21</sup> In *Global Capitalism* (1998), Furtado addresses the emergent

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<sup>20</sup> With the exception of "O Capitalismo Global," which was translated to English and published as "Global Capitalism," the remaining books do not have an English title. Therefore, the translations of the other book titles have been done by us.

<sup>21</sup> *Brazil, Interrupted Construction* is a free translation of "Brasil, a Construção Interrompida."

power relations in a society in the process of globalization and the challenges imposed on underdeveloped countries, circumscribed by the emergence of transnational companies as preeminent actors in the global economic landscape. In *The Long Dawn* (1999), Furtado expresses a special concern for the cultural formation of Brazil, primarily the influence of global culture as a crusher of cultural values that are inherently national.<sup>22</sup> Furtado's last book, *The Search for a New Model* (2002), reinforces the assertion relative to globalization introduced in his previous writings, emphasizing that an increase in productivity does not necessarily lead to improvements in livelihoods.<sup>23</sup>

The importance of culture for Furtado is evident in his last works. According to him:

“[...] culture simultaneously is a cumulative process and a system, a concept whose wholeness is not explained by the meaning of each part because of synergy effect. The societies which were integrated into the international commerce as exporters of a few primary products, and which subsequently went through an industrialization process, had the accumulation of its cultural assets commanded from outside in benefit of groups which control international transactions: the internal coherence of the culture system is, consequently, submitted to destructive pressures.” (FURTADO, 1998, p. 71).

The process of culture-conditioning deleterious to underdeveloped economies is called the external acculturation process. It is a link between Veblenian concepts of pecuniary emulation, conspicuous consumption, and conspicuous leisure. The habits of thought of Brazilian higher social strata, contaminated by external influences originating from the infiltration of the foreign culture, are similar to behavioral forms typified by Furtado as deleterious to national development (FURTADO, 2002). This emulation, first inspired directly by the influence of domination hidden mechanisms, as identified by Veblen, begins affecting the inferior population strata, influencing the habits of thought of middle and lower classes. Using the identification hypothesis between Furtado's Brazilian higher social strata and Veblen's leisure class, it can be perceived that pecuniary emulation is present not only in the richest social classes, which aspire to the consumption standard of foreign countries, as stressed by Furtado, but also in the lower strata, which aspires to achieve the living standard of the higher strata, as Veblen enumerated and can be applied to the case of Brazil. This mechanism was highlighted by Arend (2008), who sees the stability of the social *status quo* and the modernization process in Brazil as a consequence of pecuniary emulation: the lowest strata of

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<sup>22</sup> *The Long Dawn* is a free translation of “O Longo Amanhecer.”

<sup>23</sup> *The Search for a New Model* is a free translation of “Em Busca de um Novo Modelo.”

society does not wish to change the system because it hopes to benefit from it eventually; at the same time, the Brazil's elite imitates developed countries' consumption standards.<sup>24</sup>

The adoption of imitated consumption standards from societies with much superior wealth levels leads to inevitable social dualism, denoting a clear division between the aforementioned elite and the rest of the society (FURTADO, 1992, p. 44). Furtado (1998) stresses that this external influence not only explains the high concentration of income, but also the persistence of social heterogeneity and the way Brazil participates in international trade.<sup>25</sup> Realizing the extension of this phenomenon, Furtado worried about loss of national identity, drained by the modernization tide. Therefore, the high propensity to consume originates from the fact that the upper and middle classes in Brazil try to emulate the living standards of developed countries, despite the considerably lower level of internal income. High-income Brazilians absorb the consumption standards - the waste, taste for show-off, and ostentatious expenses through the phenomenon of acculturation (FURTADO, 2002, p. 20).

This imitative process in underdeveloped economies occurs because they did not go through the process of social homogenization during their formative years. There was a disarticulation between accumulation and consumption. Therefore, the urgency arising from foreign cultural standards through the emulation of external behavior is a preponderant factor in the drainage of the country's resources (FURTADO, 2002). Thus, the conspicuous nature of these forms of consumption leads to overconsumption.<sup>26</sup> Examples of this type of consumption

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<sup>24</sup> Arend (2008) proposes an identification between Furtado's elite and Raymundo Faoro's bureaucratic "statement" (free translation of "estamento"), which is a group inside the State which takes its possession and uses it to command and conduct the State's businesses (FAORO, 2001). It is a domination based on public patrimony made into private patrimony, characterizing its mingling and social inequality.

<sup>25</sup> Furtado (2008) links the external acculturation process by tracing its origins:

"[t]he income increases originated by the expansion of international trade in the nineteenth century, propelled the diffusion of new consumption standards created by the Industrial Revolution. As a consequence, the industrial technology was not universalized, but the new consumption standards originating in the industrialized countries were. The diffusion of directly productive activities was slow, originating qualitative discrepancies in the social and economic structures between the countries in which the production techniques were advancing and those in which these advances privileged unproductive investments and consumption of durable goods, usually imported" (FURTADO, 1998, p. 59).

Hence, the external acculturation process drives the elites into wasting the country's resources on unproductive goods, which reinforces the high concentration of income and the social heterogeneity among different social classes, at the same time, the persistence of international trade focused on extracting resources from underdeveloped countries and on exporting industrialized goods reinforces the tendency to maintain the vicious cycle of underdevelopment.

<sup>26</sup> Furtado mentioned overconsumption when referring to the groups who consume conspicuously. To him, without a project grounded in reality, the rehearsals of the structural transformations required by society will hardly achieve the necessary efficacy. Without the consensus of the conspicuous segments of society, a well-elaborated project would not be feasible (FURTADO, 1992, p. 57).

are international travel and acquisition of imported assets, especially durable, or real estate outside Brazil. This form of consumption, which influences other social strata, is doubly reinforced. The evident technological superiority of countries that irradiate their acculturation in foreign territories is complemented by the image propagated that their culture is richer, better, and more important.<sup>27</sup> This influence, which creates superfluous consumption, also generates resource waste. Notwithstanding, Furtado links this waste to programmed obsolescence, which occurs when companies aim to reduce the lifespan of products with the intention of promoting the acquisition of new products (FURTADO, 1992, p. 24).

Conspicuous leisure is reinforced by external acculturation. Artistic and cultural expressions irradiated by developed countries are merged with a range of acquirable knowledge.<sup>28</sup> The deleterious effects in this case, such as conspicuous consumption and contamination of society, aid in shattering national culture from the top down.<sup>29</sup> Nonetheless, this tendency is less pronounced than that of the consumption habits of goods. Here, it is possible to use Veblen's assertion that urbanization favors conspicuous consumption to the detriment of conspicuous leisure: the bigger the impersonality in social relations, the bigger is the necessity of ostentatious consumption as a reaffirmation of the *status quo*. Hence, conspicuous leisure assumes a less pronounced for being more restricted to specific circles.<sup>30</sup>

#### 2.4 A VEBLLEN-FURTADO READING OF CONTEMPORARY BRAZIL

Recently, Ramon Fernandez (2021) put forward a metaphor of a roller coaster to understand South American economies during the last two decades. According to Fernandez (2021), there were progressive governments in South America as a result of the crisis created by neoliberal governments in the beginning of the 2000s. During the 2010s, there was a revival of the neoliberal governments in South America characterizing Fernandez's (2021) roller coaster. Our point is that the Veblenian-Furtadian analysis addresses important issues of the

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<sup>27</sup> This tendency towards this cultural imitation stems from the flow of innovations in developed countries (FURTADO, 1998, p. 60), always pushing the consumption standards towards new products, based on projected images of success.

<sup>28</sup> Veblen affirmed that the conspicuous leisure "connotes non-productive consumption of time. Time is consumed non-productively (1) from a sense of the unworthiness of productive work and (2) as an evidence or pecuniary ability to afford a life of idleness." (VEBLLEN, 1899, p. 33)

<sup>29</sup> Specifically, the United States influence projects a mass culture endowed with extraordinary means of diffusion, and acts as a destabilization factor in the cultural frame founded on the elite-masses dichotomy (FURTADO, 1999, p. 65).

<sup>30</sup> Furtado (1999) affirms that while popular culture takes the risk of mischaracterization, the transnational industry lends itself to the role of the vector of modernization progression. The brake to this process is inevitably an aspect of the creation of a critical conscience by the country's elite to avoid cultural disintegration.



Brazilian roller coaster. This item works as an illustration, but also points out that the Veblenian-Furtado perspective offers important insights to understand the current Brazilian society.

Progressive Brazilian governments began functioning in 2003, that is, the first year of the first term of Luiz Inácio “Lula” da Silva. He was the president until 2010 when his second term ended. Dilma Rousseff was President Lula’s successor. She was elected for her first term in 2010 and for the second in 2014. However, President Rousseff did not conclude her second term, as she was impeached, in 2016, by a parliamentary coup. Consequently, we can assume that progressive governments in Brazil were in power from 2003 to 2016. In 2016, President Rousseff’s vice president Michel Temer, was nominated as the President. In 2018, Jair Bolsonaro won the election for presidency. President Temer brought the ideology of neoliberalism back to Brazil and President Bolsonaro adopted politics of right-wing extremism. Our argument is, progressively, Presidents Lula and Dilma improved the socioeconomic condition of the lower classes. It was extremely aggressive towards the conspicuous distinction enjoyed by upper classes. Contrarily, Bolsonaro’s government is the Brazilian elite’s strike back in recovering its conspicuousness. First, we will introduce the changes promoted by the progressive governments and then, the leisure class reaction in two illustrations: higher education and common people acquiring goods that they could not before.

Higher education in Brazil is an apt example of how great collective outcomes can be encapsulated by the vested interest, progressive Brazilian governments fought against elitism in higher education, but the leisure class reacted. Brazilian government always shared a close relationship with higher education: universities in Brazil that offer good quality education are state or federal universities. Hence, top Brazilian universities are entirely supported by the state and federal governments. Controversially, before the progressive governments, they were crowded by young members of the leisure class. It was a classic encapsulation case. Brazilian public universities were created to make scientific knowledge accessible through academic merit. However, it was clear that despite the label of academic merit, the access to top Brazilian universities was strongly centered on the elite.

Progressive Brazilian governments provided lower classes access to top universities. These governments changed two main issues in the federal universities. One of them was an increase in the number of students at federal universities. This was executed through increased number of scholarships to grant lower classes the opportunity to not only access federal

universities, but also be able to finish courses.<sup>31</sup> Additionally, more federal universities were created in regions where there was no higher education available, which expanded geographical access to the university system.

Progressive Brazilian governments altered top universities, they were places of conspicuous distinction: a leisure class's space. Therefore, federal universities have been under massive attack since neoliberal governments reclaimed the federal government. For instance, the budget cut proposed by President Bolsonaro resulted in deans of federal universities doubting, in first semester of college, if the budget would provide for the functioning of universities throughout the year. Clearly, this budget cut affected the provision of scholarships, which made the situation of lower classes university students perilous. During Bolsonaro's term, there were three different ministers of education, Ricardo Vélez Rodríguez (January to April, 2019), Abraham Weintraub (April 2019 to June 2020), and Milton Ribeiro (June 2020 to March 2021). Obviously, there is instability in Bolsonaro's ministry of education. It is promoted by the controversies fostered by the ministers.

Vélez Rodríguez's controversies were not directly connected with higher education. They were associated with the fact that he (1) classified the Brazilians as thieves and they should be adjusted in school (FRANCO, 2019); (2) demanded that school students sing the national anthem and chant Bolsonaro's slogan while contesting in the elections (JORNAL NACIONAL, 2019); (3) a historical revisionism regarding the 1964 military coup that was not a coup according to Vélez Rodríguez (O GLOBO, 2019). Weintraub's controversies are related to higher education and Ribeiro's controversies illustrate the conspicuous distinction demanded by the Brazilian elite.

Weintraub affirmed that federal universities promoting riots, "balbúrdia" in Brazilian Portuguese, could have their budgets partly cut (AGOSTINI, 2019). Weintraub was never clear by what he meant by riots, but it was implicit that he was referring to progressive thinking. Weintraub also affirmed that it is a student's right to record a professor during class, however, jurists defended that recording someone without previous authorization is a crime (ESTADO DE MINAS, 2019). We can affirm that Weintraub was fighting against progressive thinking at universities. Not only that, he also tried to tarnish the reputation of federal universities; the best example is an interview wherein he stressed that there were drug labs inside federal universities (BERMÚDEZ, 2019). Weintraub never proved this accusation. He made a point that, since

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<sup>31</sup> The scholarships were not about fees. Brazilian federal universities function without fee structures. The scholarships offered a financial assistance to provide housing and food to students during their university education.

federal universities were not a space just for elite anymore, it was not a good and healthy environment.

Ribeiro's perspective varies from Weintraub's. He believes in taking the federal universities back to the elite. For instance, he affirmed that universities are places for just a few people. According to him, non-university technical courses would be more useful for the majority. He stressed on the necessity to recover an ancient division of educational formation, that is, university formation, which segregates the Brazilian upper class from the others who must be restricted to technical formation. Ribeiro was reclaiming the universities as a place for the elite, as it was in the past, and confining the lower classes to technical courses (FOLHA DE S. PAULO, 2021).

Another change in the Brazilian economy from progressive governments to neoliberals relies on the lower classes' purchasing power. The key point was not increasing the lower classes' purchasing power, but how aggressive it is for the Brazilian elite to understand such process as a loss of conspicuousness. There are two central policies adopted by Brazilian progressive governments: an income-transfer policy and a real wage appreciation. The income-transfer policy was as a merger of several income-transfer policies that were not working as expected (SENNÁ et al., 2007); it was named "Bolsa Família." "Bolsa Família" was a conditional income-transfer policy and changed the logic of income transfer in Brazil, as recipients are families, not individuals (GAMBUS; ALMEIDA, 2017; SENNA et al., 2007).<sup>32</sup>

The conditions for a family to be a recipient are: "(i) pregnant women, nursing mothers, and children (from birth to six years) must be nutritionally assisted and kept updated on their vaccines; and (ii) children and teenagers from six to sixteen years of age must have a school attendance rate of 85 percent or higher (GAMBUS; ALMEIDA, 2017, p. 491)". Summing up, there are health and educational conditions to assess the "Bolsa Família." Despite the fact that the income-transfer is a short-term policy, there are long term issues associated with the "Bolsa Família." The real wage appreciation took place through the appreciation of the minimal wage that was an important action to combat poverty (KREIN; SANTOS; NUNES, 2011). Hence, Brazilian progressive governments generated a higher income to poorer people.<sup>33</sup> They started to consume products that were once associated with higher status and be in places they could

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<sup>32</sup> "Bolsa Família" returned in 2023.

<sup>33</sup> According to Carvalho (2018), in January 2004 the policy benefited 3.6 million families, while in 2010 it had benefited already 12.8 million. Although this policy represented a small fraction of total income of Brazilian families, it reduced the number of people under the poverty threshold and improved the equality of income, based on the Gini index: econometric studies showed that this index fell between 10 and 31% because of "Bolsa Família". Furthermore, an IPEA research showed that, in 2017, "Bolsa Família" had made 3.4 million people leave extreme poverty, while 3.2 million ascended above the poverty threshold (BBC BRASIL, 2021).

not access earlier. The social distinction was affected but the Brazilian progressive governments and the Brazilian leisure class reacted. This reaction is related to Furtado's (1974) notion of modernization. For Furtado (1974), modernization takes place through spendthrift habits and no economic development. The lower classes' purchasing power is generally related to economic development, but the Brazilian elite reclaimed its conspicuousness despite the development.

Like every neoliberal government, the Brazilian one also relies on the private-public dualism, with the public deemed as inefficient. Hence, the neoliberal government promoted a deflation in the "Bolsa Família" while abandoning the minimal wage appreciation.<sup>34</sup> Of course, such governmental actions matter, but the behavior of the elite and representatives of the government also hold meaning. During the period of rising purchasing power of people living in poverty, a situation in an airport became very famous. In 2014, a professor at a Catholic University took a picture of a man wearing shorts and shirt in an airport. She posted the picture on a social network site with the title "airport or bus station" (*aeroporto ou rodoviária*). Two comments under the post were: "glamour has gone into space" and "do you know what is worse? When such a passenger sits right next to you and rubs his furry arm against yours, because—of course—he does not respect (or does not fit) the limits of his seat" (PRAGMATISMO POLÍTICO, 2014).<sup>35</sup>

Clearly, the key issue of the airport or bus station controversy was that the elite "owned" some places in the Brazilian society and there was a feeling that such places were being occupied by other people. There is a pecuniary argument behind the controversy. Plane tickets are more expensive than bus tickets, hence poor people travel by bus and the elite by plane. The man wearing shorts and shirt was judged as a poor person by his clothes. He was not eminent enough to be at an airport. A few years later, the wife of an important popular Brazilian comedian revisited the "airport or bus station." The same argument was brought up: she complained about the clothes that people were wearing on an airplane and how crowded it was. The term "bus station" was also used (O ESTADO DE S. PAULO, 2019).

Additionally, the Brazilian Minister of Economy in the neoliberal government, Paulo Guedes, offered an argument related to the preservation of the place of elite in the Brazilian society. In 2020, when questioned about Real's devaluation, he explained the impact of valued

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<sup>34</sup> The Government extinguished "Bolsa Família" in December 29, 2021, and instituted in its place "Renda Brasil."

<sup>35</sup> In the original version, the comments were: (1) "*O glamour foi para o espaço*" and (2) "*E sabe o que é pior? Quando esse tipo de passageiro senta exatamente a seu lado e fica roçando o braço peludo no seu, porque – claro – não respeita (ou não cabe) nos limites do seu assento*" (PRAGMATISMO POLÍTICO, 2014).

currency and exports.<sup>36</sup> However, Guedes added that when Real was valued, “everybody was going to Disneyland, maids were going to Disneyland, one hell of a party.”<sup>37</sup> Once again, the issue was that of an elite’s place being invaded by non-elite people (FOLHA DE S. PAULO, 2020). The argument here is related to the conspicuous leisure, as everybody was going to Disneyland, everybody was able to indulge in habits contaminated by a foreign culture. Hence, emulating such habits was not as conspicuously powerful as before.

It is important to address that in the “airport or bus station controversy” or in Guedes’s speech, the subject was not the higher income of the less wealthy. The point being made was of elite people mixing with non-elite people. The feeling of losing their places, the places they think they deserve just for being elite, motivated such a stance. This can be viewed with regard to Furtado’s (1974) notion of modernization.

## 2.5 FINAL REMARKS

This study discusses the links between Veblenian institutionalism and the final four books of Celso Furtado. Furtado’s bibliography circumscribes the structuralism of ECLAC. The relationship between institutional economics and structuralism falls in a long-life tradition. Our study adopted another path by focusing more on mature Furtado’s writings and Veblen’s institutionalism beyond the ceremonial-instrumental dichotomy. Veblen’s pecuniary emulation, conspicuous consumption, and conspicuous leisure fit into Furtado’s approach, which affirms that external culture propels the consumption of superfluous goods by Brazil’s “leisure class,” which is, by hypothesis, the country’s elite. By adopting such a Veblen-Furtado perspective, it is possible to attain a bigger picture of the acculturation process in Brazil. Such a perspective was applied to understand the recent issues of contemporary Brazil. Our essay does not exhaust the connection between Furtado and institutional economics. For instance, according to John R. Commons, Furtado analyzed transaction among employees and employers and labor unions. Perhaps, it can be analyzed by future research.

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<sup>36</sup> Real is the Brazilian currency.

<sup>37</sup> In the original: “[t]odo mundo indo para a Disneylândia, empregada doméstica indo para a Disneylândia, uma festa danada” (FOLHA DE S. PAULO, 2020). Someone may find curious the fact that Guedes associated Real’s valuation with exchange rate incentives to Brazilians travel to U.S. Actually, we introduce the notion of Real’s valuation as it is discussed in Brazil and, consequently, as Guedes put it. In Brazil, a Real’s valuation means that Real became a strong currency with respect to the U.S. dollar. We know that, in Brazil, the debate about exchange rate takes a path that is different than usual, however for Guedes’ perspective on Real’s valuation makes sense so we have to take the Brazilian perspective into consideration.

### 3. SECOND ESSAY - AN APPROACH TO POST-KEYNESIAN INSTITUTIONALISM THROUGH THE KALECKIAN PERSPECTIVE

#### RESUMO

O pós-Keynesianismo é uma escola de pensamento que pode ser subdividida em diversas linhas, entre as quais a perspectiva Kaleckiana é uma das mais importantes e mais amplamente discutidas. Esforços recentes buscaram combinar o institucionalismo ao pós-Keynesianismo, criando o pós-Keynesianismo Institucionalista (PKI). A teoria econômica de Kalecki pode enriquecer o PKI, dado que Kalecki também aborda temas concernentes a poder e distribuição de renda. Este ensaio, desta forma, explora as conexões entre as obras de Kalecki e as hipóteses principais referentes ao PKI. Uma vez que o PKI lança luz sobre alguns aspectos da dinâmica econômica, a teoria econômica de Kalecki o enriquece e estabelece uma conexão mais adequada entre a microeconomia institucionalista e a macroeconomia pós-Keynesiana.

**Palavras-chave:** pós-Keynesianismo. Institucionalismo. Kalecki. Distribuição de renda. Poder.

#### ABSTRACT

Post-Keynesianism is a school of thought that can be subdivided into several strands, among which the Kaleckian perspective is one of the most important and widely discussed. Recent efforts seek to combine institutionalism with post-Keynesianism, creating post-Keynesian institutionalism (PKI). Kaleckian economics can enrich PKI, as also Kalecki addresses issues concerning power and income distribution. This essay thus explores the connections between Kalecki's writings and the main assumptions underlying PKI. As PKI clarifies some aspects of economic dynamics, Kaleckian economics enriches it and establishes a better connection between the microeconomics of institutionalism and the macroeconomics of post-Keynesianism.

**Keywords:** post-Keynesianism. Institutionalism. Kalecki. Income distribution. Power.

#### 3.1 INTRODUCTION

Post-Keynesian institutionalism (PKI) is an incipient theoretical field that seeks to combine institutionalism with post-Keynesianism. By institutionalism, we understand the Original Institutional Economics, the intellectual movement whose advent was started by the works of Thorstein Veblen and John R. Commons. The usual terms used to designate this intellectual movement are American institutionalism, Original Institutional Economics, or Old Institutional Economics. In this essay, the used term is the simplified institutional economics. The PKI had its origins in the 1980s. However, Whalen (2019) points towards a non-explicit convergence at the end of the 1970s, when Wallace Peterson (1977), in his presidential speech for the Association for Evolutionary Economics (AFEE), highlighted the similarities between

these two theoretical strands.<sup>38</sup> Only in 1983, with the publication of *An Inquiry into the Poverty of Economics* by Wilber and Jameson (1983), post-Keynesian institutionalism (PKI) was presented as an alternative to conventional economics and other economic paradigms (WHALEN, 2019). Based on the bimodal economics presented by John Kenneth Galbraith (1977), Wilber and James (1983) combine this theory to other institutionalist and post-Keynesian concepts, aiming at solving the stagflation problem, which was widely discussed at the time.

The interaction between finance and microeconomics was the object of study for American economist Hyman Minsky, who, according to Whalen (2021), provided PKI with a robust approach to analyze not only the American economy, but also financial crises in many parts of the world. Therefore, Minsky's writings were essential to shed light on the financial instability linked to economic cycles and on the ascension of what Minsky called the "money manager capitalism."<sup>39</sup> After Minsky's death, in 1996, PKI continued to draw the attention of heterodox economists, many of whom agreed with Minsky's vision to relate his financial instability analysis to the economic cycles in the 1990s (ZALEWSKI, 2002). The Great Recession of 2008 was also important in spreading PKI, as the crisis emphasized the explanatory potential of some intrinsic PKI traits (WHALEN, 2013).<sup>40</sup>

In addition to the literature stream that sought the construction of PKI under the influence of the matter of financial instability, some authors sought to approach the original writings of Keynes to institutionalism. For instance, Hodgson (1989) argues that the institutionalist research program has something to offer as the microeconomic foundation of post-Keynesian economics. Afterward, the author pointed out that both theoretical strands share the understanding of human rationality and accept macroeconomics as an independent field of study in addition to rejecting methodological reductionism (HODGSON, 1999). Harvey (1994) indicates some Veblenian elements in Keynes' *General Theory* (1936), highlighting the elements in common between Keynes' magnum opus and post-Keynesian research, such as circular causation, holism, and the Veblenian dichotomy.<sup>41</sup> Finally, Wray (2007) points out

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<sup>38</sup> Whalen (2019) identifies Brazelton (1981), Keller (1983), and Marshall (1983) as pioneering works in the search for the relationship between post-Keynesianism and institutional economics. Furthermore, Dillard's (1980) presidential speech for the AFEE sought an approximation between the two theoretical strands.

<sup>39</sup> Minsky (1993) defines "money manager capitalism" as the fifth stage of capitalism, in which the main businesses of financial markets become very distant from the financing of a country's development. Therefore, the main objective of corporation managers transforms from securing profits in the field of production and trade to maintaining the high value of companies' liabilities in financial markets, with the goal of sustaining shareholders' financial positions.

<sup>40</sup> Whalen (2019) highlights the financial instability hypothesis and Wall-Street paradigm.

<sup>41</sup> Harvey (1994) draws a parallel between the ceremonial-instrumental dichotomy with a distinction between speculation and enterprise, elements which compose chapter 12 of Keynes' *General Theory* (1936) and finds in

several similarities between Veblen's "The Theory of Business Enterprise" and Keynes' monetary theory of production, comparing the former's "credit economy" to the latter's "monetary economy".<sup>42</sup>

The research on PKI focuses on the compatibility between Keynes' original works and post-Keynesianism for institutionalist authors (WHALEN, 2019), and such focus limits the scope with which PKI could be expanded and improved. This could be achieved if other authors whose contributions are noteworthy to the post-Keynesian tradition could be incorporated into the research that seeks to combine institutionalism and post-Keynesianism. Among these authors, the Polish economist Michal Kalecki is one of the most prominent and important within the post-Keynesian tradition. Kalecki was one of the pioneers in regards to the effective demand theory.<sup>43</sup> In his works, he dealt with several themes, such as the national income determination, the price setting by the firms, the business cycles theory, class conflict inherent to a market structure marred by market power, among others. Kalecki's most famous work is his 1954 book *Theory of Economic Dynamics*, in which he synthesizes his economic theory and seeks to explain the determination of national income and its components in the capitalist economy (MIGLIOLI, 1977).<sup>44</sup>

Therefore, Kalecki's importance in the post-Keynesian debate is significant, meaning PKI may benefit from Kalecki's inherent concepts. The objective of this essay is thus to identify how Kalecki's contributions are aligned with the institutionalist perspective and, consequently, can contribute to PKI, once this connection was not yet established in the literature. The remainder of this essay is organized as follows. The next section presents PKI, highlighting the theoretical and methodological convergence between post-Keynesianism and institutionalism. The third section describes which theoretical points in Kalecki's theory align with Institutional Economics. The fourth section concludes the essay.

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the Keynesian multiplier and in the investment-capital cycle proof of the existence of the circular causation in Keynes' works.

<sup>42</sup> Wray (2007) enumerates the following similarities between Veblen and Keynes: "Both make a distinction between historical epochs based on the role played by money; (...) Both emphasize the spending decisions of business, rather than consumer sovereignty; (...) Finally, both recognize a tendency toward insufficient aggregate demand" (WRAY, 2007, p. 620).

<sup>43</sup> According to Arestis (1996), "Effective demand in Kalecki and post-Keynesian analyses implies that it is scarcity of demand rather than scarcity of resources that is to be confronted in modern economies, so that output is ordinarily limited by effective demand and not by (physical) supply" (ARESTIS, 1996). Chapple's (1996) literature review suggests that Kalecki arrived at the theory of effective demand before Keynes.

<sup>44</sup> According to the preface to the *Theory of Economic Dynamics*, this book substitutes the previous ones by Kalecki – *Essays in the Theory of Economic Fluctuations* (1939) and *Studies in Economic Dynamics* (1943) – by perfecting them, approaching new matters and providing statistical data in order to fundament his theory (MIGLIOLI, 1977).



### 3.2 SOME REFLECTIONS ON POST-KEYNESIAN INSTITUTIONALISM (PKI)

Whalen (2019) defined PKI as a branch of institutional economics that uses the joint ideas between the original institutionalist authors and post-Keynesians. The post-Keynesians are defined, according to Hamouda and Harcourt (1988), as the economists who follow Keynes' original ideas. Consequently, PKI also encompasses the connections between institutional economics and Keynes. Using Dugger's (1996) definition, which postulates that, for institutionalists, economics is the study of social provisioning in constant evolution, Whalen (2019) enumerates the main points defining PKI: (1) PKI's theorists are more interested in analyses built on realistic hypotheses than in the construction of formal models; (2) there is uncertainty in the economy and people act according to social conventions or institutions, that is, learning occurs through experience and not only its ends but also its means are subject to constant reconsideration; and (3) PKI sees in social conventions or institutions, not in impersonal nature forces, the factors for an economy's regulation.<sup>45</sup>

Once PKI encompasses post-Keynesianism intrinsically, the methodological and theoretical traits that constitute post-Keynesianism have an immediate correspondence to PKI's features. Therefore, the post-Keynesian characteristics should be valid for PKI as well. According to Lavoie (2014), the post-Keynesian traits present in all the heterodox economics are: (1) post-Keynesians accept realism among their hypotheses, as well as (2) consistent rationality to the environment, (3) holism as a method, (4) production as central object of study, and (5) the perception of unbalance and market instability.<sup>46</sup> Clearly, in addition to PKI belonging to heterodox economics, there is no conflict or disagreement between PKI's definition by Whalen (2019) and Lavoie's post-Keynesian traits (LAVOIE, 2014).<sup>47</sup>

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<sup>45</sup> These traits imply the attention to historical time (SETTERFIELD, 2001), which carries within its core and provides room for the consideration of traits such as path dependence, hysteresis and cumulative causation (WHALEN, 2019).

<sup>46</sup> Realism refers to the fact that a theory cannot be correct unless its starting point is composed by assumptions that connect to the observed reality. From the 'consistent rationality to the environment' hypothesis, we derive the fact that an individual's inherent rationality must be aligned to the environment, which, according to the heterodox point of view, is characterized by an immense quantity of unreliable information or by the absence of relevant information. Organicism, or holism, is a method that emphasizes social relationships as part of the preponderant factors determining an individual's behavior, in opposition to atomism. Under the consumer perspective, this method highlights an individual's behavior in comparison to the others, with the existence of behavior replication, search for status, and positional goods, such as the role of innovations in consumer credit.

<sup>47</sup> Comparatively, Lavoie (2014) identifies the orthodox assumptions as counterparts to the enumerated principles, which are: instrumentalism, consistent rationality with the model and with maximizing agents, individualism, trades and allocation as main concerns, and unregulated markets.

In addition to these traits, according to Lavoie (2014), post-Keynesianism has a set of specificities inherent to it, which also apply to PKI. For instance, a post-Keynesian trait is the assumption that the capitalist economy is a monetary economy, which is strictly linked to the usage of historical time (ROBINSON, 1980) and the existence of fundamental uncertainty (AMADEO; DUTT, 2003).<sup>48</sup> These concepts connect to non-ergodicity and the historical irreversibility of time, which are essential features in post-Keynesian authors' analyses, as Keynes' starting point consisted of these principles. As the uncertainty of a time period is not comparable to other periods, the available information is not captured by agents in subsequent periods because the changes in the macroeconomic landscape and in expectations are inherent to that specific moment. Therefore, it is not surprising that post-Keynesian authors attribute a central role to uncertainty in Keynesian economic thought.

According to Dequech (1999, p. 415–416), the concept of uncertainty in the post-Keynesian perspective refers to “situations in which at least some essential information about the future events *cannot be known at the moment of decision* because this information does not exist and cannot be inferred from any existing data set” [emphasis in the original]. Therefore, uncertainty, in the post-Keynesian perspective, is characterized by the absence of trustworthy knowledge on the results associated to any decision. However, this process is not completely random. In an uncertain environment, the post-Keynesian decision-making process is related to trust, expectations, and conventions. A convention is a behavior pattern and/or a socially shared thought, which is followed, or is expected to be followed (at least partially), by the decision makers (DEQUECH, 2012).<sup>49</sup> The existence of external coercive pressure is not mandatory: it exists for several conventions and can be only partially present in others.

For Latsis, de Larquier and Bessis (2010), the general traits of the Keynesian convention encompass: (1) coordination among agents, (2) behavior regularities, (3) arbitrariness, and (4) response to uncertainty. Highlighting the importance of convention in decision-making in an uncertain environment, Garner (1982) affirms that, according to Keynes, the decision makers deal with uncertainty by assuming that the present is an adequate guide for the future and the existing state of opinion summarizes the future landscape and the conformity in the behavior of most people (KEYNES, 1937). Keynes (1936) affirms that a convention implies that a decision

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<sup>48</sup> The historical time is opposed to the logical time used by neoclassic authors.

<sup>49</sup> Dequech (2011) emphasizes that Keynes does not define the concept of convention clearly. Consequently, there are several definitions of this concept among his interpreters. For example, Darity and Horn (1993) consider Keynes' convention as a rule of thumb. Another usual interpretation used by economists—usually conventional—is that Keynes' convention is the average opinion. However, Dequech (2011) objects the average opinion perspective and affirms that the average opinion might be the result of several opinions and different behaviors, contrary to the results of a convention collective behavior.

maker considers that the existing state of affairs will continue, except if there are specific reasons to expect changes. The historical irreversibility of time is directly associated to crucial decisions (DAVIDSON, 1983; CARVALHO, 1988; DEQUECH, 2003). Crucial decisions imply that an action may change the decision-making environment if that action refers to a mutable historical moment (CARVALHO, 1988; DAVIDSON, 1972; DAVIDSON, 1983). Davidson explained this in another way: the decision-making environment considered by post-Keynesian authors is non-ergodic.

Another interpretation of the general traits of post-Keynesianism comes from Carvalho (1992), who defined Keynes' theory as a monetary economics of production. This definition is composed by six principles: (1) principle of temporality of economic processes - according to which there is a time distance between the decision of producing and the sale of the final product, so that the decision of producing and thus generating employment are taken based on expectations on future demand; (2) principle of non-ergodicity of economic processes – which means that decisions alter the economic processes, turning the economic landscape non-stationary; (3) principle of coordination - which means that, as capitalist economies do not have central planning mechanisms, most transactions occur with non-balanced prices, leading to the development of institutions and adoption of behaviors that will mitigate the uncertainty from these imperfections; (4) principle of production – companies exist in order to obtain profits, defined in monetary terms; (5) principle of dominant strategy – there is an asymmetry between economic agents in regards to decision making: firms take the most important decisions in a capitalist economy and (6) principle of currency traits – in which some of the currency's characteristics are vital to the maintenance of the contracts' system, especially the currency's liquidity.

The post-Keynesian traits listed by the aforementioned authors are compatible with institutionalists' views of the economic process: one of the most important authors who studied the history of institutional economics is Allan Gruchy, whose objective was to reconstruct economics along institutionalist lines (DILLARD, 1991). In "The Reconstruction of Economics", Gruchy (1987) attempts at defining economics as the science of social provisioning, in which its emphasis resides in its cultural dimension and having technology as the primary source of provisioning for potential abundance. Furthermore, economics is considered by Gruchy as holistic in a cultural sense, i.e., economics is not studied in isolation from the rest of the culture, but is seen as an activity immersed within the total culture (DILLARD, 1991). This holistic approach adopted by institutionalist economists is synergic

with post-Keynesianism, as its holistic dimension is evidenced by Lavoie (2014) and Carvalho (1992).

A methodological synergic element between post-Keynesianism and institutionalism is the impact of social constructs in decision-making. As already emphasized, post-Keynesianism highlights social convention and institutionalism evidently stresses the role of institutions in decision-making. Under institutionalism, institutions are understood as collective shared habits of thought. To work with the concept of institutions, it is thus important to understand the meaning of habit for institutionalism.

According to institutionalism, a habit arises from such repetitive situations, but it is not simply repetition (HODGSON, 2004b; HODGSON, 2006). Habits are formed through repetition, are influenced by previous activities, and have durable and self-sustainable qualities (HODGSON, 2002). A habit can be understood as a widely non-deliberative and non-acting propensity of getting involved in a thinking pattern or previously adopted behavior (HODGSON, 2003; HODGSON, 2006). Habit does not mean thought or behavior but a propensity to thinking or behaving in a particular way and in specific situations that can be triggered by a stimulus or an appropriate context (HODGSON, 2002; HODGSON, 2004b; HODGSON, 2006). Habits can remain without use for long periods of time and, as a result, can exist even when not expressed. For institutionalists, a habit is hostage to its time and space, which aid but do not determine decision-making. The concept of habit for institutionalists refers to the general traits of Keynesian convention by Latsis, de Larquier and Bessis (2010) as to the decision making in a non-ergodic environment.

Therefore, in terms of decision-making, there is a large methodological synergy between post-Keynesianism and institutionalism that denotes PKI. However, it is possible to find contributions beyond the scope of decision-making. For example, Tauheed (2011) presents a synthesis between two conflicting positions regarding both theories. On the one hand, institutionalists present a theory that provides plausible explanations for economic phenomena but lacks applicability in normative terms. On the other hand, post-Keynesianism presents methodological rigor with immediate applicability, whose very methods have the potential of being absorbed by incompatible traditions (neoclassic synthesis) because of the lack of an explicit philosophical foundation. Tauheed (2011) proposes a synthesis with “plausible rigor,” including a dynamic model compatible with post-Keynesianism, using an institutionalist heuristic, aiming at a synthesis applicable to economic policy.

Another study which deserves attention in the attempt of building the PKI methodology is Fernandez-Huerta (2008), who proposes a behavior model that fits post-Keynesian

instruments as much as institutionalist heuristics. To this end, Fernandez-Huerta (2008) makes comparisons between orthodox behavior models and the PKI model, already treating PKI as a unit. The behaviors are divided into three different phases: motivation, perception/cognition of the environment, and rationality/decision-making. Inside the PKI models, in the motivation phase, the behavior is aimed at many goals, there is a variety of different objectives, and there is a needs and wants structure that follows a determined order of priority. The identification of this hierarchical structure is a cognitive process, which meets the satiation principle, the growth of needs, and the dependence between wants and needs. For the second group, Fernandez-Huerta (2008) emphasizes that individuals have limited cognitive capacities and are potentially creative, that the cognition is a social act, and that knowledge is subject to fundamental uncertainty.<sup>50</sup> At last, for the last group, Fernandez-Huerta (2008) highlights that individuals have limited reasoning ability but are creative and their emotions help them in the decision-making process, so that rationality is associated with the search for a good solution and with the idea of satisficing (SIMON, 1955).

Kalecki's work is of great relevance to the conception and consolidation of post-Keynesianism (ARESTIS, 1996). The authors who follow this strand have as the core argument the principle of effective demand, present in both Kalecki's works and Keynes' *General Theory* (1936). However, differently from the traditional post-Keynesian analysis, Kalecki presents his significant concern with income distribution in the production process, which is related directly to the power among social classes (FERREIRA, 1996). Lavoie (2014) affirms that post-Keynesian authors, whose theoretical positions are close to Kalecki's studies, are concerned with matters connected to an increase of yield and income, such as the American post-Keynesian authors. However, they also work with growth theory, business cycles, relationships between mark-up and growth, and thus the redistribution of income.

The next section presents a summary of Kalecki's economic theory in regards to the elements of convergence that it has with Institutional Economics.

### 3.3 CONVERGING ELEMENTS BETWEEN INSTITUTIONALISTS AND KALECKI'S THEORY

The analysis of Kalecki's economic theory highlights his standpoint in regards to the importance of matters related to power in society, which is usually subjacent to class conflict.

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<sup>50</sup> Fundamental uncertainty is related to the existence of creativity and the possibility of non-conceivable structural changes, that is, future possible events are not fixed beforehand (DEQUECH, 2000; DEQUECH, 2006).

Economic phenomena cannot be dissociated from social relations, which are configured asymmetrically.<sup>51</sup> The asymmetries originated from dissimilar power levels, influence and prestige inside a society should be taken into consideration when economic phenomena are characterized in order to determine the way in which they are structured and the way with which their diachronic transformation occurs. This feature also plays a central role in institutionalist analysis. The analysis here is divided into three parts: the first seeks connections between Kalecki's theory of monopolies and the institutionalist perspective of companies' economic power. The second establishes the relation between the discrepancies of economic power among individuals and the institutionalists' view on their distinction within the society. The third expands the scope of analysis by establishing how the government might or might not change the economic landscape to regulate the asymmetries listed in the first two subsections.

### 3.3.1 Firms' Economic Power

An important connection of the Kaleckian perspective with institutionalist principles is Kalecki's theory of prices, which relates to economic power and thus with the way with which monopolies and oligopolies are established.<sup>52</sup> Kalecki considers that the prices in the agricultural sector are determined by demand because the increase in the supply of agricultural products require a relatively considerable time, while in the industrial sector there is reserve of productive capacity, so that when the demand increases it is met mainly by an increase in the volume of production while prices remains stable (KALECKI, 1954, p. 11). Thus, the firms that produce industrial goods have power over their markets and are able to set the price of their products (MIGLIOLI, 1977). According to Kalecki (1954), the firms set their prices based on the following equation:

$$p = mu + n\bar{p} \quad (1)$$

In which  $p$  is the price set by the firm,  $u$  its unitary costs,  $m$  and  $n$  are positive coefficients and  $\bar{p}$  the weighted mean of the prices of all the firms. This equation shows that

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<sup>51</sup> More specifically, asymmetries regarding expenditure.

<sup>52</sup> Kalecki did not establish his analysis on a pure macroeconomic or microeconomic foundation, rejecting that macroeconomics is only the pure aggregation of microeconomics without adding new information, not yet present at the microanalysis level, and that microeconomics imposes restrictions to the behaviors of individuals, in such a way that the macroeconomics conditions the individuals' behaviors (KRIESLER, 1996). For Kalecki, the interrelatedness between macroeconomics and microeconomics follows an analysis pattern similar to the classic approach, in which both are treated interdependently, without a notorious distinction between them (KRIESLER, 1996), thus returning to the classic economics perspective and breaking with both viewpoints.

the price setting of the firm is influenced by its unitary costs and the average weighted prices of all the firms. The firm thus must make sure that the price does not become too high in relation to other firms – as this would reduce sales – or too low in relation to its average prime cost – as this would lower the profit margin (KALECKI, 1954, p. 12). The parameters  $m$  and  $n$  ( $n < 1$ ) reflect the firms' degree of monopoly: the higher  $m$  and  $n$ , the higher the degree of monopoly of that firm. Aggregating across all firms in an industry, rearranging and defining  $k = \frac{\bar{m}}{1-\bar{n}}$ , where  $\bar{m}$  and  $\bar{n}$  are weighted industry averages of  $m$  and  $n$ , we obtain  $\bar{p} = k \bar{u}$ , in which  $k$  is established by the degree of monopoly (REYNOLDS, 1996).<sup>53</sup>

The degree of monopoly is a factor of major importance to determine the share of wages and profits globally and among sectors, and it is positively influenced by the process of industrial concentration, creating thus corporations of giant size. The firms that represent a substantial share of the production have the power to influence the average price of the product they market.<sup>54</sup> Therefore, the other firms, that represent a lesser share of the production, will be compelled to accept the established price by the market leaders, thus raising the sector's and the economy's degree of monopoly (KALECKI, 1954). As important as this factor is the influence of the development of the promotion of industrial products through advertising, in which the price competition is substituted by the competition by advertising campaigns, in such a way that the degree of monopoly is raised (KALECKI, 1954).<sup>55</sup> Two additional reasons also influence the degree of monopoly: changes in the level of overheads in relation to prime costs and the significance of the power of trade unions.<sup>56</sup>

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<sup>53</sup> Reynolds (1996) discusses the various concepts concerning the degree of monopoly. We consider here specifically Robinson's (1977) interpretation: the absence of price competition, i.e., the weaker the price competition in any market, the greater is the freedom with which firms define their prices in excess of costs.

<sup>54</sup> John Kenneth Galbraith (1967) argued that the large companies' power is wielded by the technostructure, which is the association of men who possess technical knowledge or experience required by the planning of the market. The demand is controlled mainly through advertisement in order to manipulate the consumers' behavior. According to Canterbury (1984), Kalecki's "degree of monopoly" is compatible with Galbraithian power, once "actual prices charged by the industrial firms do not reflect current demand conditions; they more closely mirror the funds requirements for the planned investment expenditures the technostructure deems sufficient to increase capacity to meet *expected future* demand." (CANTERBURY, 1984, p. 83). Using Galbraith's framework, it is possible to argue that the wielders of power within the large companies seek to control the demand in order to shift the distribution of income in favor of their companies' growth. However, using Kalecki's ideas, this favors the capitalist consumption – now represented by the technostructure – and thus spurs the entire system towards its own expansion in detriment of workers outside the technostructure and the sectors which operate outside the oligopoly price-setting scheme.

<sup>55</sup> This type of competition is usually treated by the literature as a monopolistic competition (CHAMBERLIN, 1962, p. 71).

<sup>56</sup> When there is a high rate between profits and wages, the bargaining power of the syndicates strengthens its claim of obtaining higher wages in order to achieve a greater compatibility between profits and wages in a set price level. However, if there is a price raise after the concession of the wage raise, a prerogative is set to claim a new wage raise by the unions (KALECKI, 1954). This leads to an inflationary process, which is directly affected by the class struggle.

The essence of the Kaleckian theory of prices refers to the level of monopoly in firms, in which prices are defined by the firms based on a mark-up on the variable costs. The level of monopoly, in turn, is given by a set of institutional and environmental factors in which the firm is immersed.<sup>57</sup> Therefore, the class struggle is seen as a determinant of the mark-up and not of the sum of values attributed to wages, which are determined by the investments and the capitalists' consumption (KALECKI, 1971). For Kalecki, the inflation process is directly linked to the labor market, having as determinants real wages, the validation of prices, and wages' levels by the monetary authority and by the credit system (ARESTIS, 1996). Clearly, there is more than one connection to Commons' institutionalism regarding this point.

For Commons, the influence power of an organized group in society over the actual legislature may determine the impact on the distributions of gains and losses in the economy, which is known as log-rolling (RUTHERFORD, 1983). Private collectives seek to influence the legislature in their favor, thus increasing the amount of managerial and rationing transactions in detriment to bargaining transactions (COMMONS, 1931). Therefore, firms may raise their monopoly level as a group, thus constituting an oligopoly, when influencing the current legislature and as a result broaden their bargaining power and their influence on the economic landscape. However, this is not the only connection between the Kaleckian pricing theory and institutionalism.

As highlighted by Mayhew (1987), institutionalism emerges at the same moment of the ascension of "big business" and "robber barons." This ascension marks the end of production guided towards a single product in an only industrial plant whose management is led by the factory owner. Therefore, the emergence of the multi-plant multi-producing corporations and administrative bureaucracy occurred. This is a large change that also modifies financing and the competition. Veblen and Commons analyzed this type of economic reality (MAYHEW, 1987) that was related to markets born in an oligopoly fashion, which demanded the North American government action about their market power, such as by the Sherman Act. Veblen (1919; 1921) distinguishes between business and productive efficiency, in which the former concerns pecuniary gains and the latter the goods productive process. For Veblen (1921), businesses are controlled by "industry captains," a designation that Veblen used for "robber barons." It is thus important to highlight that there are post-Keynesian contributions that deal with the emergence of oligopolies in the market, for example, that of Robinson (1953).

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<sup>57</sup> The level of capital centralization does not coincide with the level of monopoly: (...) when one considers changes in the industrial structure, that is, considering the system dynamics, one cannot ascertain that a raise in the industrial concentrations leads to, necessarily, a raise in the monopoly level of an industry or one of its particular branches." (FERREIRA, 1996, p. 40)



### 3.3.2 Social Classes' Economic Power

In order to determine the relations in society between economic classes, it is of paramount importance to establish how the income is distributed within Kalecki's framework. For the purpose of determining the national income and its elements in a capitalist economy, Kalecki uses the Marxist "reproduction schemes", in which the economy is divided in three departments: Department I produces investment goods; Department II produces consumption goods for the capitalists; and Department III produces consumption goods for the workers (KALECKI, 1954). According to Kalecki:

"The capitalists in department III, after having sold to workers the amount of consumption goods corresponding to their wages, will still have left a surplus of consumption goods which will be the equivalent of their profits. These goods will be sold to the workers of department I and department II, and as the workers do not save it will be equal to their incomes. Thus, total profits will be equal to the sum of profits in department I, profits in department II, and wages in these two departments: or, total profits will be equal to the value of production of these two departments – in other words, to the value of production of investment goods and consumption goods for capitalists" (KALECKI, 1954, p.47).

From the interaction between production and consumption from each of the departments, Kalecki concludes that, in a closed economy without Government, the total sum of profits in a given period of time is comprised by the investment and by the capitalists' consumption.<sup>58</sup> The wages, totally consumed by the workers, are equally determined by investment and by capitalists' consumption, such as, consequently, the production and employment at national level.<sup>59</sup> Notwithstanding, besides these elements, the factors of distribution act to modify the total sum of wages, the amount of production and the level of employment.

The first factor of distribution is the company's degree of monopoly: the bigger its degree of monopoly, the bigger its capacity to set its prices in relation to its production costs and the higher will be its profits in relation to the wages. The second factor of distribution is the cost of primary materials in relation to wages: the higher this cost, the higher are the profits in relation to wages, given that profits are measured in relation to the sum of primary products and wages (MIGLIOLI, 1977). In addition, the industrial composition also influences the way

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<sup>58</sup> If the economy is open and there is the presence of the Government, the profits are determined by investment, capitalists' consumption, Government budget deficits and the export surplus.

<sup>59</sup> Given that the investment and the capitalists' consumption determine profits and wages, and knowing that the national income is equal to the sum of profits and wages, therefore investment and the capitalists' consumption also determine the national income (MIGLIOLI, 1977).

with which the wages and profits are shared among the several industries, so that they differ according to the market power of the respective sector: “The changes in the degree of monopoly are not only of decisive importance for the distribution of income between workers and capitalists, but in some instances for the distribution of income within the capitalist class as well” (KALECKI, 1954, p. 18).

The principle of effective demand is present in Kalecki’s works, once the strategic variable in the determination of the product and of the national income is the investment. We can expand this concept by assuming that the ‘real capitalists’ consumption in a given year,  $C_t$ , consists of a stable part  $A$  and a part proportionate to  $P_{t-\lambda}$ , the real profits after taxes of some time ago (KALECKI, 1954, p. 53):

$$C_t = qP_{t-\lambda} + A \quad (2)$$

In the equation above,  $\lambda$  shows the delay of the reaction of capitalists’ consumption to the change in their current income;  $q$  is positive and  $q < 1$ , once it is evident that capitalists tend to consume just a part of the increment in income; and  $A$  is a constant in the short run. Assuming that foreign trade and the government budget are balanced and workers do not save, the capitalists’ profits are given by:

$$P = I + C \quad (3)$$

In which  $I$  represents the investments and  $C$  the consumption. We can substitute equation (2) into (3), obtaining:

$$P_t = I_t + qP_{t-\lambda} + A \quad (4)$$

Based on the equation above, we can conclude that the “real” profits at time  $t$  are determined by current investment and profits at the time  $t - \lambda$ , profits at the time  $t - \lambda$  will be determined by investment at that time and by profits at the time  $t - 2\lambda$  and so on (KALECKI, 1954, p. 54). Therefore, we can state that profits follow investment with a time lag, which can be written as  $P_t = f(I_{t-\omega})$ , in which  $\omega$  is the time lag. We can use this equation to reduce the number of determinants of profits from two to one, writing:

$$P_t = \frac{I_{t-\omega+A}}{1-q} \quad (5)$$

We can see, from equation (5), that the current profits are dependent on the investment and on the capitalists' consumption in the present, while the capitalists' consumption is determined by the investment made in the past:

“Profits (...) are determined fully by investment with a certain time lag being involved. Moreover, investment depends on investment decisions still farther back in time. It follows that profits are determined by past investment decisions. (...) ‘Common sense’ would suggest the opposite sequence – namely, that savings are determined by profits. This, however, is not the case. Capitalists’ consumption in a certain period is the result of their decisions based on past profits. Since profits usually change in the meantime, actual savings do *not* correspond to the intended disposition of income. Indeed, actual savings which are equal to investment *will* ‘lead’ profits” (KALECKI, 1954, p. 55).

Therefore, the capitalists' consumption is determined by the investment which the capitalists made in the past: the more is invested today, the more they will consume in the future. On the other hand, the workers' consumption is fully determined by the current level of investment and by capitalists' consumption, supposing that their savings are null or very low. The equation for the relative share of wages and salaries in the gross income of the private sector is given by:

$$V = \alpha Y + B \quad (6)$$

In equation (6),  $V$  is the “real” wage and salary bill, and  $Y$  is the “real” gross income of the private sector. The coefficient  $\alpha$  is positive and  $\alpha < 1$ , and the constant  $B$  is subject to long-run changes, and is also positive. The difference between  $Y$  and  $V$ , as we can see, is simply the gross profits before taxes  $\pi$ , so we can write:

$$Y = \frac{\pi + B}{1 - \alpha} \quad (7)$$

Along with equation (5), we can check that the gross income or product,  $Y_t$ , is fully determined by investment,  $I_{t-\omega}$ , which implies that “the role of the ‘distribution factors’ is thus to determine income or product on the basis of profits which are in turn determined by investment” (KALECKI, 1954, p. 61). Thus, we arrive at the Kaleckian aphorism: the workers spend what they earn while the capitalists earn what they spend, once workers do not save and only spend, and what capitalists spend as a class will increase their incomes in the future.

Kalecki's theory successfully concatenates the analysis of prices with the analysis of effective demand (ROBINSON, 1977), combining a microeconomic analysis to a macroeconomic one.

Inside Kalecki's framework, the way with which the investment decisions are taken is of decisive importance. According to Kalecki, there is a time gap between the decision to invest and the investment itself, in such a way that the decision rate in a certain period of time is the most relevant variable in the determination of the investments amount. In a first moment, the firms raise their investment plans up until the point in which new investments are no longer lucrative because of the limitations imposed by the market size for their products, the raising risks associated with using external capital or the size of the capital market.<sup>60</sup> Therefore, necessary changes in the economic situation are needed so that an expansion of the established limits for the investment plans may occur (KALECKI, 1954). Such factors encourage or discourage the fulfillment of new investments.

In the first place, the internal accumulation of capital encourages the firm to make new investments, not only directly but also through the greater access to capital market that such savings provide. In the second place, the increase in profits in a given period of time makes attractive some previously not lucrative projects, expanding investment plans. At last, the net raise in capital equipment affects the investment rate adversely, in other words, the amount invested in fixed capital makes the firms invest less. Kalecki also considers a factor that reflects other influences on the investment decision rate.<sup>61</sup> This factor is relatively constant throughout time.<sup>62</sup>

It is possible to highlight that Kalecki does not attribute to the interest rate a relevant role in the determination of investments. According to him, the short term interest rate is determined by the value of transactions and by the monetary supply of money by the banks, in such a way that the rate presents sharp fluctuations.<sup>63</sup> On the other hand, the long term interest rate is determined by the predictions on the short term interest rate based on previous experience

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<sup>60</sup> The size of a firm is limited by its capital: the higher the volume of a firm's capital, the higher its access to capital market and lesser the risks of taking borrowed capital. This happens because "the greater the investment in relation to the entrepreneurial capital, the greater is the reduction of the entrepreneur's income in the event of an unsuccessful business venture" (KALECKI, 1954, p.92).

<sup>61</sup> Kalecki mentions as influences the effects of innovation and modifications in the long term of the interest rate or in share yields (KALECKI, 1954).

<sup>62</sup> Miglioli (1977) mentions that this theory has as its weak points the lack of emphasis on technical progress and the lack of justification of why capitalists continue to invest even with reserve of productive capacity. Kalecki wrote afterwards, in his article "Trend and Business Cycle" (1968) that the competition among capitalists encourages investment, and this stimulus is the result of the technological innovations that stimulate the profit capture obtained by the competition, in spite of the existence or reserve of productive capacity.

<sup>63</sup> Kalecki chooses the short term interest rate instead of the interest rate in general because "the short-term rate of interest is the remuneration for forgoing the convenience of holding cash in its pure form" (KALECKI, 1954, p. 74). According to Dimsky (1996), this treatment is similar to the discussion present in Keynes regarding liquidity preference. However, Kalecki refers his discussion to corporate treasurers instead of wealthowners (rentiers).

and on estimates of the risk involved in the possible depreciation of long-term assets (KALECKI, 1954).<sup>64</sup> However, according to Kalecki, “in view of the fact that the long-term rate of interest (...) does not show marked cyclical fluctuations, it can hardly be considered an important element in the mechanism of the business cycle” (KALECKI, 1954, p. 88).

Given Kalecki’s theory of the national income determination, we can ascertain that within his framework, a raise does not occur in production when the wages are reduced, once after this decrease, the amount of investment and capitalists’ consumption does not immediately change. Therefore, once there is a “rigidity” of prices prevalent in an economy with a certain degree of monopoly, and a raise in the degree of monopoly originating from the lower money wages, the level of employment is reduced because of the lowering of wages, specifically in the production sector of workers’ consumption goods. Therefore, the capitalists’ real income does not rise, but the workers’ real income declines (KALECKI, 1977). On the other hand, in case there is a money wages raise that has a correspondence with a greater unions’ strength, there will be an increase in employment, which indicates that the class struggle has the power to influence the national income distribution (KALECKI, 1977). This notion that lower real wages lead to a raise in unemployment is commonly known as paradox of costs (LAVOIE, 2014), in which the microeconomic result diverges from the economic agents’ aggregation: “If one entrepreneur reduces wages he is able, *ceteris paribus*, to expand production, but once all entrepreneurs do the same thing – the result will be entirely different” (KALECKI, 1971, p. 26).

We can conclude that the construction of the Kaleckian model looks for the independence of wages and the profits share in the output level and the determination of raw profits, which are independent of prices and the relative division between wages and profits (KRIESLER, 1987).<sup>65</sup> When discussing the relative share of wages and profits, the main social

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<sup>64</sup> Kalecki considers the possibility that the rate of interest may affect investments, but also suggests that this link might not be strong. In this regard, the changes in interest rates are incorporated in profits rate movements, and internal financing plays a more significant role in determining the rate of investment decisions (ARESTIS, 1996).

<sup>65</sup> This distinction matches a microanalysis/macroanalysis distinction. According to Kriesler: (1996, p. 60):

“The analysis of distribution is derived on the basis of the behavior of individual firms, so it can be considered as microeconomic. On the other hand, the level of gross profits cannot be determined by aggregating the behavior of individual units. This is because (...) there is a fallacy of composition involved in adding the behavior of individual capitalists to derive their ‘aggregate class’: what is true for capitalists as a class will not be true for individual capitalists.” (KRIESLER, 1996, p. 60)

In other words, the individual capitalists act in political terms as a class, but from a strictly economic standpoint, when undertaking production, they do not act as a class (FERREIRA, 1996). Therefore, the increase in a capitalist’s expenses raises the amount of profits, but it does not occur to each capitalist individually. A capitalist has the power to raise his or her profits by increasing his or her mark-up. However, if all the capitalist class increases the average mark-up without altering the expenses on investment, they will raise their share on the product as a class,

distinction for Kalecki is that between those who own capital and those who work. This difference is the core of original institutionalism. Veblen presents this distinction under many perspectives, the most famous being the dualism between the leisure class and the working class (1899) and the contrast between hidden interests and common people (1919). Commons also relies on the socioeconomic distinctions among individuals.

For Commons, such distinctions would affect how individuals transact, implying different types of transaction - managerial, rationing, and bargaining transactions (COMMONS, 1931; COMMONS, 1934). Commons focuses on one particular type of transaction that occurs between the worker and the firm owner and analyzes the transactions that occurred in the labor market and in the North American working-class movement (GRUCHY, 1947).

Consequently, the approximation between PKI and the Kaleckian strand of post-Keynesianism deals with the segmentation between individuals in the economic system that is closer to institutionalism. As the segmentation introduced by Keynes (1936) and adopted by post-Keynesians, is a distinction between businessmen and speculators or, in other words, between capital owners, Kalecki and Kaleckians such as Veblen, Commons, and the institutionalists distinguish between those who own capital and those who do not.<sup>66</sup>

Another matter in which Kalecki may help in developing PKI refers to consumption. The contributions of Keynes and Kalecki to the debate on aggregate demand are significant, but this is not the issue in our analysis. The matter here is consumer decision-making. In this matter, Keynes (1936) focuses on the fundamental psychological law, which explains the propensity to consume. Therefore, he does not deal with social distinction when he approaches the consumer decision-making process, which is an important theme for institutionalists. For Keynes, the marginal propensity to consume is a socially neutral parameter. Kalecki deals with different expenditure perspectives according to social class.<sup>67</sup>

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but not their profits once output and employment will decline. As such, a lower output will be shared among capitalists, which shows that the microeconomic analysis is not aggregated to constitute the macroeconomic analysis. Instead they can together form a representative picture of the economic process (KRIESLER, 1996).

<sup>66</sup> For Keynes, the conflict subsistent to the capitalist economy between businessmen and investors implies that workers should ally themselves to businessmen, as their activities would guarantee workers' jobs (FERREIRA, 1996). Kalecki, on the other hand, saw the class conflict between workers and capitalists.

<sup>67</sup> According to Robinson (1977):

“(…) Keynes relies upon a psychological law that men are disposed to increase their consumption as their income increases, but not by as much as the increase in their income. Kalecki separates the ‘men’ into workers and capitalists and incomes into wages, which will be fully spent as they are received, and profits, of which a proportion will be handed over to rentiers (with a time lag) and partly spent by them. For Keynes, ‘men’ and their incomes are undifferentiated, while for Kalecki the overall relation of national income to consumption is strongly influenced by its distribution between work and property.” (ROBINSON, 1977, p. 13)

Kalecki does not set a consumption function in order to establish the way with which people decide what they will consume. Instead, he simply posits the fact that workers usually do not save and consume all of their income.<sup>68</sup> In this regard, capitalists spend their profits on products which they will consume and a part of this income will be directed towards investments, so that, as a class, the capitalists have the possibility to increase their future consumption by investing in the present. Kalecki affirms that pressure groups influence the government but not to complement the investment which could lead to full employment, since it could lead to loss of social power by the capitalist class (KALECKI, 1971). These Kaleckian elements can be associated to two fundamental points in Veblen's (1899) institutional theory: conspicuous consumption and the preservation of archaic traits in the economy.

In regard to conspicuous consumption, the increase in workers' bargaining power resulting from an economic policy favoring the expansion of investment, which could lead to full employment, would open to them a larger set of consumption possibilities related to the pressure for raising wages—which also connects to Commons' institutionalism (COMMONS, 1931; COMMONS, 1934). This could also lead to the expansion of ostentatious forms of consumption, before being restricted to members of the capitalist class.<sup>69</sup> This fact would diminish, although slightly, this class' hegemony relative to workers, which could lead the leisure class to seek other types of social distinction (VEBLEN, 1899). Regarding the conservation of archaic traits in the economy, pressure groups acting as drivers of government actions can be seen as a manifestation of “vested interests.” Moreover, the deterrent of government action as a booster of economic activity may have an inhibitor role for technological development, thus preserving the ceremonial traits of institutional structures. Under the Veblenian perspective, this would prevent economic development.

### 3.3.3 The Role of Government

When we expand the scope of the analysis to include the public sector, the determination of profits, the level of employment and the national income is conditioned by the investment, the capitalists' consumption and the Government budget deficits.<sup>70</sup> It is possible to ascertain

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<sup>68</sup> Alternatively, workers might save, but their savings are unimportant in comparison to the capitalists' savings.

<sup>69</sup> It is important to notice that what distinguish the Kaleckian departments are not the firms, but the products themselves. If a redistribution of income favors the workers so that they can consume other types of goods before restricted to them, a portion of these products will be included in department III now. However, given the social distinction which these products no longer possess, it is more probable that the capitalists will consume other types of goods.

<sup>70</sup> The fact that the raise in the Government budget deficit works in a similar fashion to a surplus in exports, i.e., that leads to a higher level of the companies' profits and to a higher level of employment, is commonly known as

that the higher the Government expenditure, the higher will be the profits and the level of employment.<sup>71</sup> Therefore, if the Government can lead the economy to full employment, it is important to understand why it does not happen. Kalecki argues that the big businessmen see Government expenditure with a lack of trust for three reasons.

In the first place, there is dislike of Government intervention in the matter of employment. This dislike is the result of the maintenance of the linkage between the state of confidence and the level of employment. If the state of confidence is deteriorated, the private investment declines, which, by its turn, reduces the level of employment and the level of income. However, if the Government raises the employment level by its own expense, the linkage mechanism of economic activity loses its efficacy. Thus, the activity level, according to the capitalist class, must depend on the capitalist class itself and on its state of confidence.<sup>72</sup>

In the second place, there is dislike in regards to the direction given to government expenditure and consumption subsidies. Relatively to public investment, government intervention must be circumscribed to investments which do not concur directly with private capital, in a way that it does not undermine its profitability. Notwithstanding, this scope is limited, which can lead to an expansion of public expenditure that weakens private investment. The subsidy conceded by the Government to popular consumption, thus, is fought in the basis of a moral principle: according to Kalecki, “the fundamentals of capitalist ethics require that ‘You shall earn your bread in sweat’ – unless you happen to have private means” (KALECKI, 1971, p. 140).

In the third place, capitalists dislike government expenditure because of the social and political changes which may entail from a continuing state of full employment:

“(…) the *maintenance* of full employment would cause social and political changes which would give a new impetus to the opposition of the business leaders. Indeed, under a regime of permanent full employment ‘the sack’ would cease to play its role as a disciplinary measure. The social position of the boss would be undermined and

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the paradox of public deficits, which serves as a contrast to the mainstream theory, that associates higher levels of Government expenditure to the crowding-out effect (LAVOIE, 2014).

<sup>71</sup> Kalecki conditions the effects of Government expenditure to the way with which the resources are obtained. If the Government uses loans in order to obtain its financing, there will be a raise in the national income and a raise in the level of the government’s indebtedness; if the financing is provided by taxation on workers’ consumption goods, there will be a transfer from the power of purchase of workers and officials to the dole receivers; if the financing is provided by a taxation on capitalists’ income, there will be a raise in the demand for workers’ consumption goods by the unemployed; lastly, if the taxation is on the capital, not only there will be a raise in the propensity to invest, but the income that remains with the capitalists after taxes (capitalists’ consumption plus investment) will raise as well (KALECKI, 1971). However, this latter form of taxation - probably the best way to stimulate business and to reduce unemployment - also undermines the private property principle, which makes it undesirable from the capitalists’ standpoint.

<sup>72</sup> Thus, the “social function of the doctrine of ‘sound finance’ is to make the level of employment dependent on the ‘state of confidence’” (KALECKI, 1971, p. 145).



the self-assurance and class consciousness of the working class would grow.” (KALECKI, 1971, p. 140)

We can conclude that, according to Kalecki’s precepts, capitalists do not necessarily seek only a raise in their profits, which could be obtained raising public investment or private investment, preferring thus the “discipline in the factories” and “political stability” (KALECKI, 1971). Therefore, for the capitalist class, unemployment is necessarily an integral part of the normal capitalist system.

Therefore, the post-Keynesian analysis of economic policies, as advocated by Kalecki (1971), suggests that governments have the power to influence economic aggregates, but the magnitude of this interference does not occur at its fullest due to the discrepancy in power among social classes. Kalecki affirms that reaching full employment is possible by raising public expenditure, which stimulates private investment and boosts capitalists’ and workers’ consumption afterwards. However, such means are not particularly fit to the capitalist class, which abominates state interference to obtain full employment, justifying this by the crowding-out effect—considering the private sector efficient and the public inefficient. For Kalecki, however, the three reasons listed above thwart any attempt to reach full employment. The capitalist class accepts a certain amount of government intervention but rejects it when its hegemonic position in society is threatened. This also differs according to the control the capitalist class has on economic decisions because of their investment decisions and loses such prerogatives when governmental action starts to own part of these decisions. Henceforth, for Kalecki, the economy would never reach full employment because it would have undesired consequences for capitalists from the standpoint of their hegemony as a class. Institutional analysis can also shed light on this relationship, because this argument is also existent in Veblen’s works, in which the clash among many pressure groups within society results in the underutilization of equipment and labor (GRUCHY, 1947).

According to Veblen (1919), the institutional structure protects some interests, the “vested interests.” These are rooted interests in the habits of thought in a society. Vested interests protect the already established advantages in a society, thus maintaining the benefits of the wealthier social classes and of current managers. This approach offers a particular connotation to the meaning of sabotage. According to Veblen (1921), sabotage is a conscious reduction in productive efficiency, typically instituted by laws that protect vested interests. An important distinction between the Kaleckian and Veblenian perspectives lies in their approach regarding full employment. Veblen does not lean on the matter, only affirms that there is the possibility of full employment in times of economic prosperity, which are, however, occasional

(GRUCHY, 1947, p. 92). Kalecki affirms that full employment is possible, but undesirable from the standpoint of the capitalist class, more powerful within the society. Therefore, the class struggle determines how close an economy is to full employment, but in the last instance, never really reaching it.

### 3.4 FINAL REMARKS

The comparative analysis between post-Keynesian and institutionalist characteristics, as well as the Kaleckian perspective, identified common traits between institutionalism and Kalecki's writings. The central matter was highlighting how Kalecki may enrich PKI. This essay thus argues that a post-Keynesian focus better identifies with macroeconomics. To this end, Kalecki provides the ideal instruments to create a bridge between the two strands by encompassing microanalytical elements and a macroeconomic theory compatible with post-Keynesianism.

This essay identifies the traits from Kalecki's writings most compatible with the institutionalist perspective, concluding that Kalecki's economics provides a solid link between institutionalist microeconomics and post-Keynesian macroeconomics. Kalecki's specificities concern the fact that the capitalist economy has several inequalities that the market forces are not in any condition to eradicate, but instead reinforce them. Moreover, similar to institutionalists, Kalecki deals with a society of unequal people. As some features in Kalecki's work are associated with institutionalist concepts, there is confirmation of analysis level compatibility, which may give rise to a Kaleckian strand of PKI.

As themes for future research, there exists the possibility of confirming which other institutionalist concepts may fit the Kaleckian perspective once the foundations and features to both theories are deemed compatible. Moreover, in future works, dealing with a more formal perspective of the PKI approach incorporating Kalecki may be an enriching subject for research.

#### 4. THIRD ESSAY - *JOURNAL OF ECONOMIC ISSUES* AND *JOURNAL OF INSTITUTIONAL ECONOMICS*: A BIBLIOMETRIC ANALYSIS ABOUT THE TYPE OF INSTITUTIONALISM PROMOTED BY ITS MAIN JOURNALS.

##### RESUMO

Esse ensaio realiza uma comparação bibliométrica as duas principais revistas institucionalistas: *Journal of Economic Issues* (JEI) e a *Journal of Institutional Economics* (JOIE). O objetivo é identificar o tipo de institucionalismo promovido por cada revista e compará-los. O método bibliométrico utilizado é o *bag-of-words*, operacionalizado na interface *biblioshiny* do pacote *bibliometrix*. Os dados das revistas – os artigos por elas publicados – foram extraídos da base de dados *Web of Science*. A amostra compreende as edições publicadas entre 2009 e 2022. O ponto de partida da análise comparativa é a verificação da presença do Institucionalismo Original nas publicações das revistas. Foram realizadas duas análises descritivas e duas análises de agrupamento, levando-se em consideração termos e conexões que representam o Institucionalismo Original. O resultado sugere uma especialização das revistas: a *Journal of Economic Issues* promove o Institucionalismo Original e a *Journal of Institutional Economics* veicula estudos sobre a Nova Economia Institucional.

**Palavras-chave:** Economia Institucional. *Journal of Economic Issues*. *Journal of Institutional Economics*. Bibliometria. *Bibliometrix*.

##### ABSTRACT

This essay introduces a bibliometric analytical comparison between the two main institutionalist journals, the *Journal of Economic Issues* (JEI) and the *Journal of Institutional Economics* (JOIE). The goal of this essay is to identify the type of institutionalism promoted by each journal and to compare them. This essay relies on the bibliometric method *bag-of-words* operationalized in the *biblioshiny* interface of the *bibliometrix* package. The journals' data – the articles published by them – were extracted from the *Web of Science* database. The sample comprises the editions published between 2009 and 2022. The starting point of the comparative analysis is establishing the presence of Original Institutional Economics (OIE) in the papers within the journals. Two descriptive analyses and two grouping analyses were carried out, taking into account terms and connections that represent OIE. The result suggests a specialization of the journals: while JEI promotes OIE, JOIE's themes and most cited authors are linked to the New Institutional Economics.

**Keywords:** Institutional Economics. *Journal of Economic Issues*. *Journal of Institutional Economics*. Bibliometrics. *bibliometrix*.

#### 4.1 INTRODUCTION

It is very hard to establish the initial landmark of an economic approach. Therefore, we usually stipulate that a certain study represents this limit. In the case of Original Institutional Economics (OIE) – also known as Old Institutional Economics or American Institutionalism – the initial landmark is commonly attributed to the seminal work of Thorstein Veblen, “The Theory of the Leisure Class” (VEBLEN, 1899). According to Almeida (2015, p. 227), “Thorstein Veblen’s ‘The Theory of the Leisure Class’ (1899)

deals with the psychological, social, and economic issues of how institutions influence people's behavior from an evolutionary perspective." In a broad scope, OIE analyses the individual behavior taking as a base the institutions through an evolutionary perspective, using in this process contributions from other human sciences, such as biology and psychology (AGUILAR; SILVA, 2010). Besides Veblen, John R. Commons and Wesley Mitchell are authors usually linked to the genesis of the theoretical strand called OIE, which was a part of the economic mainstream in the USA until the mid-30s (HODGSON, 2004a; RUTHERFORD, 2011).

With the ascension of a mainstream economics based on the neoclassical approach, the original institutionalists were marginalized. Because of their marginalization, the institutionalists founded the *Association for Evolutionary Economics* (AFEE) in 1965. Two years later, AFEE established its journal, the *Journal of Economic Issues* (JEI). The JEI is a prestigious magazine until today. According to JEI's publication guidelines, "the JEI serves as the primary international publishing outlet for scholarly articles with foundations in Original Institutional Economics" (AFEE, 2022).

In 2005, another journal was founded, the *Journal of Institutional Economics* (JOIE), whose editor, since its foundation, is the British institutionalist Geoffrey Hodgson. Hodgson is the author of several important works contemporary to OIE – such as Hodgson (1988; 2004a; 2006). Hodgson contributed to the organization of the institutional thought from definitions and redefinitions of important concepts within OIE (HODGSON, 2000; HODGSON, 2003; HODGSON, 2004b). His importance and relevance are undeniable: up to 2017, he had authored 15 academic books and almost 150 articles in refereed academic journals, and also edited 11 volumes or collections (BEAL, 2018). JOIE has always been under the influence of Hodgson.<sup>73</sup> Initially sponsored solely by the *European Association for Evolutionary Political Economy* (EAEPE), JOIE's directives enumerate that the journal is dedicated to the study of nature, role and evolution of the institutions in the economy, including companies, governments, markets, money, households and other institutions and organizations, welcoming thus contributions by all disciplines and schools of thought that may contribute to understand economic institutions and organizations (EAEPE, 2022).

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<sup>73</sup> Although EAEPE was JOIE's only sponsor in its advent (2003), from 2012 on it began being sponsored by other associations. At the end of 2013, it had four shareholders: EAEPE, the *Foundation for European Development* (FEED), the *Society for the Advancement of Socioeconomics* (SASE) and the *World Interdisciplinary Network for Institutional Research* (WINIR) (HODGSON, 2014). Beal (2018) argues that Hodgson was the main scholar behind the foundation of WINIR, in 2013.

The existence of these two journals is what motivated the making of this essay. JOIE does not explicitly mention OIE in its guidelines, but both JEI and JOIE have strong relations with OIE. JEI was founded by Original Institutionalists from the United States, while JOIE was fostered by the main British institutionalist. Therefore, some issues might be raised, such as: are JEI and JOIE, in fact, two journals supporting OIE? Is there a convergence or a divergence about the type of institutionalism that they promote?

Besides this introduction, this essay is organized as follows: in the next section, we present a brief history of the institutionalist journals our essay analyzes. The main objective of this section is to provide a historic foundation to the coming analysis. Section 3 shows how our sample was established and presents the bibliometric method used in our essay. Section 4 highlights the metrics used for the bibliometric analysis, as well as the results. Section 5 concludes the study.

#### 4.2 JEI AND JOIE: A BRIEF HISTORY

In order to better characterize the phenomenon studied in this essay, this section highlights the origins of JEI and JOIE. JEI is sponsored by AFEE, which was founded in 1965, becoming the first heterodox association to break with American Economic Association. In the moment of AFEE's foundation, OIE was losing ground within the economic mainstream, and the neoclassical approach was becoming hegemonic. At this moment, neoclassic economics crowded American universities with their followers, isolating thus the institutionalists.<sup>74</sup> The creation of AFEE, therefore, was an attempt to react to the emptying of OIE, hosting, in a first moment, several heterodox fronts in a plural organization, which became the main American heterodox association (CAVALIERI; ALMEIDA, 2017).

Among AFEE's founders, there was a myriad of attempts to frame their participants into some taxonomies, which reveals two important aspects of its eclecticism: in the first place, a diverse set of unsatisfied economists with the path taken by the new economics mainstream; in the second place, the multidimensionality of the tension within AFEE, i.e., it was necessary to define the intensity with which the mainstream was rejected, the association's objectives and its political positioning (CAVALIERI; ALMEIDA, 2017).

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<sup>74</sup> Rutherford (2015) argues that during the interwar period, OIE was a cohesive and coherent movement, boosted by theoretical, methodological and ideological commitments. However, after 1940, it suffered several attacks from neoclassicism, econometrics and other methodological strands stemming from positivism.

Linked to AFEE, JEI was created in 1967, and it would become the main vehicle for institutionalist studies' propagation. The first years of the journal's publication were troubled, and the publication was only stabilized in 1971, when Warren Samuels became the journal's editor. Samuels, however, believed that the criticism against traditional economics should not be a part of JEI's contents and that a complementary approach between institutionalism and neoclassical economics was necessary (ALMEIDA, 2016). The editorial guidance displeased several members of AFEE, including some of its founders, which caused dissatisfaction and sowed the seeds for the creation of the *Association for Institutional Thought* (AFIT) in 1979.

JOIE is a journal sponsored by the *European Association for Evolutionary Political Economy* (EAEPE). The association was founded in 1989 with the main goal of promoting institutionalist, evolutionary, dynamic and realistic approaches to the creation of economic theory and policy, in opposition to the excessively formalist orthodox economics.<sup>75</sup> During this period, the mainstream economics diversified its scope and started using terms such as “institutional” and “evolutionary”, without, however, not getting itself excessively involved by abstract mathematical constructs many times without an immediate connection to reality.

This setting, which caused the exile of economists from several economics departments, gave rise to a feeling of forced isolation, which, according to Hodgson (2014), is dangerous, once it may originate a self-contained clan mentality, so that it is important to keep the dialogue open with the mainstream theory in order to influence young academics (HODGSON, 2014, p. 7). When JOIE was created, in 2002, Hodgson became its chief editor. According to Hodgson's editorial proposition, the published papers should contain not only the OIE but also the New Institutional Economics (NIE), once both strands are, in his opinion, wide and have many overlapping elements. Hodgson also preached that the publication should be defined in terms of the object of analysis, i.e., organizations and institutions, instead of be guided in terms of orthodoxy or heterodoxy. Notwithstanding, the hypothesis should be realistic and the published papers should deepen the knowledge about the past and the present of socioeconomic institutions. Therefore, the journal should be robust in theoretical terms without being subsided by excessive mathematical formalism.

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<sup>75</sup> Another sensible reason for the creation of the association was the establishment of a group linked to institutionalism inside Europe, previously inexistent.

In 2003, during the EAEPE conference, the scope of the journal was discussed, so that the approach focused on OIE was shunned in favor of a focus that encompassed not only OIE but also NIE.<sup>76</sup> Hodgson (2014) clearly positioned himself against the characterization of the journal as heterodox, although he did not reject theoretical papers aimed at OIE. A symptom of this plural lack of plurality is the fact that, among the scopes mentioned by Hodgson for the journal, it is described that “a journal will not grow sufficiently in terms of stature if it provides space for each and every heterodox research programme, irrespective of its potential. It has to have some strategy and direction, while being pluralist, interdisciplinary and inclusive.” (HODGSON, 2014, p. 14)

### 4.3 MATERIALS AND METHODS

The data was extracted from the Clarivate Analytics Web of Science (WoS) database through the CAFE (*Comunidade Acadêmica Federada*) Access in the CAPES Journals Portal (*Coordenação de Aperfeiçoamento de Pessoal de Nível Superior*). JOIE’s data go from 2009 to 2022, notwithstanding the fact that its first publication was in 2005. Therefore, the used clipped data was conditioned to the available data, between 2009 and 2022. Specifically in the case of JOIE, 536 papers were collected, while in JEI’s case, between 2009 and 2022, 944 papers were found.<sup>77</sup> We verified that between 2005 and 2008, JOIE published 56 papers, so that the loss of information in consequence of the selection is about 11%. Notwithstanding, the maintenance of the editorial line along the years does not leave a margin for interpretation of whatsoever thematic ruptures in the JOIE, so that the selected sample is representative of the approached themes.

JEI publishes four editions annually, varying between 57 and 78 papers between 2009 and 2022, while JOIE published between 3 and 6 editions annually, varying between 14 and 64 papers each year between 2009 and 2022. Only the texts fit to be categorized as papers were selected. The information within the database which were used in this study, for each paper, were the titles, the keywords, the names of the authors, the citations (names of the cited authors and the journal in which the paper was cited), the name of the journal, the year of publication, the country of publication and the abstract.

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<sup>76</sup> The fact that among EAEPE’s honorary presidents are economists such as Douglass North and Richard Nelson, however, already signalized that the scope would be broader.

<sup>77</sup> JEI’s June edition is a yearly special issue which “consists primarily of papers presented at the annual meeting of AFEE which is held in conjunction with the *Allied Social Science* meetings each January” (AFEE, 2022). Notwithstanding, these papers were included in the database because they capture the current state of JEI’s contributors, thus functioning as a measure of what the institutionalists are presently thinking about.

Other available for analysis databases within the *bibliometrix* package were consulted: *Scopus* did not own JOIE's data from 2007 to 2010, so that the analysis would have to be clipped more broadly in relation to the total of analyzed papers; the *Dimensions* database could not be consulted through the CAFE access; the *Lens.org* database only deals with registers relative to JEI; *PubMed* and *Cochrane* databases have a different scope in regards to the journals analyzed in this study. The software R, version 4.0.4, was used to fit the models to the aforementioned data. The package used for the analysis was *bibliometrix* (ARIA; CUCURULLO, 2017). The graphs were obtained through the *biblioshiny* interface, which is a part of the *bibliometrix* package and works as a user interface for the package.

The bibliometric analysis consists in grouping the text data in such a way as to extract the necessary information which allows drawing conclusions about the matter. According to Huang (2008), document clustering groups similar documents in a way that they form a coherent cluster, while different documents are split into different clusters. However, the definition of similarity and dissimilarity among documents is variable, so that an efficient grouping requires a precise definition of the proximity between two objects in terms of their similarity or distance.

In order to accomplish the bibliometric analysis based on the papers' keywords and abstracts, it is necessary to ascertain how to represent a text document through a model. Huang (2008) assumes that the representation called "bag-of-words", in which the words of a document are assumed as independent and the order in which they appear is immaterial. Words are counted in each bag, in which each one of them corresponds to a dimension in the space of the resulting data, and each document becomes a vector with non-negative values in each dimension. The frequency of each term is its weight, which means that terms that appear more frequently are more important and descriptive for that document (HUANG, 2008).

If we denote  $D = \{d_1, \dots, d_n\}$  as a set of documents,  $T = \{t_1, \dots, t_m\}$  a set of different terms that occur in  $D$ , and the document represented by the  $m$ -dimensional vector  $t_d$ , then we can denote  $t_d(d, t)$  as the frequency of the term  $t \in T$  in the document  $d \in D$ . Therefore, the vector representation of a document "d" is given by  $t_d = t_d((d, t_1), \dots, t_f(d, t_m))$ . According to Huang (2008), the most frequent terms are not necessarily the most informative ones. On the contrary: terms that appear more frequently in a small number of documents, but rarely in other documents tend to be more relevant and specific to that cluster. In order to capture this aspect, we transform the above equation regarding the basic frequency term  $t_d(d, t)$  into the tfidf (term frequency and inverse term frequency of the document). This measure weights the frequency of a term "t" in a document "d" with a factor that discounts its importance in relation to its



presence in the whole document set, and it is denoted by  $tdidif(d, f) = tf(d, t) \times \log(|D|/df(t))$ , in which  $df(t)$  is the number of documents in which the term “t” appears. We can generalize denoting  $\omega_{t,d}$  in order to denote the weight “t” in the document “d”.

Huang (2008) applied several transformations in the terms, here denoted by words. First, the stop-words were removed, i.e., words that do not describe the theme of the document, such as definite and indefinite articles. Second, using Porter’s algorithm (1980), words with different suffixes were mapped as a single word. Third, the effect of the inclusion of less frequent terms in the representation of the document and in the performance of the clustering makes preferable discarding words below a certain frequency. In order to define the clustering process, Huang (2008) made a comparison between the similarity or dissimilarity between two clusters or between a cluster and an object. In partitioning clustering algorithms, a cluster is represented by a centroid object. In the K-means algorithm, the centroid of a cluster is the mean of all the objects of that cluster. However, the clustering algorithm used for the creation of the co-citation and co-occurrence maps is based on a random walk function called “Walktrap” (PONS; LATAPY, 2006). The main idea behind this algorithm is that random walks in graphs tend to stay “stuck” in densely connected parts which correspond to the clusters. Pons and Lapaty (2006) determine a structural measure of similarity between vertices and between clusters, defining thus a distance. The advantages of this approach in relation to similar ones include the fact that it captures a lot of information from the community structure, it is adequate to approximations and it can be used as a hierarchical clustering algorithm in an efficient way.

With the aforementioned definitions, we can begin the bibliometric analysis and the enumeration of its components. According to Zupic and Cater (2015), a bibliometric analysis consists of five steps: the designing of the study, the data gathering, the data analysis, the data visualization and its interpretation. The design is based on the main objective of this study: to verify if JEI diverged significantly from JOIE in regards to its connection to OIE. According to Aria and Cuccurrullo (2017), in the design of the study, the researchers define the research hypothesis and choose the most appropriate bibliometric method in order to answer the research question.

According to Aria and Cuccurrullo (2017), there are three types of questions that can be answered using bibliometrics to scientific mapping: (i) the identification of the knowledge basis or the theme of a field of research and its intellectual structure; (ii) the examination of a research frontier or the conceptual structure of a theme or research field and (iii) the production of a social structure of a certain scientific community. The aim of this study relates to questions (i) and (ii): relatively to the first question, we researched if the bases of knowledge of

institutionalism suffered an expressive modification after the branching of its intellectual bases between the journals. In regards to the second question, the present structure of the institutionalist intellectual foundation indicates if the preponderant theory in the definition of the research frontiers will be related to the economic mainstream or if it will follow OIE.

The method we used in order to reach these conclusions relates to the creation of networks to bibliographical co-occurrence analyses. Within this context, the attributes of a certain document are connected through the attributes of the very documents (such as author, keywords, date of publication, country or journal). These connections of different attributes can be represented by Documents X Attributes matrices (ARIA; CUCCURRULLO, 2017). In a more detailed way, based on Van Eck and Waltman (2009), we can denote a  $m \times n$  co-occurrence matrix  $\mathbf{O}$ , in which its columns represent the attributes of which we want to analyze its co-occurrence. In general, and in this study, the lines of the matrix represent the documents, and  $\mathbf{O}$  is a binary matrix. If we denote  $o_{ki}$  the element on the  $k$ -th line and  $i$ -th column of  $\mathbf{O}$ , we can interpret that  $o_{ki}$  is equal to 1 if the object  $i$  occurs on the document that corresponds to the  $k$ -th line of  $\mathbf{O}$  and is equal to 0 otherwise. Denoting  $\mathbf{C}$  as the co-occurrence matrix of objects  $1, \dots, n$ , a symmetrical and non-negative matrix of order  $n \times n$ , in which its elements  $c_{ij}$  are the elements on the  $i$ -th line and  $j$ -th column of  $\mathbf{C}$ .<sup>78</sup> For  $i \neq j$ ,  $c_{ij}$  is equal to the number of co-occurrences for the  $i$  object. For all  $i$  and  $j$ , we have that  $c_{ij} = \sum_{k=1}^m o_{ki}o_{kj}$ . Therefore, we conclude that  $\mathbf{C} = \mathbf{O}^T \mathbf{O}$ , in which  $\mathbf{O}^T$  is the transposed matrix of  $\mathbf{O}$ .

The measure used in this study to normalize distances is the Strength of Association, which is a direct similarity measure.<sup>79</sup> It is defined as  $s_i = \sum_{j=1, j \neq i}^n c_{ij}$  or as  $s_i = c_{ii} = \sum_{k=1}^m o_{ki}$ , both equivalent to  $S_A(c_{ij}, s_i, s_j) = \frac{c_{ij}}{s_i s_j}$ . This measure is proportional to, in one hand, to the number of co-occurrences of the objects  $i$  and  $j$ , and, on the other hand, the expected number of co-occurrences of the objects  $i$  and  $j$  under the assumption that the occurrences  $i$  and  $j$  are statistically independent.

In the case of bibliographical pairing, we can summarize that two papers have this relation if at least one of the aforementioned papers cited in the references appears on the bibliography or list of reference of both papers, and it can be described by  $B_{coup} = A \times A'$ , in which  $A$  is a reference matrix (Document X Cited Reference). Each element  $b_{ij}$  indicates how

<sup>78</sup> The subscribed values in relation to matrix  $\mathbf{O}$  are swapped because the amount of columns varies between  $\mathbf{C}$  and  $\mathbf{O}$ .

<sup>79</sup> A direct similarity measure determines the similarity between two objects  $i$  and  $j$  taking the number of co-occurrences between  $i$  and  $j$  and adjusting this number to the total number of occurrences and co-occurrences of  $i$  and  $j$  and the total number of occurrences and co-occurrences of  $j$ .

many bibliographical pairs there are between documents  $i$  and  $j$ . The co-citation analysis is formulated taking as its basis the fact that two papers are cited in a third one, and can be obtained by the formula  $B_{cocit} = A \times A'$ , in which  $A$  is matrix (Document X Cited Reference). However, differently from the previous case, the  $b_{ij}$  elements indicate how many co-citations there are between documents  $i$  and  $j$ .

This study also analyzes the co-occurrence, in which the objective is extracting the conceptual structure of a model using co-occurrence networks of grouped words and terms, extracted from keywords, titles and abstracts in a set of documents.<sup>80</sup> This measure can be obtained through the formula  $B_{coc} = D \times D'$ , in which  $D$  is a matrix (Documents X Words), and in which the words can be obtained from papers' keywords, its titles and abstracts. The  $b_{ij}$  elements indicate how many co-occurrences there are between  $i$  and  $j$  words. The visualization of these results was obtained with Waltman, Eck and Noyons' (2010) technique, with the mapping of co-occurrences visualized simultaneously.

The thematic maps were generated for the co-word analysis. Therefore, groupings of keywords were obtained, and these groups were named "themes". Each theme generated by this process is characterized by two parameters (density and centrality), and not only the mean but also the median of the centrality values can be used to classify the themes into four categories. Therefore, we understand that a field of research is a set of research themes, mapped into a bi-dimensional (COBO et. al, 2011).

The themes on the superior right quadrant are well developed and important to the structure of a research field, and are known as motor themes, once they have a strong centrality and density. Setting these themes into this quadrant means that they are externally related to applicable concepts to other themes that are conceptually and closely related. The themes inside the superior left quadrant possess well developed internal connections, but unimportant external connections and, therefore, own a marginal relation to the field of research. These themes have a specialized and peripheral character. The themes in the inferior left quadrant are poorly developed and marginal to the analysis, which indicates low density, low centrality and shows themes that are emerging or disappearing in the set of documents. The themes in the inferior

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<sup>80</sup> Specifically, the co-occurrence analysis envelops several types of analyses, such as co-citation and bibliographical pairing. The study performed here corresponds to co-citation and co-word analyses.

right quadrant are important to the research field, but they are not so well developed, what indicates the preponderance of basic themes.

Last, it is important to highlight the description of the algorithm to generate the Keywords-plus, which are many times different from the traditional keywords. After extracting the relevant terms from the documents, the condensed citations for all the cited references are also indicated as keywords. The accuracy of the result is then computed and the algorithm checks the titles of the cited papers by the paper aiming at generating a set of words, which are grouped by frequency. The algorithm, at this stage, identifies the most relevant terms, being the minimal threshold for the inclusion of the terms at least two occurrences (GARFIELD, 1990).

Therefore, in order to achieve the results of this study, we performed descriptive and clustering analyses based on the aforementioned information. The clustering analyses were conducted through the random walk function *Walktrap* (PONS; LATAPY, 2006) and these analyses used information regarding distance metrics. The creation of thematic maps and of co-citation specified what criteria of normalization was used to calculate the generated distances from terms and documents' matrices – in this case, the Force of Association (VAN ECK; WALTMAN, 2009). The graphical presentation of the results follows Fruchtermann and Edwards's (1991) algorithm.

The selected metrics are divided into two groups: the descriptive analyses and the clustering analyses. The descriptive analyses assess the relative and the absolute frequency of certain terms in the two document groups. The frequency of these terms, established according to the definitions related to OIE, can evidence the inclination of the journal to follow OIE. The extracted terms in this type of analysis encompass the names of the cited authors and the most frequent words in Keywords-Plus, Authors' Keywords, titles and abstracts.

We ascertained the most frequent unigrams (in which the frequencies are based on a single term) and bigrams (frequencies based on terms that appear consecutively) for the titles' and abstracts' case. Furthermore, in order to measure the presence of OIE in the two journals, we checked the total frequency of the word "Veblen" and "Commons" in the journals' keywords, titles and abstracts. Another descriptive analysis performed was the listing of the ten most locally cited papers in each journal to analyze its authors' profiles.

The cluster analyses, in which similarity measures were used in order to design thematic and co-citation maps, showed the most preponderant nodes within each journal

and their main connections. Unigrams were used to identify nodes and connections between terms within the thematic maps. These maps were also built to check the emergent and declining themes within each journal. The bigger or lesser authors' affinity to themes identified with OIE allowed the ascertainment of the journal's bigger or lesser connection to OIE.

#### 4.4 RESULTS AND DISCUSSION

The results are divided in two forms of analysis: the descriptive analysis of the obtained data and a cluster analysis, which also can be subdivided into two categories, which are co-citation and thematic maps.

##### 4.4.1 Descriptive Analysis

The first analysis concerns the five most frequent words cited in the Keywords-Plus (ZHANG et. Al, 2016), in the Author's Keywords, as well as in the papers' titles and abstracts in terms of unigrams and bigrams. Aiming at simplifying the analysis, we checked the frequency of keywords related to Thorstein Veblen and John R. Commons, which are usually connected to OIE. Relatively to the analysis pertaining the abstracts and titles, we checked the appearance of the terms "veblen" and "commons" in the unigrams. The terms are represented within quotes, while in parenthesis we indicate the absolute frequency of the terms.

In JEI, we found out that the five most frequent words in the Keywords-Plus analysis are "economics" (74), "growth" (30), "institutions" (26), "policy" (24) and "market" (23). The word "veblen" appears on 22 papers. Adding to this value other terms that are related to Veblen, five keywords are added, amounting to 27 occurrences.<sup>81</sup> The term "commons" is present in 14 Keywords-Plus' occurrences, but considering other occurrences related to Commons, we were able to ascertain that 20 occurrences concern the institutional economics of John R. Commons.<sup>82</sup>

In relation to Authors' Keywords, the five most mentioned keywords are "institutions" (76), "institutional economics" (49), "inequality" (41), "veblen" (41) and

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<sup>81</sup> Besides "veblen" (22), the terms "simons-veblen connection" (1), "thorstein veblen" (1), "veblen-commons" (1), "veblen theory" (1) and "veblens instinct" (1) were considered.

<sup>82</sup> The terms related to Commons and their frequency are "commons" (11), "john r commons" (3), "john-r-commons" (1), "r commons" (1) and "veblen-commons" (1).

“institutionalism” (35).<sup>83</sup> Besides “veblen”, other terms related to the author also appear listed in the Author’s Keywords, adding up to 62 cases with keywords related to Veblen.<sup>84</sup> The word “commons” appears in 20 occurrences, and other related keywords to the author add up to at least 36 occurrences.<sup>85</sup>

We also checked the frequency with which terms related to Veblen and Commons appeared in JEI’s papers’ titles. We ascertained that the most frequent unigrams are “institutional” (124), “economics” (104), “economic” (94), “social” (73) and “policy” (67), in which terms related to Veblen appear 58 times, while terms related to Commons appear 42 times.<sup>86</sup> The most frequent bigrams are “institutional economics” (34), “institutional change” (16), “economic development” (14), “financial crisis” (14) and “social provisioning” (12).

The JEI analysis in regards to the abstracts showed that the word “veblen” and its ramifications appear in 207 cases in the unigrams, while themes related to Commons appear 125 times.<sup>87</sup> The five most used unigrams are “economic” (717), “institutional” (520), “social” (495), “article” (437), and “economics” (407). The most frequent bigrams are “institutional economics” (117), “financial crisis” (63), “economic growth” (61), “economic development” (57) and “institutional change” (53). Thus, we ascertained that Veblen and Commons are authors that appear profusely in JEI, taking into consideration all attributes in the database.

In order to compare the journals, we performed the same analysis for JOIE. In relation to the most frequent terms in the Keywords-Plus, we ascertained that they are: “institutions” (74), “growth” (65), “economics” (59), “law” (39) and “governance” (34). No

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<sup>83</sup> The second most frequent word is actually “b52” (65 occurrences), which is actually the Journal of Economic Literature’s (JEL) code for papers which are categorized as “Current Heterodox Approaches”, of which Institutional Economics is a part. Therefore, we decided to suppress this term and add the sixth most frequent on the list.

<sup>84</sup> The terms related to Veblen are “thorstein veblen” (16), “thorstein bunde veblen” (1), “veblen-commons” (1), “veblen jel” (1), “veblenian leisure class theory” (1) and “veblenian social practices” (1).

<sup>85</sup> Other terms related to Commons, as well as their frequency, are: “john r commons” (8), “john commons” (2), “commons’s economics” (1), “commons’s negotiational psychology” (1), “j r commons” (1), “john r commons (1862-1945)” (1), “john r commons” (1) and “veblen-commons” (1). Considering potential ambiguity, we excluded the terms “anticommons” (2) and “global commons” (1).

<sup>86</sup> The unigrams related to Veblen and their frequency are “veblen” (21), “veblenian” (15), “veblen-commons” (12), “veblens” (7), “ayres-veblen” (1), “minsky-veblen” (1) and “peirce-veblen” (1). Those related to Commons and their respective frequencies are “commons” (20), “veblen-commons” (12), “commonss” (7) and “commonsian”.

<sup>87</sup> The terms concerning Veblen and their frequency are “veblen” (97), “veblens” (74), “veblenian” (24), “veblen-commons” (4), “minsky-veblen” (3), “ayres\_veblenian” (1), “marx\_veblen” (1), “pragmatist\_veblenian” (1), “veblen\_ayres” (1), “veblen\_including” (1) and “veblen\_minsky” (1). The terms concerning Commons and their frequencies are “commons” (94), “commonss” (24), “veblen-commons” (4), “commonsian” (2) and “knapp\_commons\_stm” (1). The term “anticommons” (6) was excluded from the analysis due to probable ambiguity.

terms related to Veblen were found among the Keywords-Plus, while the term “commons” was used eight times. In relation to the Author’s Keywords, the most frequent words and their frequencies are “institutions” (34), “property rights” (11), “culture” (9), “economic freedom” (9) and “entrepreneurship” (9).<sup>88</sup> The term “veblen” and other terms related to Veblen do not appear in any of the Author’s Keywords, while the term “commons” appears only once (1).

We performed the unigrams analysis on JOIE’s papers’ titles. The unigram’s analysis revealed that the five most frequent terms, along with their frequencies, are “institutions” (111), “institutional” (87), “economic” (52), “economics” (49) and “evidence” (30). The term “veblen” was found only once among the titles, while the terms “commons” (5) and “commonss” (1) collectively amounted to 6 appearances. The bigrams analysis showed that the five most used bigrams in JOIE, besides their frequency, are “property rights” (20), “economic freedom” (12), “institutional change” (12), “institutional economics” (11) and “economic development” (9).

The unigrams analyses on JOIE’s papers’ abstracts revealed that the five most present terms on unigrams are “institutions” (543), “economic” (437), “institutional” (410), “paper” (302) and “social” (209). This analysis also showed that terms related to Veblen appeared seven times, while terms related to Commons appeared 26 times. The most frequent bigrams used on the abstracts are “property rights” (105), “economic freedom” (60), “economic development” (59), “economic growth” (49) and “institutional economics” (49). Table 1 summarizes the results and compares the frequency with which the terms related to Veblen and Commons appear on JEI and JOIE, considering the absolute and relative frequency of each term:<sup>89</sup>

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<sup>88</sup> The low number of Author’s Keywords is due to the fact that JOIE only required this attribute consistently from 2019 on.

<sup>89</sup> The relative frequency was achieved dividing the absolute frequency by the number of papers analyzed in each journal: 944 papers in JEI and 536 in JOIE.

TABLE 1: ABSOLUTE AND RELATIVE FREQUENCY OF THE TERMS “VEBLEN” AND “COMMONS” IN JEI AND JOIE.

|                      | Veblen (JEI) | Veblen (JOIE) | Commons (JEI) | Commons (JOIE) |
|----------------------|--------------|---------------|---------------|----------------|
| Keywords-Plus        | 27 (2,8%)    | 0 (0%)        | 20 (2,1%)     | 8 (1,5%)       |
| Author’s Keywords    | 62 (6,5%)    | 0 (0%)        | 36 (3,8%)     | 1 (0,2%)       |
| Titles - Unigrams    | 58 (6,1%)    | 1 (0,2%)      | 42 (4,4%)     | 6 (1,1%)       |
| Abstracts - Unigrams | 207 (21,9%)  | 7 (1,3%)      | 125 (13,2%)   | 26 (4,9%)      |

SOURCE: Web of Science (2022) and the author.

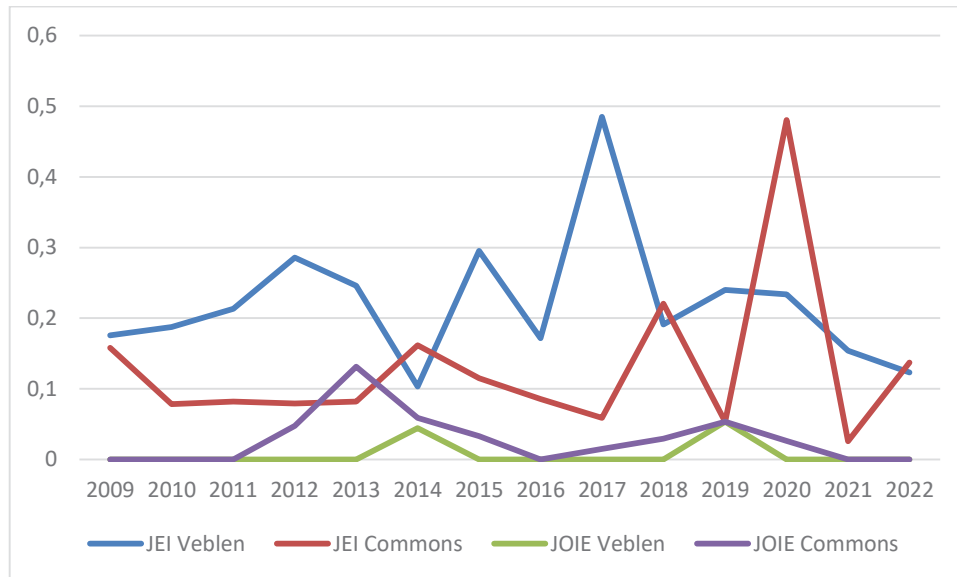
Analyzing the table shown above, we can ascertain that JEI’s mentions to Veblen and Commons are superior to those of JOIE’s in every aspect, considering the papers published between 2009 and 2022. Besides, JOIE’s lack of mentions to Veblen and Commons concerning the aforementioned metrics speaks louder than any comparison: the most important authors to OIE are underrepresented in a journal which advocates as its main scope institutional economics – the most frequent terms, using unigrams, show that it is still its aim.

It is possible to wonder if the convergences and divergences between JEI’s and JOIE’s themes to OIE are a trend, whether both journals are each time more or less aligned with OIE. In order to capture this effect throughout time, we present a graph containing the percentage of appearances of the terms “veblen” and “commons” in relation to the total amount of papers within each year:<sup>90</sup>

<sup>90</sup> From 2009 to 2022, JEI published, respectively, the following amount of papers: 57, 64, 61, 63, 61, 68, 61, 70, 68, 68, 75, 77, 78 and 73 papers. JOIE, on the other hand, published 14, 31, 38, 23, 22, 27, 39, 37, 33, 45, 54, 51, 58 and 64 papers.



GRAPH 1: PERCENTAGE (%) OF MENTIONS TO VEBLLEN AND COMMONS WITHIN JEI'S AND JOIE'S ABSTRACTS IN RELATION TO THE AMOUNT OF PAPERS EACH YEAR.



SOURCE: Web of Science (2022) and the author.

Analyzing the graph, we can ascertain that there is no descending trend regarding the amount of mentions to Veblen and Commons within JEI, while throughout the whole timespan, both authors were scarcely mentioned within JOIE. The same analysis can be performed to other attributes such as Keywords-Plus, Author's Keywords and Titles, but given the high amount of zeroes within these attributes, we chose to present the analysis in terms of abstracts.<sup>91</sup>

Another possible analysis is to check the 10 most cited articles in each of the two journals and their connections with authors linked to OIE or other theoretical strands within institutional economics. Table 2 shows the 10 most cited papers in JEI between 2009 and 2022, depicting the author, the year of publication, the title of the publication, the type the publication and the amount of citations:

<sup>91</sup> It is possible that these terms appear more than once within a papers' abstract, but the idea is to show the intensity with which both terms are present within each journal throughout time. Notwithstanding, we performed the same analysis for Keywords-Plus, Author's Keywords and titles and found no substantial difference to the results here presented.

TABLE 2: MOST CITED WORKS IN JEI.

| Author        | Year | Title                                    | Type  | Total |
|---------------|------|------------------------------------------|-------|-------|
| Veblen, T.    | 1899 | The Theory of the Leisure Class          | Book  | 128   |
| Polanyi, K.   | 1944 | The Great Transformation                 | Book  | 103   |
| Keynes, J.M.  | 1936 | The Gen. Theory of I, E. and M           | Book  | 84    |
| Veblen, T.    | 1904 | The Theory of Business Enterprise        | Book  | 83    |
| Commons, J.R. | 1924 | Legal Foundations of Capitalism          | Book  | 79    |
| Commons, J.R. | 1934 | Inst. Econ.: Its Place in Polit. Economy | Book  | 60    |
| Bush, P.D.    | 1987 | The Theory of Institutional Change       | Paper | 58    |
| Minsky, H.    | 1986 | Stabilizing an Unstable Economy          | Book  | 54    |
| North, D.C.   | 1990 | Inst, Inst. Change and Econ. Perf.       | Book  | 53    |
| Ayres, C.E.   | 1944 | The Theory of Economic Progress          | Book  | 44    |

SOURCE: Web of Science (2022) and the author.

Analyzing Table 3, we can ascertain that the most cited authors in the JEI are in most cases linked to OIE. The authors who appear most on this list are Thorstein Veblen and John R. Commons, adding up to 211 citations in regards to the former and 139 to the latter. The appearances of Karl Polanyi, Paul Dale Bush and Clarence Ayres are not a surprise, once Polanyi was a heterodox economist whose ideas are aligned with OIE, while Ayres and Bush are authors linked to the subdivision within OIE called *Cactus Branch*, whose tradition rests on Veblenian grounds. The occurrence of Douglass North, author linked to the New Institutional Economics, does not lessen the weight of the results, once the book mentioned on the list is a landmark to NIE, referenced here mostly to illustrate its connection to the economics' mainstream and its opposition to Veblen's theory. The appearance of Keynes' General Theory and Minsky's book show that there is an attempt at converging Institutional Economics with Keynesian and/or post-Keynesian economics. On Table 3, we depict the most cited works in the JOIE:

TABLE 3: MOST CITED WORKS IN JOIE.

| Author           | Year | Title                                   | Type  | Total |
|------------------|------|-----------------------------------------|-------|-------|
| North, D.C.      | 1990 | Inst, Inst. Change and Econ. Perf.      | Book  | 113   |
| Ostrom, E.       | 1990 | Governing the Commons                   | Book  | 77    |
| North, D.C.      | 1991 | Institutions                            | Paper | 56    |
| Acemoglu, D.     | 2001 | A Theory of Political Transitions       | Paper | 55    |
| Hodgson, G.M.    | 2006 | What are Institutions?                  | Paper | 52    |
| North, D.C.      | 2009 | Violence and Social Orders              | Book  | 51    |
| North, D.C.      | 2005 | Princ Econ Hist W Wo P1                 | Book  | 49    |
| Coase, R.H.      | 1937 | The Nature of the Firm                  | Paper | 48    |
| Williamson, O.E. | 1985 | The Economic Institutions of Capitalism | Book  | 46    |
| Ostrom, E.       | 2005 | Understanding Inst. Diversity           | Book  | 44    |

SOURCE: Web of Science (2022) and the author.

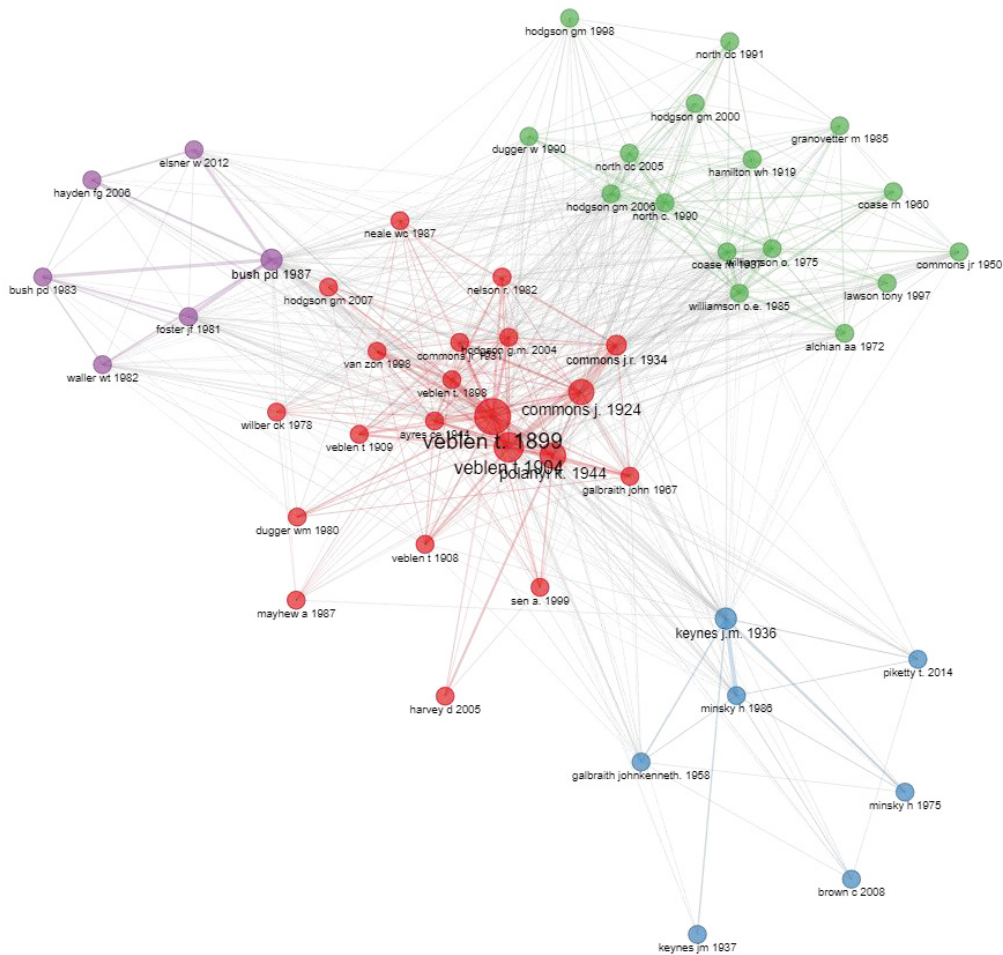
The analysis of Table 3 shows not only the preponderance of authors linked to NIE but also the absence of authors linked to OIE. Douglass North appears preponderantly in this ranking, with four cited works, totalizing 269 occurrences, while Daron Acemoglu, who is also an author linked to NIE, appears with a paper being cited 55 times, and has the fourth most cited work within Table 3. North's book, which was present in JEI's ranking, appears as the most cited work in JOIE between 2009 and 2022. Elinor Ostrom, also associated with NIE, is the second most cited author in JOIE, totalizing within this list 120 citations. Other authors who are cornerstones to NIE also appear on the list, such as Ronald Coase and Oliver Williamson. Therefore, the massive presence of authors linked to NIE and the absence of Veblen and Commons provide another argument in favor of the approximation between JOIE and the economics mainstream.

#### 4.4.2 Co-citation Analysis

The cluster analysis was performed for the two journals in relation to co-citation and the themes.<sup>92</sup> The map with the co-citations and the clusters present on JEI are highlighted in Graph 2:

<sup>92</sup> The number of nodes within JEI's map is 50, which was adjusted taking into consideration the plausibility of the formed clusters and its readability. On the other hand, JOIE's map has 30 nodes, given the lesser amount of papers within this journal and also the readability which accompanies a smaller amount of papers within the map.

GRAPH 2: JEI'S CO-CITATION MAP

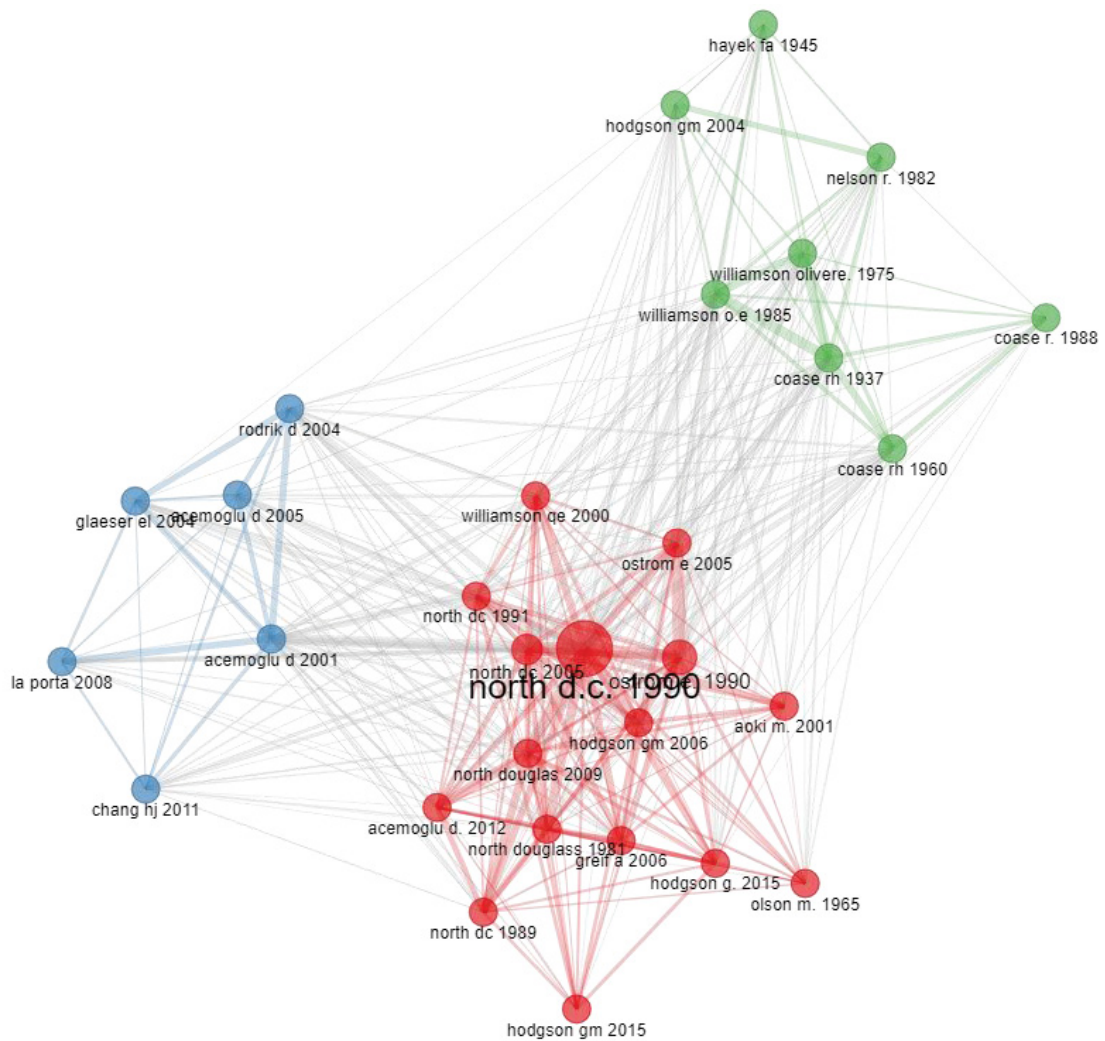


SOURCE: Web of Science (2022) and the author.

Analyzing the formed clusters by the described processes in the methodology section, it is possible to distinguish four clusters on JEI: the central cluster (in red), centered on Veblen (1899) encompasses the main discussions linked with OIE, once both Veblen and Commons appear to have a massive influence on JEI's themes. Unsurprisingly, the discussion stems from Veblen's main books: "The Theory of the Leisure Class" (1899) and "The Theory of Business Enterprise" (1904), accompanied by Polanyi's *magnum opus* "The Great Transformation" (1944) and Commons' "Legal Foundations of Capitalism" (1924). The blue cluster on the southwestern region of the map limits a discussion regarding authors linked to a Keynesian tradition, centered on Keynes' "General Theory" (1936). The purple cluster on the northwestern region of the map shows a prevalence of authors linked to the *cactus branch*, a group that follows a tradition started by Clarence

Ayres, whose main inspiration are the writings of Veblen. The connection is established by Bush, who is an author that follows this tradition within OIE. Lastly, the northeastern cluster (green) discusses matters of methodology and the NIE, once this group encompasses mostly authors linked to NIE, such as Douglass North and Oliver Williamson.<sup>93</sup> In order to compare the citation structure between the journals, we also produced JOIE's co-citation map, as shown on Graph 3:

GRAPH 3: JOIE'S CO-CITATION MAP



SOURCE: Web of Science (2022) and the author.

<sup>93</sup> It is possible to identify authors linked to other traditions, such as William Dugger and Tony Lawson within this cluster: the former is linked to Radical Institutionalism, while the latter is linked to methodological issues within a critical realism approach. Notwithstanding, the aforementioned paper by Dugger criticizes NIE, and Lawson's book deals with the methodological issues concerning the limits of economics orthodoxy and what can be defined as heterodox economics.

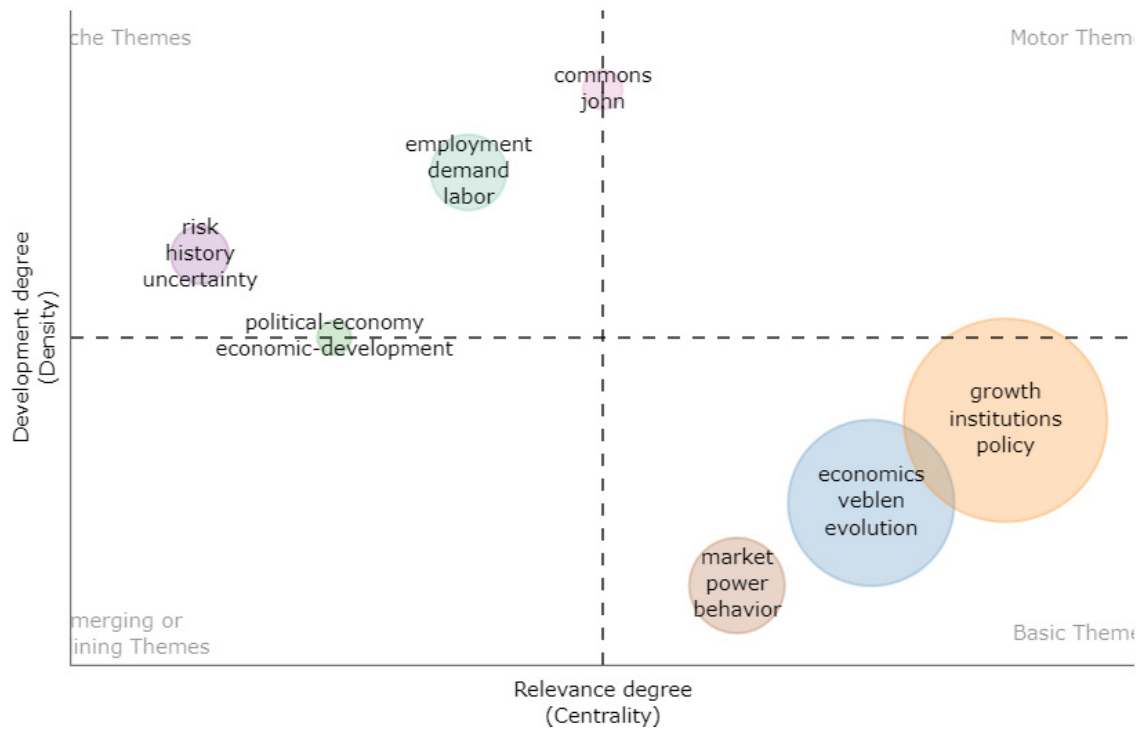
Figure 2 evidences that there are three citation groups among JOIE's authors. First, the central group (in red) is formed by authors who take inspiration from Douglass North's theory, once this author, besides owning relevance and centrality inside the cluster, is responsible for five other works that are nodes within this cluster (they appear as dots on the map). Other authors appear very close to North's publications, such Oliver Williamson and Elinor Ostrom – linked to NIE - as well as Geoffrey Hodgson, editor of JOIE.

The second cluster, represented in blue, corresponds to the mainstream perspective of economic development, as fostered by Daron Acemoglu, who is responsible for two nodes within his group. A last cluster, represented in green, that encompasses authors such as Ronald Coase and Oliver Williamson, evidences a group whose authors worry about issues linked to transaction costs in a market economy. Therefore, we can ascertain that Veblen or Commons do not appear in any node of any cluster, which indicates that they are scarcely cited. In contrast, authors aligned to the NIE interpretation appear repeatedly as preponderant in the journal.

#### 4.4.3 Thematic Maps

A last analysis performed concerns the thematic maps of both journals, which were built using the Keywords-Plus. The number of words is 1000, the clustering minimal frequency for every 1000 words is ten and the maximum number of labels for each cluster is three. The map displayed in this essay concerns the emergent or declining themes. However, this map was built using the same clustering mechanism of the co-citation map. On the horizontal axis, we can check the theme's degree of centrality – Relevance Degree (Centrality). On the vertical axis, we analyze the degree of the themes' development – Development Degree (Density). In the first case, there is an indication of how relevant that theme is to the journal, while in the second, we check how much it is being published about that specific theme. Graph 4 displays the thematic map regarding JEI's themes:

GRAPH 4: JEI'S THEMATIC MAP

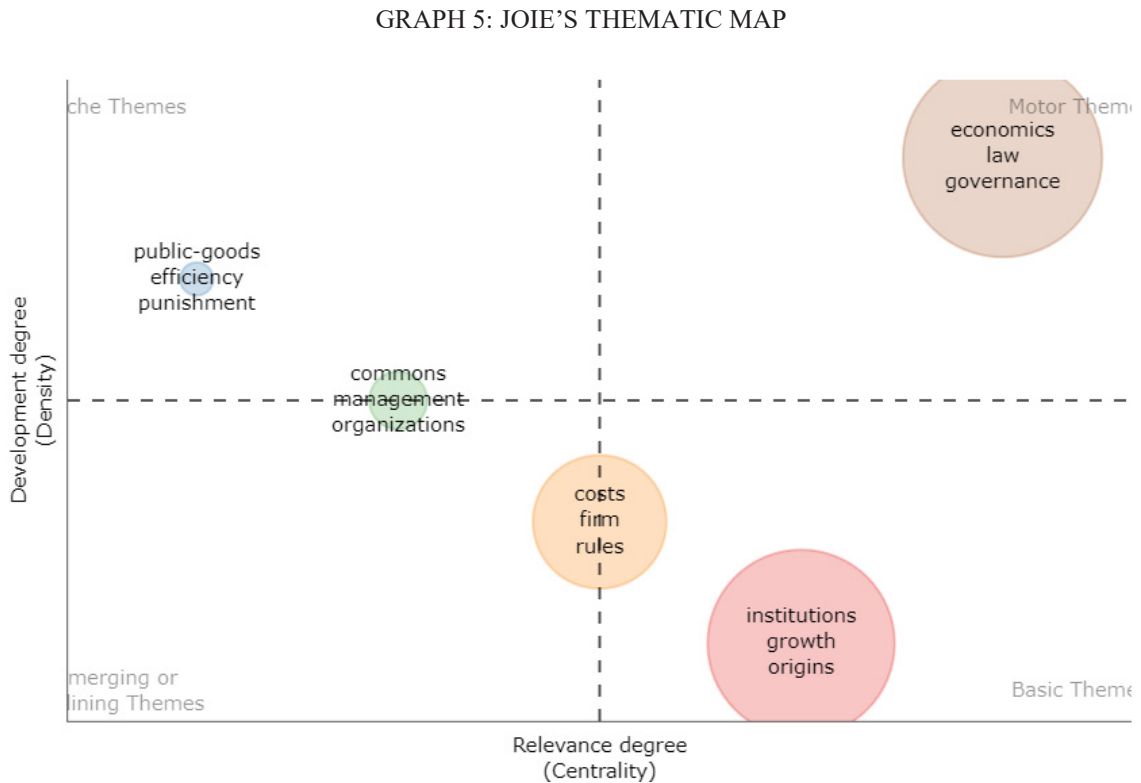


SOURCE: Web of Science (2022) and the author.

In the fourth quadrant, where the basic themes of the journal are displayed, we can ascertain that a large cluster is formed by themes constituted by Keywords such as “veblen”, “economics” and “evolution”, which is not surprising, once JEI approaches evolutionary economics and, as seen in previous analyses, it uses Veblen as its main reference. In this same quadrant, there is a smaller cluster that concerns market power issues, once it encompasses the terms “market”, “power” and “behavior”. Within the fourth quadrant, but closer to the motor themes, we identify the largest cluster, which is formed by keywords such as “growth”, “institutions” and “policy”, which denotes a concern with policies that can foster economic growth through an institutionalist perspective.

The first quadrant also harbors half of a commonsian cluster, formed by the Keywords “john” and “commons”, which also belongs to the niche themes, within the second quadrant. This sector also houses two full clusters that denote a convergence between OIE and post-Keynesian economics, whose Keywords are “employment”, “demand” and “labor” in one of the clusters and “risk”, “history” and “uncertainty” in the other. Finally, half within the second quadrant and half within the third quadrant, we identify a small cluster that encompasses the Keywords “political-economy” and “economic-development”, which shows what themes related to political economy within

an economic development framework are either becoming each time more niched, disappearing or rising. In order to compare the themes, we also present JOIE’s thematic map on Graph 5:



SOURCE: Web of Science (2022) and the author.

We can see that in the first quadrant, where the motor themes are located, we find the terms “economics”, “governance” and “law”. The governance and law themes are used profusely by New Institutional Economics. In the second quadrant, concerning the journal’s niche themes, we find the terms “public-goods”, “efficiency” and “punishment” within a small cluster, as well as half of a cluster that is also within the third quadrant and contains commonsian themes such as “commons”, “management” and “organizations”. These terms highlight how one of the aforementioned links between JOIE and the OIE, represented by Commons, is thematically isolated from the core of the journal.

In the third quadrant, where declining or emerging themes can be found, we find half of a large cluster containing the Keywords “costs”, “firms” and “rules”, what can be interpreted as transactional costs. This cluster also belongs to the fourth quadrant, so that we can establish that it is also part of the basic themes within the JOIE. Last, there is a very preponderant group that can also be found within the fourth quadrant that encompasses the terms “institutions”, “growth” and “origins”. The relation between these terms implies the



creation of institutions and laws that allow economic growth, a partially aligned point of view with John R. Commons' tradition, but compatible with NIE, and also present within JEI's basic themes.

Therefore, we can ascertain that, in thematic maps based on Keywords-Plus, JEI has as preponderant themes those related to OIE, while JOIE is more aligned with NIE. We can establish that the JEI follows OIE in contrast with the JOIE, taking as a base the four analyses undertaken: first, the terms "veblen" and "commons" were more preponderant in JEI than in JOIE, what indicates a bigger convergence between the former with OIE in relation to the latter. Second, the most cited studies on JEI come from authors connected to OIE, what does not occur within JOIE, where the most cited authors mostly belong to the NIE tradition, linked to the economics mainstream. Third, JEI's co-citation maps show a centrality in the works of original institutional economists, what does not happen on JOIE, where the clusters are linked intrinsically with NIE. Last, motor and basic themes on JEI are linked to Veblen and to market power, while JOIE's themes are mostly concerned with matters of governance and law. The only noticed convergence within the themes are the basic themes regarding economic growth, although JEI's vision is more aligned with policies and JOIE's with the origins of institutions linked to economic growth.

#### 4.5 FINAL REMARKS

This study checked the type of institutionalism promoted by Journal of Economic Issues (JEI) and Journal of Institutional Economics (JOIE). Once these are the largest journals in the field of Institutional Economics, the divergence between the journals suggests a split inside this theoretical strand: the more aligned with economics' mainstream perspective, i.e., with NIE, the more removed from the methodological roots established by OIE's precursors. A bibliometric analysis was performed using the journals' papers between 2009 and 2022, using statistical and computational techniques to form clusters that indicate the similarity between themes or authors, as well as a descriptive analysis through the use of the terms present on keywords, titles and abstracts.

The descriptive analysis of the most present words in the abstracts, keywords and titles of the papers revealed that JEI did not stray from OIE, once the terms associated with its main authors – Veblen and Commons – were preponderant. The same cannot be said about the results pertaining JOIE, in which Veblen and Commons appeared (or not) scarcely on the keywords, titles and abstracts. Another descriptive analysis concerned the

ranking of the 10 most cited studies within each journal. Again, Veblen's and Commons' preponderance emerged in JEI, and its absence in JOIE was felt. In the case of the latter, authors connected to NIE were widely cited, such as Douglass North, Elinor Ostrom and Daron Acemoglu.

The cluster analysis for the co-citations revealed that the JEI has groups related to Veblen, Commons and connections to other heterodox strands of economics thought. JOIE, in its turn, has clusters that are aligned with the NIE perspective, straying from original institutionalist thought. At the same way, JEI's themes, checked by thematic maps, showed that the journal keeps having as preponderant factors Veblen's and Commons' analyses to interpret institutions. In the case of JOIE, problems related to governance and law are those more emphasized, highlighting how the institutional hindrances to markets, aligned the NIE's theory, dominates the journal's pages.

Therefore, we conclude that there is a split within Institutional Economics, once one of its most important current contributors (Geoffrey Hodgson) is the editor of a journal that backs away from OIE by using few authors that helped founding the theoretical strand. The analysis also revealed that the JEI follows as the bastion of OIE, while JOIE follows themes more aligned with NIE.

## 5. CONCLUSION

The three essays presented here show a glimpse of the past, present and possible future connections and disconnections between OIE and other strands of economic theory. The main goal of this dissertation is to highlight that these convergences and divergences along OIE's history might serve as a beacon to situate and guide those who try to venture along this long and winding road. Obviously, the objective is not to exhaust each and every possible connection that OIE might have had or will have, but to point out that heterodox economics can benefit from the construction of bridges, like the ones, we hope, were presented in this dissertation. Besides, menaces and hindrances are always lurking in the corner: the possibility that the orthodoxy captures OIE is always a risk, as the third essay attempts to highlight.

The first essay states that Celso Furtado, one of the greatest Brazilian economists of all time, became each time more aligned with OIE. By analysing his books from 1974 until his last, we could confirm that the cultural dimension was each time more present in his analyses, becoming preeminent in the 1990s, and this element fits perfectly with Thorstein Veblen's concepts of conspicuous consumption, conspicuous leisure and pecuniary emulation. This analysis falls into a long tradition of building bridges between structuralist authors and institutionalists, as captained by James H. Street in the 1970s and 1980s. However, while Street's analysis focuses on the Ayresian ceremonial-instrumental dichotomy, ours is concerned with a direct link between OIE's concepts and Furtado's cultural elements to explain Brazil's conjuncture. The results show that this connection can aid in explaining some astounding events that occur in Brazil nowadays, but this same analysis can be extended to other realities, especially to the underdeveloped countries in Latin America.

The second essay signals a possible connection between OIE's concepts and the economics of Kalecki. The relatively recent blossoming of post-Keynesian Institutionalism boosts approaches that seek to connect Keynes' or post-Keynesians' writings to Institutionalism, but most of these analyses, as shown by Whalen (2019) focus on connections solely with the economics of Keynes. Authors such as Kalecki, Kaldor or Sraffa, who appear profusely on post-Keynesian analyses, are not yet fully developed on a PKI framework. The essay not only aims at establishing a connection between Kalecki and OIE, but also signals the possibility of adding other highly important authors to the discussion. In regards to Kalecki, we found out that not only Kalecki's economics is a better suitor than Keynes' to fill the bridge between OIE's microeconomics and post-Keynesian macroeconomics, but also spurs a debate that can mingle the economic levels, fostering a possibility of a political economy discussion.

The third essay aims at checking if one of the most preeminent journals that deal with Institutional Economics might have shunned OIE throughout the years. The astounding conclusion is a resounding ‘yes’: JOIE forsake OIE since its beginning. This result might not have been so shocking if among its guidelines JOIE explicitly embraced that its Institutional Economics is of a different kind, or admitting a connection to NIE. Nevertheless, JOIE’s editor, Geoffrey Hodgson, is an author preponderant within JEI, and earlier in his career he was fundamental at cementing several concepts that are paramount to institutionalists nowadays. This shift might mean an attempt at the encapsulation of OIE by NIE, by not explicitly stating that the institutionalism within JOIE’s pages is not OIE, while discussing NIE and citing Douglass North, Oliver Williamson and Elinor Ostrom profusely. By affirming the journal’s plurality and at the same time avoiding the Institutional Economics’ founding fathers, JOIE becomes similar to orthodox economics. Heterodox economics is plural (LEE, 2010), while orthodox economics captures some heterodoxy’s elements, washes them clean and inserts them into a framework that lacks fundamental aspects of the original heterodox theory. JOIE’s plural lack of plurality seems to point towards this direction.

The conclusion of this dissertation is bittersweet. Many paths can be opened and many connections can be traced, but at the same time, OIE can be encapsulated by the orthodoxy and become irrelevant by the mainstream as a “piece of the engine” within a closed framework. Our aim is to establish ways with which, we believe, heterodox economics can grow and flourish, so that it may constitute a whole economic framework, without shunning its plurality. The challenges are enormous, but not unsurmountable, and the small contribution that this dissertation provides will hopefully inspire the construction of bridges, with patience and time.

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