

New Institutional Economic Origins of Neoliberalism

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Abstract

New Institutional Economics (NIE) which does not pursue the aim and claim of sustaining the institutional tradition is interdisciplinary. It embodies traces of many sciences such as law, economics, politics, sociology etc. Being interdisciplinary does not only present various perspectives to NIE, but also make it quite familiar to the mainstream economics (neoliberal economics). It makes NIE familiar to neoclassical economics, since it accepts the hypotheses such as procedural individualism, market mechanism etc. At the same time, it differs from the neoclassical essence, since it has put forward different points of view by adding bounded rationality, transaction cost etc. concepts into the literature of economics. As known, neoliberalism aims to eliminate any kind of barrier in front of the economies based on free market logic. However, neoliberalism is not only a stream aiming economic integration, but it is a process having political, sociological and class dimensions. The economic origins of neoliberalism should be searched in the mainstream economics. The economic streams such as monetarism and supply-side economics constitute the origins of neoliberal policies.

This study aims to examine the correlation of NEI –which takes its economic origins from mainstream economics but improves by adding great differences to them- with neoliberalism. The new perspectives of neoliberalism developed by NEI such as “bounded rationality”, “transaction costs” and “property rights” will be discussed. Consequently, the correlation of neoliberalism concept -which has faced with serious criticisms especially in recent years- with NEI will be put forward; and the positive/negative aspects in these criticisms will be tried to be presented.

Keywords: Neoliberalism, New Institutional Economics, Political Economy

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