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An Institutional Economics of Gift?

Journal:	<i>Journal of Economic Issues</i>
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Keywords:	Methodology, Social Anthropology, Welfare State, Third Sector, Percentage Philanthropy
Abstract:	<p>In this article we will try to show the research potential of an institutional interpretation of the gift, a perspective that we have tentatively called an Institutional Economics of Gift (IEG). Such a research perspective aims to build up a possible common ground between two fields study: inquiries of the gift and Institutional Economics. Though gift and gift-giving are ubiquitous and usually governed by institutions like social norms, habits and customs and sometimes enforced by some sort of moral obligation or even legal sanction, we cannot immediately combine these two academic debates without providing a preliminary analysis of the overlapping zones and lines of tension between them. For this purpose, we dwell on two key issues that any research perspective is expected to address: the subject matter and the method. Without any claim to exhaustiveness, the subject matter of an IEG will be explored through the analysis of three important forms of institutionalized gift-giving: the welfare state, the third sector and the percentage philanthropy tax scheme. All of them raise the issue: to what extent can gift-giving be institutionalized and even legally enforced without losing some of its characteristics such as spontaneity, freedom and/or voluntariness? Moreover, this investigation points to the need to reflect more on the relationship between obligation and freedom as well as to go beyond the State/Market dichotomy. In the second half, methods will be explored by addressing the question: which methodological approaches are most suitable for an IEG? Methodology is a contentious issue between Original Institutional Economics and New Institutional Economics. However, both approaches, New Institutional Economics implicitly and Original Institutional Economics explicitly, tend to rely on qualitative and mixed empirical research methods.</p>

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An Institutional Economics of Gift?

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Abstract

In this article we will try to show the research potential of an institutional interpretation of the gift, a perspective that we have tentatively called an *Institutional Economics of Gift* (IEG). Such a research perspective aims to build up a possible common ground between two fields study: inquiries of the gift and Institutional Economics. Though gift and gift-giving are ubiquitous and usually governed by institutions like social norms, habits and customs and sometimes enforced by some sort of moral obligation or even legal sanction, we cannot immediately combine these two academic debates without providing a preliminary analysis of the overlapping zones and lines of tension between them. For this purpose, we dwell on two key issues that any research perspective is expected to address: the subject matter and the method. Without any claim to exhaustiveness, the subject matter of an IEG will be explored through the analysis of three important forms of institutionalized gift-giving: the welfare state, the third sector and the percentage philanthropy tax scheme. All of them raise the issue: to what extent can gift-giving be institutionalized and even legally enforced without losing some of its characteristics such as spontaneity, freedom and/or voluntariness? Moreover, this investigation points to the need to reflect more on the relationship between obligation and freedom as well as to go beyond the State/Market dichotomy. In the second half, methods will be explored by addressing the question: which methodological approaches are most suitable for an IEG? Methodology is a contentious issue between Original Institutional Economics and New Institutional Economics. However, both approaches, New Institutional Economics implicitly and Original Institutional Economics explicitly, tend to rely on qualitative and mixed empirical research methods.

Keywords: Methodology; Social Anthropology; Welfare State; Third Sector; Percentage Philanthropy

1. Introduction

Gift-giving practices can be observed everywhere in modern societies. A prominent recent example is the charity founded in the UK by Sir Captain Tom Moore. On an impulse to help the tax-funded, but cash strapped British National Health System (NHS) during the Covid-19 pandemic, this centenarian British army officer started to pace up and down his garden and by publicly advertising this activity raised more than £32m for NHS charities. In the UK, Captain Tom was publicly perceived as a symbol of solidarity and altruistic spirit during the health crisis and has even

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3 been knighted in a formal ceremony by the Queen³. However, though Captain Tom's is an
4 extraordinary story, gift-giving is ubiquitous. Just think of Christmas and birthday presents or beggars
5 in the street. Moreover, there is the whole 'industry' of charities like Oxfam, the Red Cross, NGOs
6 like Greenpeace and Amnesty International as well as a whole raft of foundations, sponsorships and
7 all the volunteer work provided in soup kitchens and other charitable organisations. All these more
8 organised versions of the gift are usually governed by institutions like *social norms*, *habits* and
9 *customs* and sometimes enforced by some sort of moral obligation or even legal sanction. Hence our
10 starting questions are: How can Institutional Economists apply their particular theoretical skills to the
11 phenomenon of gift-giving and provide effective explanations for this vast area of the economy? And
12 vice versa, how can a focus on the realm of the gift in modern economies and an employment of
13 appropriate methods of inquiry further develop Institutional Economics?

14
15 The foundation for theorising the gift was laid by Social Anthropologists like Malinowski
16 (2002[1922]) and Mauss (1990[1925]) and later further developed by Polanyi (1968[1947] and
17 1968[1947]a), Titmuss (1997 [1970]), Sahlins (2004[1972]) and more recently Weiner (1992). The
18 French economist François Perroux (1961) engaged fruitfully with the ideas proposed by
19 anthropologists of the gift as an alternative form of distribution. Moreover, some productive debates
20 were happening between economists and anthropologists in the 1960s (Firth 1967). While
21 anthropologists focused on reciprocity, the sociologist Alvin Gouldner (1973) stressed "the
22 importance of something for nothing" in gift-giving. Both ideas – reciprocity and pure gift-giving
23 were further developed and combined with some standard utilitarian concepts by Kenneth Boulding
24 in his *Grant's Economics* (1981). However, when at all taken seriously, most mainstream economists
25 regarded the ideas put forward by anthropologists as a threat to their dominant utilitarian paradigm
26 and tried to incorporate them as just a variant of self-interested market exchange especially in the
27 growing and already quite advanced field of economic analysis of philanthropy and charitable giving.

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³ For a critical review of the institutionalization of the British honors system over time, see Harper (2020).

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3 From Gary Becker (1974) to the most refined works of Andreoni (1988, 1989, 1990), most of the
4 times, such giving was modelled as private contribution to public goods (examples for this approach
5 are: Ribar and Wilhelm 2002; Andreoni et al. 2014 and 2016; Andreoni and Payne 2011; Kaplan and
6 Ruffle 2009; Karlan and List 2008 and List 2011)⁴. This attitude of ‘economic imperialism’ led to
7 decades of unproductive paradigm disputes between mainstream economists and anthropologists
8 (Marchionatti and Cedrini, 2017). Apart from Perroux and Boulding it was mainly Institutional
9 Economists who took the anthropological work and concepts seriously and used them in their own
10 theorising (e.g. see: Vayda 1967; Dalton 1968; Bhardwaj 1972; Dowling 1982; Greenfield 1982;
11 Neale 1984 and 1990; Stanfield 1986; Hodgson 1988; Schaniel and Neal 1994 and 2000; Adams and
12 Neale 1997; Billig 2000; Yonay 2000; etc.⁵). There have also been attempts to review classical
13 anthropological literature from a New Institutional Economics perspectives (Tai Landa 1994). For a
14 renaissance of a strong and effective collaboration between Institutional Economists and Social
15 Anthropologists it is very encouraging that some recent work by the later turned to engaging with the
16 modern capitalist economy in an attempt to provide an alternative analytical framework to
17 mainstream economics (Hahn and Hart 2009 and 2011 and Gudeman 2016). Interestingly,
18 Gudeman’s conceptual work (2016) is deeply influenced by Veblen’s dichotomy of instrumental and
19 predatory institutions.

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22 In previous publications we (Kesting, Negru and Silvestri 2020) and other contributors (Elder-
23 Vass 2019; Cedrini et al. 2019; Hudik and Fang 2019; Taylor and Goodman 2019 and Goodman and
24 Herzberg 2019) have already shown the possibility of opening up a research perspective by linking
25 together gift and gift-giving studies and Institutional Economics, broadly understood (allowing for
26 both Original Institutional Economics and New Institutional Economics views). We have tentatively

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29 ⁴ However, there are also attempts to go beyond the utilitarian paradigm introducing a notion of reciprocity (Sugden
30 1982, 1984) or to broaden the economic perspectives in these fields as evidenced by several contributions to the
31 *Handbook on the Economics on Reciprocity and Social Enterprise* (Bruni and Zamagni 2013).

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34 ⁵ A search in JEI on JSTOR on 30 July 2020 produced nine articles with keywords “anthropology” or “anthropological”
35 in their title referenced here. Note that there is engagement of institutional economists with anthropology spread over
36 several decades. And this selection is only a fraction of the JEI articles relevant for us. A search for the same keywords
37 in all content of JEI on JSTOR on the same day found 301 articles. A lot of these articles deal with topics like: culture,
38 Karl Polanyi, methodology, etc.

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3 called this research perspective an “*Institutional Economics of Gift*” (henceforth “IEG”) (Kesting,
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5 Negru and Silvestri 2020, 7). Moreover, we have edited a book (Kesting, Negru and Silvestri 2020a
6
7 [forthcoming]) containing further contributions to an IEG⁶.
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10 Much of this possible connection between the two research fields depends on our understanding
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12 of ‘gift’ and ‘institutions’ on the one hand, and on their possible overlapping zones and/or lines of
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14 tensions on the other. We propose two important areas or angles to further develop the institutional
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16 analysis of gift-giving and, therefore, an IEG: a) the subject matter that is, certain broad policy fields
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18 or important general social contexts: the welfare state, the third sector and percentage philanthropy
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20 tax scheme and b) the method, that is a clear understanding of the most appropriate way of theory
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22 building and empirical investigation.
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26 The article is split into two sections, while section 2 deals with the subject matter, section 3
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28 turns to the method of an IEG.
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31 In section 2 we will explore the following issues: what are the lines of tension between gift-
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33 giving practices and certain institutional settings, and in which case studies are they more or less
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35 present and, therefore, useful to further explore the subject matter of an IEG? In particular, we will
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37 focus on the problematic tension between obligation and freedom on the one hand, and on the
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39 state/market dichotomy on the other. The three forms of institutionalized gift-giving analyzed by us
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41 – the welfare state, the third sector, and the percentage philanthropy tax scheme – show how there
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43 are different nuances of this tension, susceptible to further research.
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47 In section 2 we will be mainly concerned with the following issue: which methodological
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49 approaches would be most suitable for an IEG? Across the range of different types of institutional
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51 economics (New and Original⁷) there seems to exist an at least implicit agreement that qualitative
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53 cases studies play a major role in accounting for the empirical relevance of or for “measuring”
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55 institutions (Voigt 2013). However, it may be advisable to use mixed methods (Negru 2016) and to
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59 ⁶ We are most grateful for roughly two years of productive collaboration with our colleague Ioana Negru and want to
60 thank her for providing numerous constructive comments to a previous version of this article.

⁷ We prefer the label “original” to “old”.

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3 rely also on quantitative data. There is less agreement when it comes to methods of theory
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5 development. While New Institutional Economics is somewhat wedded to a deductive approach
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7 aiming at generalizable abstractions and starting from, but departing in incremental steps from
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9 standard neoclassical assumptions (Rutherford 1994), Original Institutional Economics explicitly
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11 employs an abductive approach – a circular combination of deductive and inductive methods (Bush
12
13 1993). However, for empirical accounts and also for theory development the ethnographic methods
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15 used by anthropologists and the theorizing based on the gift can play an important role in advancing
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17 Institutional Economics as a whole. This was already highlighted in Karl Polanyi's later works
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19 (1968[1947]a).

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24 The article ends by providing some (tentative) conclusions regarding the research implications
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26 for an *Institutional Economics of Gift*.

31 32 **2. Forms of Institutionalized Gift-giving**

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34 A good starting point to understand the overlapping zones and/or lines of tension between gift
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36 and institutions that a future IEG should attempt to address is to reflect on the following issue: to
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38 what extent can gift-giving be institutionalized and even legally enforced without losing some of its
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40 characteristics such as spontaneity, freedom and/or voluntariness? We will try to explain the
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42 importance of this question, its different nuances, the theoretical and practical implications, through
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44 the analysis of some relevant (and possible) institutional case studies and/or policy areas: the welfare
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46 state and the third sector. Moreover, we will add some remarks with regard to the hybrid case of the
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48 tax percentage philanthropy institution. The choice of these case studies and policy areas is guided
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50 by their significant institutional dimension and overall welfare implications. This institutional
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52 dimension allows us, on the one hand, to avoid the risks inherent in some reconstructions that see the
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54 presence of the gift in modernity relegated to the sphere of private present-giving (see, for example,
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56 Cheal 2015), and on the other hand, to better see problems that seem to us to be of some importance
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3 for a future IEG. The first question for these case studies and policy areas is the always problematic
4 relationship between obligation and freedom. North's (1990) insistence on institutions as 'constraints'
5 as well as their influence on 'economic performance' ended up conveying a merely functional
6 conception of institutions: rules have been reduced to nothing more than structures of incentives
7 (rewards and punishments). In this perspective, a rule would be obeyed or followed by virtue of a
8 cost-benefit calculation. Consequently, this functional conception of institutions ended up
9 obfuscating the more general problem of legal-political obligation, namely the problem of why to
10 follow a rule or obey authority and therefore, inevitably neglected the problem of the relationship
11 between obligation and freedom. An issue that is crucial for understanding the phenomenon of gift
12 and reciprocity as well as of institutions.

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The functional conception of the rules and the neglect of the obligation issue are two sides of the same coin, and are due to some behavioral assumptions of the NIE which in many ways remain tied to the model of the utility maximizing individual. Starting from this model, it is in fact difficult to explain rule following behaviors based on habits, morality, sense of duty, justice, beliefs or perceived legitimacy of authority (Sen 1982; Searle 2001; Hodgson 2013, 2014 and McCloskey 2015). On the other hand, the failure of the self-interested *homo oeconomicus* paradigm has long been exposed. The literature on *homo reciprocans* (see at least Fehr and Gächter 1998, 2000; Fehr, Fischbacher and Gächter 2002) has shown how people can obey / disobey the law and / or respond to the behavior of other subjects starting from a certain sense of duty or fairness or reciprocity, even if this is 'costly' for them. Above all, and quite paradoxically for IE, the utility maximizing assumption compromises the possibility of a full understanding of the origin, evolution and persistence of institutional rules. It is not surprising that especially NIE, starting from the aforementioned functional conception of norms and from their behavioral premises, has mostly neglected the theme of the gift: in truth, with its specific type of microeconomic lenses, it can hardly see it.

On the other hand, the anthropological literature itself tried to overcome some of the problems left unresolved by Marcel Mauss, in particular the question of the presence of the gift in modern

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3 society (Godbout and Caillé 1998; Caillé 1998), but ended up, almost paradoxically, with over-
4 emphasizing Mauss's insistence on the universal obligation to reciprocate. This universal obligation
5 to reciprocate has been criticized as "manifestly false" (Tesart 1998) from an empirical point of view,
6 and may therefore not be an "essential" characteristic of the gift (Elder Vass 2019). If one considers
7 the gift between strangers as a typical gift of modernity, as the heirs of Mauss themselves recognize
8 (Godbout and Caillé 1998; Caillé 1998, but see also Silber 1998), it must be admitted that there are
9 different forms of circulation of the gift, such as the gift of blood and the gift of organs, not to mention
10 other forms of institutionalized mediation of gift to strangers, such as charities and the philanthropic
11 sector, which leave no room for reciprocation. Furthermore, this insistence on the universal obligation
12 to reciprocate risks confusing different degrees and types of obligation, moral and legal obligation,
13 as well as different types of sanctions and related enforcement mechanisms. It is nevertheless true
14 that the distinction between the legal and the moral is much more blurred than is believed, not only
15 because some legal norms are the crystallization of moral norms over time, but also because laws can
16 be obeyed not only and not so much because they are 'legal' but insofar as their moral foundation is
17 recognized.

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19 Therefore, if we assume that the gift can be understood as an institution, the aforementioned
20 issues appear to be fundamental both for a reflection on the normative foundations of institutions and
21 for a better understanding of the 'normative' and 'obligatory' character of the gift. It seems to us then,
22 that reflecting on the normativity of gift and institutions and on the type of obligation that both create
23 can constitute a fruitful meeting ground for anthropological and IE approaches.

24
25 The second issue of some relevance for the development of an IEG is the need to overcome the
26 State / Market dichotomy. We will dwell a bit more on this issue in section 3. Here we will limit
27 ourselves to note that even if the third sector is the *locus classicus* where this need is more urgent and
28 pressing, the other case studies here analyzed point in the same direction.

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3 With the aforementioned anthropological, institutional and methodological considerations in
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5 mind, let us see why the questions raised by the three case studies and/or policy areas seem relevant
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7 to us for a future IEG.
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10 11 12 13 **2.1. Welfare as institutionalized Gift?** 14

15 Can Welfare Institutions be understood as institutionalized forms of gift circulation? Marcel
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17 Mauss replied in the affirmative in the conclusions of his famous work, but without giving further
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19 explanations. Richard Titmuss, in the now classic *The Gift Relationship* ([1970] 1997), has tried to
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21 tackle the problem going beyond Mauss's account of mutual obligations created by the gift in archaic
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23 societies. Nonetheless, Titmuss ended up raising "philosophical" questions, regarding the "morality
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25 of society and of man's regard or disregard for the needs of others", to which he had failed to provide
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27 an answer, as he himself acknowledged: "Why give to strangers? [...] Who is my stranger in the
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29 relatively affluent, acquisitive and divisive society of the twentieth century? What are the connections
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31 then, if obligations are extended, between the reciprocals of giving and receiving and modern welfare
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33 system?" (Titmuss [1970] 1997, 57-58).
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39 So, Titmuss's work raised more questions than it gave answers. For example, he started from
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41 the conviction that a "socialist social policy" is essential to foster altruism and the sense of community
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43 in society, even though this assumption is never demonstrated. He simply assumed a *tabula rasa*
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45 conception of man (Titmuss [1970] 1997, 59) and a corresponding holistic and "organicistic"
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47 (Fontaine, 2002, 404) view of institutions. Again, it has been noted that in Titmuss's thought there is
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49 a "Manichean bipolarity: [...] he never accepted that the market could complement welfare and need
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51 not be its enemy" (Reisman 2004, 780). Such "Manichean bipolarity" can be traced back to his
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53 attempt "to distinguish the social from the economic" (Titmuss [1970] 1997, 57), which, in turn, led
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55 him to be trapped in ideological counter-positions – between gift and exchange, state and market,
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57 altruism and egoism – tempting him to fall into a dualistic fallacy (Silvestri 2019).
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3 Identifying the welfare state outright with altruism means either generalizing too much or
4 asking too much from both the welfare state and altruism. Not surprisingly, even those who worked
5 in the shadow of the “quasi-Titmuss paradigm” ended up mitigating Titmuss’s insistence on altruism,
6 trying to justify redistributive policies through other argumentative ways such as distributive justice
7 and / or citizens’ rights and duties (Deacon 2002, 22ff).
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11 To understand what the issues and dilemmas are that emerged in the post-Titmuss debate, we
12 first propose to regard the welfare state as an institution made up of a *bundle of rights and duties*.
13 This implies, for example, that some welfare insurance schemes, such as pensions, may be closer to
14 a logic of economic (guaranteed) return than to a gift. However, note that the label “insurance” may
15 be used to make welfare distribution schemes politically more palatable. Furthermore, these rights
16 and duties rest on some informal, historical and cultural foundations which are different from each
17 other and case specific. The “worlds of welfare capitalism” (Esping-Andersen, 1990) are not easily
18 generalizable.
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33 Secondly, such issues and dilemmas can be clarified by breaking down our starting question
34 into a series of sub-issues.
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41 *2.1.1. The Welfare State as a Bundle of Citizens’ Duties and Rights*

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43 If we conceive the welfare state as a bundle of citizens’ duties and rights, how can the gift be
44 reconciled with such a logic of duties and rights? Let us first look at the two sides of the circulation
45 of the gift – giving and receiving – implicit in redistributive policies. On the ‘giving’ side, the gift /
46 duty dilemma is the following: if the citizen has a duty to pay taxes, and if the freedom implicit in
47 voluntary giving implies the freedom to give and not to give, then paying taxes is not a gift. As
48 Godbout argued, criticizing Titmuss: “a gift that’s imposed is not a gift” (1998, 60). On the ‘receiving’
49 side, the rights / gift dilemma is linked to the previous one: “if one cannot have a right to a gift, and
50 if one has a right to welfare, then welfare cannot be a gift” (Harris 1987, 67).
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3 However, apparently reality is more nuanced than portrayed in such dilemmas, as are possible
4 'solutions'. A first 'solution' consists in excluding the gift from the domain of welfare and therefore,
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6 also from the rights and duties institutionalized by welfare regimes. Gift and gift-giving are only
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8 present in other spheres of society that have a greater vocation to give: the third sector, charities and
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10 voluntary work as well as the primary social support networks, such as families and communities.
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12 This 'solution' usually gives rise to two other configurations of the relationship between the
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14 institutional sphere of the state and the institutional spheres of society. This relationship can be
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16 conflicting or cooperative, and in several cases it has been conceptualized in terms of an institutional
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18 "crowding out" or "crowding in". Empirical inquiries of these phenomena produced very different
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20 results depending on the historical context in which they were carried out⁸ thus, showing the weight
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22 of the cultural background in which both the welfare state and the 'other' spheres of gift are located.
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24 We will return to this point in the section dedicated to the third sector.
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31 Another solution consists in seeing the terms of the duties/gift and rights/gift dilemmas in a
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33 non-oppositional but complementary way with reference both to the character of the legal obligation
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35 and to the role played by the enforcement of rights and duties. First of all, even those who see a strong
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37 contradiction between gift and taxation have to admit that the "constraint" of taxation is "to some
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39 extent freely consented to in democratic societies where [...] there is 'no taxation without
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41 representation'" (Godbout 1998, 60). Therefore, if free consent is admitted, and in so far as we
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43 consider freedom as essential characteristics of gift-giving then, it cannot be excluded, at least *a*
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45 *priori*, that some citizens pay taxes freely and with a gift-giving spirit. Furthermore, reducing the duty
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47 to pay taxes to coerced obedience is somewhat naive. The literature on *tax compliance* and *tax morale*
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49 has long shown that the motives behind taxpayer's compliance go well beyond the deterrence model,
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51 *à la* Becker, and the associated cost/benefit analysis of the simple binary choice to pay/evade taxes
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53 (Andreoni et al. 1998, Alm et al. 1992, Alm and Torgler 2006, Torgler 2007).
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⁸ For a survey of this literature see Pestoff 2008, 225ff.

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3 Furthermore, from an institutionalist perspective, if we assume that the duty to pay taxes is a
4 *rule*, and that this duty has taken on the character of a custom or “immanently normative disposition”
5 and that therefore this rule is “followed without much thought”, this means that the real “normative
6 issues will emerge” only “if the rule is scrutinized or contested” (Hodgson 2006, 3). Such scrutiny
7 can occur for example, if taxation is perceived as unfair, vexatious or confiscatory. Finally, in a
8 system that works well, coercion is a sort of ‘guarantee of last resort’: it is addressed “not to the free
9 rider, but to the citizen respectful of the law” (Menéndez 2001, 145), to instill reassurance that there
10 will not be many free riders who break the virtuous circle of contributions and of legality.
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21 Finally, the ‘solution’ to the rights / gift dilemma can be thought of in terms of complementarity
22 as well:
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27 A properly constituted welfare state in which there existed a strong sense of community would
28 depend, first, on altruistic behaviour to supply need-satisfying resources and, second, if
29 necessary, on a backup system of enforceable rights if ever there were a shortfall of resources.
30 If altruism fails, rights take over; if altruism works, rights do not need to be invoked (Harris
31 1987, 73).
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39 2.1.2. *Welfare Regimes and Norms of Reciprocity*

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41 Probably the most promising line of research on the welfare state is the growing literature that
42 has emphasized the role of reciprocity in welfare regimes (Bowles and Gintis 2000; Wax 2000;
43 Ullrich 2002 and Goodin 2002). Reciprocity refers to exchanges that are neither reducible to people’s
44 generosity nor to their self-interest thus, overcoming their sterile opposition and explaining the
45 motives in support (or in opposition) to redistributive policies in a more articulated way. Few studies,
46 however, have attempted to explore in what sense we can speak of institutionalized norms of
47 reciprocity as the normative foundation of the welfare state. Among these, the perspective put forward
48 by Mau (2003, 2004), which conceives the redistributive transfers of welfare regimes as “norms of
49 social exchange”, deserves to be mentioned. This approach has a twofold advantage. On the one hand,
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3 it provides an account of the role played by welfare institutions: “although institutionally validated
4 reciprocity norms do not fully determine people’s attitudinal stances, there are good reasons to assume
5 that people tend to accommodate themselves within a given institutional set and that their
6 interpretations of fairness are ‘institutionally biased’” (Mau 2004, 54). On the other hand, it seeks to
7 build a (Weberian) typology that better distinguishes the different types of welfare exchanges in
8 relation to the norms of reciprocity and justice they entail, according to the different historical,
9 cultural and economic welfare regimes. For example, in the case of universal welfare provision we
10 can speak of “generalized reciprocity” (Sahlins 1974, 193), in which “transactions are putatively
11 altruistic with some vagueness about the obligation to reciprocate” (Mau 2004, 64). For instance, in
12 the case of the Bismarkian social policy model, mainly based on social insurance schemes, there is a
13 “balanced reciprocity, where payments are made with the expectation of equivalent returns” (Mau
14 2004, 67).

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Institutions matter, IE scholars have repeatedly insisted. In light of this promising line of research, and paraphrasing the title of a work by Bo Rothstein (1998), we can say that *Just Institutions and the conception of the gift and norms of reciprocity matter*, too.

2.2. *The Third Sector as an institutionalized Form of Gift Circulation*

In what sense can the third sector be understood as an institutionalized form of gift circulation? There is a substantial agreement in the anthropological and sociological literature about the centrality of the third sector as one of the paradigmatic ‘places’ for the circulation of the gift in modernity (Godbout and Caillé 1998, Caillé 1998, Adloff & Mau 2006). Yet it is not entirely clear whether and in what sense this sector is an institution. It is emblematic that this sector has been neglected by IE scholarship, with very few exceptions. While considerable analytical efforts in understanding the third sector phenomenon have been made in Social Economics,⁹ as well as in studies on social capital

⁹ For an introduction see: Davis & Dolfsma 2008.

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3 dating back to the works of Putnam et al. (1994), the third sector has also been under the spotlights
4 of an economic approach closer to the mainstream. Let us try to understand why an IEG might and
5 should be interested in the third sector phenomenon.
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10 To answer the aforementioned question, at least four sub-issues are of some relevance for a
11 future IEG.
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17 2.2.1. Identity of the Third Sector

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20 Can the ‘third’ sector be ‘identified’ with the logic of gift and reciprocity and in this way, go beyond
21 the state / market dichotomy? The problem of the ‘identity’ of the third sector does not only concern
22 its definition, it also refers to a methodological problem, namely the difficulty of applying the concept
23 of the ‘third sector’ and even more of ‘non-profit’ universally to very different historical, cultural,
24 associative and institutional experiences.¹⁰ The ‘third sector’ risks being perceived as either a *residual*
25 between the state and the market, or merely as *functional* to the state and the market, i.e. designed to
26 make one and / or the other work better (Donati 2008). It could therefore be said that the third sector
27 has fallen victim to its own ‘thirdness’: ‘that which is in between’ rather than being defined by its
28 specific identity.
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41 It seems to us that being able to conceptualize the place of the gift and reciprocity in the third
42 sector as its own identifying element is a way of removing the third sector from these conceptual
43 difficulties and ambiguities and at the same time, of thinking of it beyond (and not in between) the
44 state / market dichotomy.
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57 ¹⁰ The research developed by the *John Hopkins Comparative Nonprofit Sector Project* since the 1990s (see: Salamon &
58 Anheier 1996), constituted the benchmark for many other subsequent studies and statistical surveys (United Nations
59 2003). A side effect of these studies is that they ended up neglecting important associative and organizational
60 experiences developed in the European context such as cooperatives and mutuals. Hence, other studies aimed at
balancing the focus in a more European perspective, more attentive to national varieties and specificities and more
historical-dynamic oriented (see: Evers & Laville 2004, Monzon & Chaves 2008).

2.2.2. *Gift and Reciprocity in the Third Sector*

How have the dynamics of gift and reciprocity historically been developed and institutionalized through the statutes, cultures, social practices and organizational characteristics of third sector organizations? For example, one can reasonably think that while cooperatives operate mainly on the basis of reciprocity rules, voluntary associations are closer to the logic of gift-giving. It is clear, however, that the dynamics of reciprocity and gift can overlap, even considering the variety and breadth of the typology of entities belonging to the third sector: pro-social foundations, pro-social associations, family associations, etc. On the other hand, in a very generic sense these organizations act as institutional mediators for the circulation of the gift. This circulation can have different degrees of amplitude depending on the degree of outward openness of these organizations.

Furthermore, there are even more hybrid cases, such as the so-called social enterprises, where the dividing line between the state and the market completely fades as they implement a mix of social goals and business goals.

2.2.3. *Organizations and Rules*

In what sense can we speak of institutions in the third sector? What types of rules are governing the third sector and at what institutional level do they operate? It is clear that third sector *organizations* are a particular type of institutions, equipped with their own systems of rules (and shared beliefs and values)¹¹ and that they can at the same time be actors in a different context or on a specific institutional level when for example they interact with other superordinate institutions or with other actors within certain frames of rules.

In this regard, the third sector often simultaneously answers to two different forms of regulation private law and public law. The first is based on forms of self-regulation, for example through the

¹¹ See for example; Amendola et al. (2011) who, drawing inspiration from Aoki's definition of institutions (2001, 2007) as a bundle of formal rules and subjective shared beliefs have attempted an explicit conceptualization of the third sector as an institution.

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3 statutes. These are usually rules aimed at clarifying the reciprocity rules governing relations between
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5 members, the shared values and the mission of the organization. Public sector regulation of the third
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7 sector, on the other hand, is more oriented towards regulating the freedom-responsibility *nexus* related
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9 to organizations' action in the public sphere and/or in relation to other actors that is, when it is
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11 necessary to take on a legal role and fulfill institutional obligations (in contracts, in economic
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13 accounting, social reporting, etc.). The third sector needs this regulation both to be recognized and
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15 legitimized and to establish a certain degree of certainty in mutual expectations (see: Evers and
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17 Laville 2004). However, Donati states that there is a difficulty in
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22 institutionalizing the private social [...] due to a sort of intrinsic difficulty [...] in finding effective,
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24 lasting forms of regulation suitable for its purposes. [...] the private social can only be institutionalized
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26 up to a certain point, because there are limits beyond which it loses its thrust and its spontaneous nature
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28 (Donati 2004, 15-16).
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32 2.2.4. *Third Sector interaction with State and Market*

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34 How does the third sector interact with the other two institutional pillars: the State and the Market?
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36 It is known that in America the third sector is closer to the Market, while in Europe it is closer to the
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38 State, but it is also necessary to better understand the dynamics of complementarity and / or conflict
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40 (and / or crowding in or crowding out effects) between the third sector and the State as well as the
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42 Market which we mentioned in the previous section. A few IE studies on the third sector have focused
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44 precisely on these aspects, especially emphasizing the cases of complementarity (Valentinov et al.
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46 2015) or synergy (Christoforou 2010) between the third sector and the State and on how such
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48 complementarity (Amendola et al. 2011) contributes promote a culture of cooperation, altruism and
49
50 solidarity. Other more recent studies have instead focused on how some forms of institutionalized
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52 gift-giving provided by some churches or third sector organizations seems to be more 'efficient' (at
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54 least in some respects) than the State and the Market thus, capable of overcoming some social
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dilemmas, such as the Samaritan's dilemma or welfare dependency (Taylor and Goodman 2019; Goodman and Herzberg 2019).

3.3. Tax Percentage Institutions

Perhaps the most striking, hybrid as well as least known case of cooperation and complementarity between the State and the third sector are the *Tax Percentage* systems, better known as *Percentage Philanthropy* institutions. They exist in some Southern and Central-Eastern European countries: Italy, Spain, Portugal, Hungary, Romania, Poland, Slovakia, Lithuania¹². They are a particular type of fiscal institutions by which taxpayers can freely designate a certain percentage of their income tax to entities whose main activity is of public interest: churches and, above all beneficiaries belonging to the third / voluntary sector and / or other entities pursuing social purposes such as scientific research and universities, health research, environmental protection, local municipalities and political parties. If taxpayers do not express their choice then, that percentage of income tax will go to the State's coffers by default. Such mechanisms are very peculiar types of institutionalized gift-giving, resting on very simple rules regarding taxpayers' choices. However, the eligibility criteria for beneficiaries and the redistributive mechanism are managed by the State which merely acts as a mediator between the citizen-taxpayer and the beneficiaries. In Italy for example, the legislator introduced this fiscal institution, the so called 'Otto per mille' or '8x1000' thus, the 0,8% of the income tax which can be designated to a State's fund (for social purposes) or religious confessions in 1985 (but it came into force in 1990)¹³. Later in 2006, a new institution was introduced, the so called 'Cinque per mille' or '5x1000' (0,5% of income tax) where a certain such portion of taxes can be given to several beneficiaries. To get an idea of the impact and scope of such institutions, consider that only in the last

¹² See Bullain 2004; Gerencsér and Oprics 2007; Török and Moss 2004.

¹³ For a recent attempt to provide a theoretical account of the 8x1000 institution, see Robert Sugden (2018, 168-173) who, following the contractualist approach in the tradition of Wicksell, Lindahl and Buchanan, interprets the 8x1000 as a mechanism of private contribution to public goods, understood in the light of the principle of "mutual benefit" among members of society.

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3 five years the 8x1000 and the 5x1000 have generated and redistributed revenues of approximately
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5 8.5 billion, or approximately 1.7 billion per year and that almost 50% of taxpayers express their
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7 choices and that the vast majority of these choices are addressed to the third sector. The “Cinque per
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9 mille” was introduced in the name of the principle of fiscal subsidiarity, meant as horizontal
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11 subsidiarity and to provide a relief to the never-ending crisis of the welfare state by relying on the
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13 goods and services provided by the third sector. For this reason, this institution can be read as
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15 complementary to the welfare state and, given the central role played by the third sector and the
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17 hybrid characteristics of this institution it challenges once more the State / Market dichotomy.
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21 A recent theoretical and empirical study of the Italian ‘5x1000’ tax percentage system (Silvestri
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23 et al. 2020), based on a mix of quantitative and qualitative research methods has shown that such an
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25 institution is interpreted by taxpayers as a “quasi-voluntary taxation” mechanism, in so far as it
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27 guarantees the exercise of their own “fiscal sovereignty”, meant as the autonomy to choose the
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29 beneficiary of their own taxes. Alas, such an understanding would cast a new light on the tension
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31 between the obligation (to pay taxes) and the freedom (to give) and its nuances of grey, well beyond
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33 the abovementioned debates over the welfare state and the third sector. Above all, as emerged in the
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35 survey delivered with the aim of understanding taxpayers’ motivations for giving the 0,5% of their
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37 income tax, the answer that received the highest score was: “[by giving the 5x1000] ‘I do good to
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39 others / help those who are less fortunate’”. This is the answer that was assumed as proxy of gift-
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41 giving and altruism. Such altruistic motivation is also logically consistent with the rules governing
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43 taxpayers’ choice, as choosing to give or not to give a share of income tax to a specific beneficiary
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45 makes all the difference both for the taxpayer and for the beneficiary. From the beneficiary’s point of
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47 view, what is received cannot but be a gift. From the taxpayer’s point of view, if he truly wants the
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49 beneficiary to receive this gift then, he or she will have to choose to give.
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55 In any case, it seems to us that all the above mentioned approaches and case studies show how
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57 the time for an IEG is ripe.
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3. Methods

This section will turn to the question: Which sort of methodological approaches are suitable for an IEG? What can institutional economics learn from an analytical focus on the gift? To answer these questions, we will first discuss the core function of the gift for theory construction in economic anthropology followed by a description of its ethnographic method to gather data in field work and by interpretative participant observation. Moreover, we will contrast the methods of New and Original Institutional Economics to show that both approaches implicitly or explicitly rely a lot on qualitative data and in particular on storytelling and narrative case studies as well as mixed methods to develop and modify theory and to gather evidence to demonstrate the relevance and explanatory value of their institutional frameworks for understanding real world economic phenomena.

3.1. *The Gift in Theory construction*

The gift has iconic status for theory construction in social anthropology. Mauss who has never been in the field or done any ethnographic research himself takes Malinowski's observation of the Kula Ring (2002[1922]) and numerous other examples from a diverse range of cultures dispersed widely in time and space to develop his theory of the gift and its tendency to create reciprocity to draw conclusions for the industrial society of his time (France in the 1920s). At the end of his book (2016[1925]) and in search for a third dimension filling the void between State and Market. Note, that we have discussed this in some detail in section 2 above and will explore the epistemological relevance of "thirdness" at the end of this part. Mauss presents these conclusions in three parts. 1) He uses this distilled theory of the gift to propose particular policy solutions: a social welfare state underpinned by a socialist society. Note, that we discussed the special relation between the gift and the welfare state in section 2.

Moreover, Mauss's analysis of the gift was meant as a re-education program to secure sustainable peace. We have to keep in mind, he wrote the book under the impression of the bloodbath of the first

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3 world war. He ends the book on a very optimistic note which is totally antagonistic to homo
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5 oeconomicus: “It is useless to go looking for goodness and happiness far away. It is there, in the
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7 imposed peace, in well-balanced work, alternately together and alone, in the wealth that has been
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9 amassed and then redistributed, in the mutual respect and reciprocal generosity that education teaches
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11 us” (Mauss 2016[1925], 197).

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14 Moreover, 2) He presents the moral and ontological implications of the gift as an alternative to
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16 utilitarianism and 3) he proposes the ethnographic, historical, inductive method as the best way to
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18 understand economic and social institutions in a holistic fashion.
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21 So, as a method for theory construction certain case observations gain a particular pronounced
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23 status in anthropology. The Kula Ring described by Malinowski (2002[1922]) has in generally
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25 regarded as the iconic example for the gift inducing reciprocity which is totally different and distinct
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27 from economic exchange in the neoclassical sense. Though this interpretation of the Kula Ring has
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29 been critically examined and questioned (Weiner 1992; Landa 1995 and Testart 1998, 101-102) and
30
31 led to other critical reviews (Gouldner 1973) it has nonetheless inspired scholars in diverse social
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33 sciences (Bataille 1988[1967]; Boulding 1981; Perroux 1961; Dillon 1968; Polanyi 1957[1944] and
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35 Polanyi 1968[1947a]) as well as decades and even centuries of methodological battles fought within
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37 anthropology (Firth 1967; Sahlins 2004[1972]) and paradigm wars between anthropologists and
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39 economists (Polanyi 1968[1947]; Hann and Hart 2011 and Marchionatti and Cedrini 2017).
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45 Epistemologically, there is a tradition of anthropological and sociological reflection on the gift
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47 as a “third paradigm” transcending both the individualism/holism methodological dichotomy (Caillé
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49 1998) and beyond the State / Market dualism (Adloff and Mau 2006).¹⁴ Even though these two
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51 oppositions do not always mean the same thing (see our exploration in section 2), the critique of such
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53 simple dualisms presents an overlap between anthropological and institutional economic analysis.
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55 Moreover, North and others demonstrated the theoretical limits inherent in an understanding of
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¹⁴ For another way of understanding the gift as the emergence of a ‘thirdness’ see Anspach (2002), or in a legal-philosophical perspective and in connection to the structural ‘thirdness’ of institutions see Heritier (2020).

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3 society, economy and institutions founded on a simple State versus Market dichotomy (North 1990,
4 and North 2005). Ostrom, in particular, urged us to look “beyond a market and state” dichotomy
5 (Ostrom 2010) because it leaves us ill equipped to grasp the specificity of the diversity of hybrid
6 cases. Finally, Hodgson (2001), referring to the Weberian notion of ideal-types suggested that from
7 a methodological point of view the use of ideal-types based on a range of ontologies and theoretical
8 preconceptions allows us to better grasp the historical specificity of certain institutions precisely
9 because ideal-types help “to map out the theoretical space within which hybrid or intermediate cases
10 can be located” (Hodgson 2015, 685).

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Stephen Gudeman’s work (2016) presents an excellent example for theory development based
on anthropological and institutional thinking. Gudeman has turned a lifetime spent on ethnographic
field work and social theorizing into an insightful institutional framework of the economy influenced
by Veblen, Braudel, Bohannan and Polanyi (see his endnote, Gudeman 2016, 193) which engages
critically with mainstream and Marxian economic concepts throughout his book¹⁵.

Gudeman distinguishes five spheres in the economy and starts from the “house” as the basic one
where most people practice economizing focused on preserving resources in their private households.
Strength or vital energy is used in a circular fashion in the house to build livelihood and to fulfil the
needs of those living together under one roof. This strength needs to be recuperated and sustained,
but in analogy to the physical laws of thermodynamics it is never lost. Thrift and sharing are the
principles guiding the house economy and its sister meta-sphere, the community which “...
encompasses more extensive relationships” (Gudeman 2016, 17). According to Gudeman:
“Communities include lineage and ethnic groups, cooperatives, unions, states, and alternative
economies built on modes of sharing” (2016, 17). Maximization of profit or consumer satisfaction
are quite foreign concepts in the house and communities. Gudeman’s analysis are based on and
supported by detailed reviews of his own and other anthropologists’ field work. The sphere of the

¹⁵ There is even some discussion of New Keynesian and Post-Keynesian economics, but no engagement with Feminist Economics. This is a pity because Gudeman would have found support in Feminist Economists’ work on care and provisioning for his framework.

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3 market – characterized by the profit motive – stands somewhat in opposition to the house and tends
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5 to exploit and colonize the house. In a nutshell, Gudeman’s theory of the economy is quite well
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7 summarized in the following paragraph sated at the beginning of his book:
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11 Economy has two sides. One is the high-relationship economy that is rooted in the house. Neglected by
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13 economic theory, it is prominent in small-scale economies, and hidden and mystified yet salient in
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15 capitalism. The other side consists of competitive trading. Anthropologists know one side of the
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17 economy and economists know the other, but the two are intertwined. Neither side is complete without
18
19 the other that influences it. Their balance varies across cultures and time. The tension lies within
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21 economies and within us. We calculate our relations to others, and we empathize with them. We measure
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23 some things and consider others to be incomparable. The tension is social and personal (Gudeman 2016,
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25 2).

26
27 Gudeman distinguishes three hierarchical spheres of the market characterized by an increasing degree
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29 of abstraction starting from the foundational commercial sphere known as the “real economy” or
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31 “main street” – the world of corporations –the financial sphere of “Wall Street (or The City)” is built
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33 upon it as a second market sphere: “The financial circuit intersects the commercial one through the
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35 liquidity it provides, and because some commercial entities derive a portion of their income from
36
37 financial operations” (Gudeman 2016, 19). He calls the third market sphere “meta-financial and it is
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39 farther detached from the house, the community or even the commercial sphere because it “... uses
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41 abstract instruments of finance that depend on the calculation of risk, which is objectified as a
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43 commodity to be bought and sold, as in a derivative” (Gudeman 2016, 19).

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45 On the one hand, the relationship between the five spheres is quite fluid and can vary: “The five
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47 spheres are emphasized differently across economies, and their prominence changes over time”
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49 (Gudeman, 2019, 21). While on the other hand, Gudeman states a drift or tendency towards
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51 colonization or exploitation of the lower material spheres by the higher financial spheres in modern
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53 capitalism: “From a different perspective, the other spheres increasingly dominate the house
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55 economies in the service of self-interest and profit, which is expressed as the need for efficiency and
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57 growth” (Gudeman, 2016, 21).
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3 This framework of social and economic spheres bears some resemblance with Habermas's (1981 and
4 1999[1992]) social philosophy combining an array of systems (state and market) with a tendency of
5 colonizing the "life world" which is somewhat similar to Gudeman's house and community.
6
7 Interestingly, Gudeman seems to neglect the specific role of the state and third sector in his analysis.
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9 The state and the third sector are not regarded as separate spheres by him but subsumed under the
10 sphere of communities.
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16 The key mechanism in the process of exploitation and colonization is a broad notion of rent:

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20 "Market rents include interest, dividends, ground rent, capital gains, royalties, profits, and arbitrage
21 returns enabled through use of financial tools. ... Tribute and tithes are rents¹⁶. The free use of
22 environmental resources is a kind of rent¹⁷. In these ways rents, which are a part of distribution, fall
23 outside a pure market analysis and a mode of production approach. They depend on asset control, social
24 relationships, and closely held knowledge from the mathematical to the sacred" (Gudeman 2016, 5).
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29 However, resistance against this assimilation of the house by the market is not futile because: "Rents
30 can be limited by strengthening the social sphere that enables and sets limits to markets. Setting caps
31 on markets, however, is a struggle between self-interest and mutuality in economy" (Gudeman 2016,
32 21). It is noteworthy and akin to our own IEG perspective that Gudeman regards rents as the other,
33 dark side the gift:
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41 "What the economist terms "rent," however, the anthropologist might term "free gift," which is doubly
42 interesting because neither economists nor anthropologists believe in free gifts. A free gift either falls
43 outside the model of calculated exchange or represents a denial of mutuality" (Gudeman 2016, 175).
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47 In contrast to both of these social science traditions, Gudeman stresses the importance of free gifts as
48 socially supportive and fostering communal action. However, instead of using the label gift, he
49 juxtaposes the behavioral pattern of self-interest with mutuality:
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54 "Mutuality means connecting to other, while self-interest means turning inward to personal ends and
55 calculating one's relations. Mutuality or sociability is expressed by sharing and is linked to empathy or
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60 ¹⁶ Note that this broad concept of rent bears some resemblance to Kenneth E. Boulding's grants economics (1981).

¹⁷ Note that this broad concept of rent bears some resemblance to K. William Kapp's concept of social costs (see: Kapp 1950 and Berger 2008 and 2017).

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3 the ability to see oneself in the place of others. The distinction between self-interest and mutuality is
4 typified by the difference between calculated behavior in markets and making material life through
5 social relationships” (Gudeman 2016, 11/12)¹⁸.
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8
9 Gudeman shows the working of sharing and mutuality in the house economy with the help of material
10 gathered in numerous ethnographic case studies mainly conducted by him in Latin America, but also
11 in reviewing ethnographic work by other anthropologists in other parts of the world. However, not
12 all mutuality is productive. There are also negative aspects of close social relationships: “The most
13 significant role of mutuality in markets today may be the most difficult to document: cronyism in
14 financial trade. Cronyism is a form of reciprocity between managers of capital” (Gudeman 2016, 67).
15
16 The method Gudeman employs and calls an “Anthropology’s Lens” is to gather empirical material
17 about the material local practices and voices of other cultures to inform his institutional theory
18 building to analyze modern capitalist societies while contrasting case observations with the
19 “descriptive, normative, or prescriptive” models developed by economists (Gudeman 2016, 10/11).
20
21 We have described Gudeman’s theory of the economy here at some length and considerable detail
22 because it presents a prime example of abductive theorizing based on an institutional framework and
23 on anthropological field work akin to our IEG approach and because it is distinctly different from,
24 while engaging with mainstream economic theories and concepts like: transaction cost economics,
25 rent seeking and other forms of abstract utilitarian modelling.
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46 **3.2. Ethnography**

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49 To this day, the core empirical method for anthropology is ethnography or fieldwork – the dense
50 description of human interaction drawn from a participant observer who tries to keep as open a mind
51 as possible when reporting and interpreting what he or she sees, hears and picks up in other ways
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55 (Engelke 2017: 14). Moreover, in their *Economic Anthropology* Hann and Hart also emphasize: “...
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60 ¹⁸ This concept of mutuality and also the idea that the market is somewhat more or less embedded in social structures is quite related to Mark Granovetter’s network theory and concepts of weak and strong ties (see: Granovetter 2005 and 2017).

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3 we are skeptical of evolutionary models grounded in notions of efficiency and abstract individual
4 rationality, and argue instead for a more rounded approach to economic organization that does justice
5 to the material, historical and ethnographic record” (2011: 8). Empirical evidence is recorded in the
6 following way: “On the basis of this participant observation the anthropologist amasses data, often in
7 the form of diaries and fieldnotes, ...” (Hann, 2000: 41). In the terminology of philosophy of science
8 this is an inductive method in the extreme. Superb examples of ethnographic investigations of
9 economic institutions are Caitlin Zaloom’s study of financial trading in London and Chicago (2006)
10 and David Graeber’s book on debt (2011).
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22 Moreover, to identify important differences as well as similarities in comparisons of socio-
23 economic systems thick description of historical cases is another important method for theory
24 development in institutional economics (Hodgson, 2001). However, such an institutional historical
25 analysis needs to mix a deductive and inductive approach, termed abduction in pragmatism because:
26 “The most powerful and informative statements and theories in the social sciences are those that
27 emanate from particular theorising that is targeted at a specific domain of analysis and also guided
28 by general frameworks and principles” (Hodgson 2001, 40).
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41 ***3.3. Explaining institutional Change***

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43 Certainly one of the key objectives of institutional economics is to better understand institutional
44 change within the current economic system – capitalism (Hodgson 2015; North 1990; North 2005
45 and Ostrom 1990). Such an improved understanding may also be helpful in developing a more
46 progressive, less crisis¹⁹ prone economic system for the future (Hodgson 2019). On our account the
47 reason why contemporary institutional economics should make more use of economic
48 anthropological research and ideas about the gift in particular is its potential to explain institutional
49 change. Ostrom (1990) has championed the use of anthropological field work to inform institutional
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¹⁹ Think for instance of the financial and climate systems.

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3 economic theory, but there are also industry and problem specific ethnographic studies which
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5 illustrate such fruitful interdisciplinary collaboration (Zaloom 2006 and Graeber 2011). Gudeman's
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7 work (2016) critically reviewed above (see 3.1) is a prime example of combining ethnographic field
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9 work and institutional theorizing to explain institutional change in modern capitalism.
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13 However, there is a bifurcation of the discipline into: Original Institutional Economics (OIE)
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15 and New Institutional Economics (NIE) (Rutherford 1996 and Groenewegen et al. 2010). A very
16
17 similar methodological and paradigmatic split into Rational Choice Institutionalism and Historical
18
19 Institutionalism is apparent in political science and other related fields in social science (Blythe 2002;
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21 Campbell 2004²⁰; Cole 2013 and Hall and Taylor 1997).
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27 *3.3.1. Method in OIE*

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29 As is clear from Hodgson's (1998) concise introduction to the institutionalist approach OIE would
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31 not have any objection to use ethnographic research in the mix of other methods²¹. He states six
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33 methodological principles: 1. Emphasis on cultural factors, 2. Openness to interdisciplinary work
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35 taking insights form other social sciences, 3. No recourse to or primacy of homo oeconomicus, but
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37 openness to other ontologies, 4. Statistical and mathematical methods may be useful, but are not the
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39 essence of economics, 5. The starting point of economic analysis is not mathematical modelling, but
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41 rather based on stylized facts and 6. "extensive use is made of historical and comparative empirical
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43 material concerning socio-economic institutions" (Hodgson 1998, 173). Hodgson (2001) also
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45 emphasizes the usefulness of ideal types in mapping out the theoretical space within which hybrid or
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47 intermediate cases can be located in-between or besides the spheres of state and market.
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57 ²⁰ Hall and Taylor (1996) as well as Campbell (2004) actually distinguish three paradigms of institutional analysis. See
58 table 1.1 presenting a concise overview in Campbell's book, p. 11.

59 ²¹A good example of the use of anthropological research is demonstrated by Bowles et al. (2005) in their pluralist
60 textbook while discussing culture (p. 39-42) and in presenting the case of "income distribution among the Lamalera" (p.
547) their "income" is a whale that's shared in a particular way. For an overview of qualitative and mixed methods used
in economics, see: Starr (2014).

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3 Moreover, Stanfield's sympathetic engagement with Polanyi's work leads to an explicit endorsement
4 of ethnography: "The point is that the methodology of economic anthropology should contain or be
5 part of economic analysis" (1986, 30). Somewhat earlier than Hodgson and Stanfield, Wilber and
6 Harrison wrote: "The holistic nature of institutionalism has ruled out other than incidental use of
7 formal methods. Instead institutionalists have engaged in a systematic form of storytelling ... a pattern
8 model" (1978, 71) and explicitly refers to: "the participant observer method" (Wilber and Harrison
9 1978, 74 and 75) as a preferred way of gathering data and theory building.

22 3.3.2. *Method in NIE*

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24 In an article for the *Journal of Institutional Economics* entitled: "How (Not) to measure institutions"
25 (2013) Stefan Voigt starts from a clear preference for objective (quantitative) measures over
26 subjective (qualitative) ones (Voigt 2013, 2). He also begins from a primacy in the characteristics of
27 institutions of constraining behavior of individuals – sanctioning mechanism (Voigt 2013, 5) while
28 later stressing the role of institutions in enabling behavior: "Institutions bring order to an otherwise
29 chaotic world. They allow actors to form reasonable expectations about the future, which, in turn
30 enables actors to develop a longer time horizon, make long-term investments, engage in the division
31 of labor and so forth" (Voigt 2013, 10). This statement already implicitly assumes some form of
32 methodological individualism and individual rationality as the motive for behavior. However, half of
33 the rules (conventions and ethical norms) presented by Voigt in a table are characterized by "self-
34 enforcement". So, this implies these rules are just followed by individuals because they are somehow
35 internalized (Voigt 2013, 6) while he does not provide an explanation of how this internalization
36 works or where these rules come from. Later he admits that finding out how the factual enforcement
37 of all rules works is "messy" (Voigt 2013, 8) and needs to "take behavior explicitly into account"
38 (Voigt 2013, 11). In our view this requires the application of qualitative research methods. This is
39 apparent when one looks at the empirical case studies (for instance: Ellickson, 1986, Bernstein, 1992

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3 and Djankov et al. 2003) which are used by Voigt to underpin his arguments and which are based on
4 ethnographic field work, surveys, in-depth interviews and other qualitative methods. For instance,
5 Bernstein's (1992) is a dense case description of how trust relationships are built in the diamond
6 industry and how disputes are settled outside the court. The study seems to be based on interviews
7 with diamond traders. While Voigt states that: "factually observed behavior needs to be measured"
8 (Voigt 2013, 17) and that surveys without ethnographic field research conducted in parallel are
9 unreliable (Voigt 2013, 18) or not "objective" (Voigt 2013, 19) he does not explicitly mention the
10 major role that qualitative or mixed-methods need to play in his research program, but talks about
11 "dummy variables", "predictability" (Voigt 2013, 20) and "appropriate models" (Voigt 2013, 22) at
12 the end of the text. However, there is no indication of how the holistic qualitative material gathered
13 in the cited empirical studies could be formalized.
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31 **3.4. Akerlof and Shiller – Story Telling**

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33 Other advocates for mixed methods and methodological pluralism are Akerlof and Shiller who point
34 out in *Animal Spirits* that all kind of empirical evidence counts: "Throughout this book we have been
35 stressing that our description of the economy fits the qualitative as well as the quantitative facts, better
36 than a macroeconomics that leaves out irrational behavior and non-economic motives. Occasionally
37 we have used statistics, but for the most part we have relied on history and on stories" (2009, 168).
38 The empirical chapters of the book clearly support a pluralism of methods. Especially the methods of
39 discourse analysis (in chapters 11 and 12 of their book) and the history of economic thought (in
40 chapter 4) are praised by the authors for the additional and different questions they can address. The
41 aforementioned qualitative methods all contribute to Akerlof and Shiller's storytelling. Such
42 methodological pluralism is touted again in Shiller's *Narrative Economics* (2019) which lists: in-
43 depth narrative interviews, focus groups and textual analysis as preferred methods and at the same
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3 time sees rigor expressed only in formalization and quantification with no explanation of how these
4 methods could be bridged or integrated.
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10 **3.5. Critical Summary**

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13 Voigt's and Shiller's contributions to the methodological debates demonstrate a kind of openness to
14 methodological pluralism, but also a reluctance to give up outdated ideas about rigor and superiority
15 of formal and quantitative approaches over qualitative ones. However, from the discussion above
16 institutional economists (both NIE and OIE) show openness to more qualitative and mixed methods
17 for both: theory development and gathering of empirical data.
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28 **4. (Tentative) Conclusions**

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30 In this article, we have tried to show the possibility of developing the research perspective that
31 we have tentatively called *Institutional Economics of Gift* (IEG) (Kesting, Negru and Silvestri 2020).
32 In this view, we deemed it important to explore two key issues – the subject-matter of this perspective,
33 exemplified in certain case studies, and the study method. The three case studies analyzed – the
34 welfare state, the third sector and the percentage philanthropy institutions – were chosen for at least
35 two reasons. On the one hand, because they are emblematic forms of different degrees of
36 institutionalization of gift circulation, especially as regards enforcement mechanisms, the rights and
37 duties involved in giving, receiving and reciprocating and in the case of the third sector, as regard the
38 rules governing its organizations. On the other hand, because they are 'hard cases' they exemplify
39 some of the possible tensions that exist when linking gift-giving and institutions. In an attempt to
40 show some of the problems arising from this tension, we have focused, in particular, on the
41 relationship between obligation and freedom and on the state / market dichotomy. In this regard, we
42 have tried to show why IE should reflect more on the problem of legal-political obligation in general,
43 but also on the problem of the obligatory nature of the gift and its always problematic connection
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3 with human freedom. Similarly, the three case studies show the inadequacy of the state / market
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5 dichotomy in grasping the complexity of the problematic link between gift and institutions and the
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7 different shades of grey that exist in institutionalized gift-giving cases.
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10 As a method for theory construction, the gift epitomizes the institutional essence of these three
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12 policy areas. For social anthropologists and institutional economists, the gift is the ideal type which
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14 embodies the potential for social cohesion, civility and mutual care. It is essentially different from
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16 market exchange and coercion by the state – a third²² institutional platform which allows for the
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18 epistemological perception of modes of behavior and social spheres where norms, values and rules
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20 underpinning altruism and reciprocity engage with or even trump utilitarian self-interest. The
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22 institutional theory of the gift as a third dimension is the lens to see giving as a specific pattern of
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24 behavior and to perceive its benefits for society. To “measure” the institutions behind gift-giving
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26 empirically, it is not enough to account for the money collected by charities and NGOs promoting
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28 good causes, the money spent on presents and the coins handed over to beggars in the street or to sum
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30 up all the hours of voluntary work and unpaid care labor in households. Such statistical data are useful
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32 to account for the quantitative importance of gift-giving, however, since the values, norms and rules
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34 supporting gift giving will be context and case specific and are not quantifiable, ethnographic studies,
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36 surveys and other forms of qualitative studies will be needed to account for the institutional web in
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38 support of these patterns of behavior and to explain why and how they work.
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44 We have tried to take steps towards a research horizon that offers a renaissance for productive
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46 collaboration between Institutional Economists and Social Anthropologists which remains to be
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48 further explored in future.
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60 ²² The importance of this third dimension is very much emphasized in the work of Anspach (2002) and Heritier (2012 and 2018).

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