

Studies in the Philosophy of Sociality 12

Tiziana Andina
Petar Bojanić *Editors*

Institutions in Action

The Nature and the Role of Institutions
in the Real World



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Tiziana Andina • Petar Bojanić

Editors

Institutions in Action

The Nature and the Role of Institutions
in the Real World



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The Importance of Institutions in Social Reality

We often consider language as a significant indicator of what is happening in the world – and rightly so. Indeed, language generally reveals the degree of respect that people have for institutions. And when this degree is low – that is, when someone does not grant the right respect to a given institution – we say that this lack of institutional respect must be underlined or even punished.

In fact, institutions are considered – sometimes with a hint of rhetoric – something that must be protected, defended, and removed from the sphere of power and conflict, not because they are extraneous to conflict but because they are interpreted as arbitrators that have the task, essential to any democracy, to represent the third party between the ones involved. To be or to represent an institution means precisely to be at a higher level, taking a neutral stance with regard to the parties involved, in order to formulate a judgment that is a guarantee of impartiality. In this sense, because it is impartial, an institution should also have the power and moral authority to represent all those who belong to it.

Therefore, one of the main characteristics of institutions, as well as of their representatives, consists in acting from a place that is neutral, not because it does not belong to anyone but because it belongs to all those who are represented by that institution. In this sense, we must also consider the institution as a common good. Institutions (entities such as states and governments but also universities, courts of justice, or parliaments) are therefore common goods – universals, in a way – that belong to all citizens of a State, to all the members of a community. Therefore, they must be treated with the same care and attention that we have, or should have, for the natural resources of the Earth, the common lands that belong to a nation, the seas or anything else does not belong to anyone, since, ultimately, it belongs to the sum of generations that have lived or will live on Earth.

That said, it is evident that the ontological question about the identity of an institution is crucial from a philosophical perspective. In order to answer the question of the nature of the power managed by institutions, one has to answer another question concerning the nature and identity of the things we call institutions. In other words, what are institutions? How can we define them, provided that it is possible to agree on a definition?

Can they be considered as collective subjects, as claimed by some theorists, or do we have to understand them differently, as a class of specific objects with particular properties? And if we choose this second option, what kind of entity would they be, and what properties would define them? What kind of relationship is there between the institutions and the singular subjects? What and how many types of relationships can there be between institutions? The ontological inquiry therefore takes precedence to that of other areas of philosophy, especially political and moral philosophy, which deal with or refer to institutions. Many institutions are in fact political subjects – think of the States – and, at the same time, they are also the political instruments needed for the implementation of justice. In other words, institutions, whatever they may be, are inspired by justice and have the task of promoting it.

Whatever the metaphysical option we decide to adopt to describe the nature of institutions, another decisive question is that of their relationship with individuals. This is true whether we decide to interpret institutions as subjects that are other than individuals, that is, not coinciding with the sum of the individuals that compose them, or whether we decide to interpret them as collective subjects. Since existence over a considerable time span seems to be one of the properties that define the essence of what we call an institution, it is evident that, above all in the political and ethical debate, the question of trust between institutions and citizens is crucial. A relationship of trust seems to be a necessary condition for the institutions to be able to last over time and to carry out their task: namely, the protection of individuals also through the application of justice.

Finally, a last aspect to consider concerns the question of the relationship between institutions and those elements – such as norms, laws, and contracts – that have a normative basis. Can we reasonably understand normativity as the foundation of institutions? If so, should we think of normativity as external to the institutions or internal to them?

This volume collects contributions from various theoretical and methodological orientations, aimed at investigating the theoretical cores related to the nature of institutions, their identity, and the normativity which inspires and grounds them, with the goal of bringing the debate on institutions back to the center of social ontology.

Torino, Italy
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Chapter 1

Social Corporations as Social Institutions



Raimo Tuomela

Abstract In this article I discuss “societal and communal” corporations and call them “social corporations”. They are public organizations owned either by a state or other public community, and they provide services at least to their “host” groups. Such a corporation is a non-profit (or approximately non-profit) organization in that it typically does not strive for profits going beyond those covering what maintaining its services cost to members. It is argued in this paper that such a social corporation (e.g. school, hospital, or mail service made into corporations) ideally functions as a kind of “extended” social institution. Such an extended institution (social organization) depends on more *basic institutions* like language, money, and property and provides services by their host group (e.g. “us”) for its target group.

I argue that ideally *properly functioning* social institutions should be based on *full-blown we-thinking*, viz. we-thinking in the *we-mode* (criteria: group reason, collective commitment, and a collectivity condition) as well as the collective acceptance of a fact or property as institutional; see Tuomela (The Philosophy of Sociality. Oxford University Press, Oxford, 2007; Social Ontology: Collective Intentionality and Group Agents. Oxford University Press, Oxford, 2013). Moreover, the creation of institutions ideally requires we-thinking in which group members together create an institution for them e.g. by *declaration* (in Searle’s (Making the Social World. Oxford University Press, Oxford, 2010) speech-act sense) or, alternatively, by *ordinary agreement-making*.

Extended social institutions (e.g. organizations like schools) involve constitutive and regulative norms in addition to positions, practices and goals that determine the services that are being provided. Institutional norms thus include constitutive norms that in part determine the institution’s goals and the services it is supposed to provide for its members (generally “us”). The goals are satisfied in part due to the institutional activities and practices as well as the “institutional services” that are supposed to satisfy the institution’s goals.

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A *social corporation* in my sense involves goals as well as collectively accepted constitutive and regulative rules plus the employees' norm-governed social practices for reaching their goals. Accordingly, the employees and other members in general have positions involving status functions (deontic powers). The corporate goals include the provision of reasonably priced relevant social services for "us", viz. the host group.

The arguments of this article give support for the central claim that *the social corporation that in general is "by the people for the people" functions as a social institution in the extended sense*. In more general terms, a social corporation exists in a host community (or state) and involves a normative organization with positions – thus statuses and powers – for the individuals.

Keywords Social corporation · Social institution · Extended social institution

I. In this paper I will discuss "societal and communal" corporations and call them "social corporations". They are public organizations owned either by a state or other public community, and they provide services through their activities at least to their "host" groups. Such a corporation is a non-profit (or approximately non-profit) organization in that it typically does not strive for profits going beyond those covering what maintaining its services cost to members. I will argue in this paper that such a social corporation (e.g. school, hospital, or mail service made into corporations) ideally functions as a kind of "extended" social institution. Such an extended institution (social organization) depends on more *basic institutions* like language, money, and property and provides services by their host group (e.g. "us") for their target group. Social corporations serve the members of their host groups for free or at least for reasonable prices.

Social institutions and facts based on them conceptually pertain to the members' and employees' social groups (e.g. communities, states), and are thus necessarily group phenomena (as are corporations). Social institutions are typically created and maintained by "our group" for "us". My account of *well-functioning* institutions is based on we-thinking and we-acting in the "we-mode". A central element here is *collective acceptance* (as attitude or as action) that involves performative conceptual construction through *constitutive rules*, viz. a kind of normative "analytic statements" that typically *create* and *define* social practices (e.g. those that constitute a traffic system). *Regulative rules* in contrast tell us *how to act* in this kind of situation (e.g. in order to correctly cross a street).

In Searle's theory social institutions are systems that enable the creation and maintenance of *status functions*, and all institutional facts are status functions (Searle 2010, p. 23); and status functions create *deontic powers* (viz. rights, duties and other reason-giving factors that give the target people *desire-independent reasons* to act, viz. reasons independent of relevant antecedently had desires). The above claims hold true for my account as well.

I argue that ideally *properly functioning* social institutions should be based on *full-blown we-thinking*, viz. we-thinking in the *we-mode* (criteria: group reason,

collective commitment, and a collectivity condition) as well as the collective acceptance of a fact or property as institutional; see Tuomela (2007, 2013). Moreover, the creation of institutions ideally requires we-thinking in which group members together create an institution for them e.g. by *declaration* (in Searle's (2010) speech-act sense) or, alternatively, by *ordinary agreement making* and by collective acceptance of the so created institution.

The "performative" element here can typically be expressed as follows for the old-time squirrel pelt currency in Finland: "We, qua group members, hereby take squirrel pelt to be money in our group". Squirrel pelt then has been made money, and if the members act accordingly, squirrel pelt will functionally be money in the group.

II. *Social institutions* (such as the basic institutions of money, marriage, and private property) in my account (Tuomela 2007, 2013) consist of a *norm* system including *constitutive* and *regulative* norms as well as *social practices* conducive to the satisfaction of these norms and relevant institutional goals. According to my account, *constitutive norms* say what the social item under discussion "is" – *being at least partly defining statements and thus analytic ones* – and what *special institutional status or institutional role it has* (e.g. that squirrel pelt is money and thus has the status of money for the members of the collective). In contrast, *regulative norms* say how the entity X (here: squirrel pelt) with its new status Y (viz. money) concretely *functions, should or may function*, e.g. that squirrel pelt may be used for buying goods.

Also *extended* social institutions (e.g. organizations like schools) involve constitutive and regulative norms in addition to positions, practices and goals which determine the services that are being provided. Institutional norms thus include constitutive norms that in part determine the institution's goals and the services it is supposed to provide for its members (generally "us"). The goals are satisfied in part due to the institutional activities and practices as well as the "institutional services" that are supposed to satisfy the institution's goals.

III. In general, *constitutive rules are a kind of normative definitions of relevant social items* and in that sense "group-constitutive". Also new social reality may be created by the institutional constitutive norms (viz. "X counts as Y in C") often generated through relevant group members simply declaring that something such as e.g. squirrel pelt (X) is money (Y) (assuming the presence of collective acceptance, perhaps only tacit acceptance). Constitutive rules may but need *not* in my account always have the form of Searle (2010) "X counts as Y in C". For squirrel pelt to be money in a functionally rational sense, the group must then make squirrel pelt money by its explicit or implicit (we-mode) acceptance. The members must accept this matter in part by their actual intentional *use* of squirrel pelt as money, which also collectively serves to reproduce the institution in question. Thus the group's money is created in epistemically objective terms by the acceptance of squirrel pelt as money.

To comment on my view of social institutions in general, they belong to the social reality as its central elements. In my account they are not based on mere sequences of relevant individual actions leading to suitable equilibria – as some game-theoreticians (e.g. Schotter 1981) earlier claimed but require for their

understanding broader conceptual elements such as the social statuses and deontic powers of the participating persons.

To say a bit more about social institutions, their purpose is typically to *create order* in the community by solving coordination problems and collective action dilemmas as well as establishing equilibria (e.g. Nash *equilibria*). Institutional solutions to social dilemmas are typically expected to be *beneficial* for the host group (“us”) in question. Social institutions not only enable *new kinds* of activities to come about (think of the examination rights that a new professor acquires) but they may also *economize* reasoning by making it more routine and computationally less demanding. Routine behaviors and practices that are coordinated towards reaching action equilibria, will be institutionalized and codified under suitable conditions. *Such institutionalization, based on collective acceptance, makes existing social practices norm-governed and gives them a special institutional status.*

Institutions in general normatively *constrain* people’s behavior but may also *enable* them to act in *new* ways through giving relevant role-holding members (or employees) the institutional power to act in ways that are not possible without institutions and specific institutional statuses or roles. Institutions tend to *facilitate*, *economize*, and “*routinize*” activities and thinking about those activities. Institutions create order by providing individuals with *group-based collective and derived individual reasons* for the members to take part in the group’s normatively governed activities accepted by the group to satisfy its goals.

IV. To summarize, social institutions and institutional facts in general depend for their existence and functionality on collectively accepted *constitutive* and *regulative rules (norms)* as well as *status functions* (and the entailed *deontic powers*) and on *social practices* accepted by the group for satisfying the rules in question. At least in the creation phase of an institution such collective acceptance ideally ought to be *we-mode acceptance* (“*we collectively accept item Y for our group*”, see Tuomela 2013, ch. 2). The main argument for this is that we-mode acceptance and consequent action will be *better coordinated* in we-mode cases than in individualistic (viz. I-mode) cases.

That squirrel pelt is accepted to be money in a group need not rely on previously formed social institutions (except language, broadly understood). However, the group members must of course relevantly grasp the notion of money and what it empirically presupposes (e.g. that it is a feasible medium for financial exchange and storage of value). (For more on the above themes, see my book *Social Ontology* (2013), esp. ch. 8).

The above remarks comply with the normative fact that a rationally functioning we-mode group normally ought to satisfy—and in typical cases also maintain its *ethos* (its constitutive values, goals, beliefs, norms and practices, etc.) – see my book *The Philosophy of Sociality* (2007). Accordingly, the group can satisfy and promote its ethos only through its members’ appropriate ethos-respecting and normatively ethos-guided activities. Let me finally note that the ethos of the (host) group can often be regarded as the central part of the “culture” of the group.

Suppose a we-mode group has conferred a special *institutional status* (and accompanying function) to an item (e.g. squirrel pelt in medieval Finland or kuna

pelt in Croatia) by its *we-mode collective acceptance* of a constitutive group norm (e.g. the norm “it ought to be the case in the collective that squirrel pelt counts as money in the group” or, briefly, “squirrel pelt is money in it”, normatively understood), whereby squirrel pelt is partly *constituted* as money. A constitutive rule, can be said to conceptually and ontologically (partly) definitionally “quasi transform” (X in “X counts as Y in C” into an institutional object or property (or sometimes fact) Y, e.g. squirrel pelt into money, viz. squirrel pelt is taken to be money. Thus institutional activities (e.g. buying goods) related to X may become conceptually and ontologically dependent on Y. As said, a regulative rule, in contrast, usually regulates people’s actions by telling them *how to act*, e.g. in institutionalized traffic to stop at red light.

Constitutive norms can be viewed as *higher-order* both *ontologically* (qua being in group contexts for the group and not only directly for its individual members) and *conceptually* because they belong to the institutionally created Y-level (cf. Searle 2015). My central thesis in the above account of social institutions has been that the status and function of an institutional item (e.g. money, marriage) is conceptually and ontologically generated by collective acceptance. This serves to create the host group’s institution (or at least the contained status functions).

A *social corporation* in my sense involves goals (that partly are conceptualized as to function as its ethos) as well as collectively accepted constitutive and regulative rules plus the employees’ norm-governed social practices for reaching their goals. Accordingly, the employees and other members in general have positions involving status functions (deontic powers). The corporate goals include the provision of reasonably priced relevant social services for “us”, viz. the host group. A social corporation’s employees are supposed to act so that both the ought-to-be and ought-to-do group-level norms together with their individual counterparts will be obeyed, leading to the satisfaction of the ethos.

V. As to the central thesis of the present paper that social corporations function as extended social institutions, we can now see why this is so. The above suggests that the social corporation that is typically of the kind “by the people for the people” functions as a social institution in the extended (viz. “organization”) sense (recall the examples of school, hospital, mail service, etc.). The social corporation exists in a host community or state and generally involves a normative organization with positions and with status functions involving deontic powers for the individuals as well as special constitutive and regulative norms guiding its goal-directed practices (e.g. in the form of services). Any real-life corporation is a *collective* (and not merely a single *legal person*) and contains e.g. shareholders, a board of directors, managers, and other employees.

To summarize some of the central features of my account of the functions of social institutions:

- (i) Basic social institutions tend to solve (or dissolve) coordination problems and collective action dilemmas and to give cooperative, collectively beneficial solutions (e.g. in terms of *equilibria*) to these problems. Social institutions accordingly can be expected to *create order* in society.

- (ii) Due to their capacity to solve collective action dilemmas, social institutions help to satisfy basic human needs and interests in an orderly and economic fashion on both the collective and the individual level (in the latter case by offering group-based reasons for the members' participatory actions).
- (iii) Social institutions may also make *new* kinds of behaviors conceptually and ontologically possible relative to the pre-institutional situation (cf. constitutive rules as creating new institutional items), and they may normatively create new institutional properties and statuses for the actors in question.
- (iv) Social institutions tend to make institutional activities *routine* and accordingly make such activities psychologically and computationally undemanding or at least simpler.
- (v) Social institutions tend to take care of the *division of labor* in society so that a member of society can free herself from multiple tasks and can concentrate on those that she is best at performing, leaving room for innovation.
- (vi) Functioning in the we-mode in many cases leads to more rewarding results both collectively and individually than functioning individualistically, in the I-mode (see the arguments based on game-theoretic equilibria discussed in Tuomela (2013), esp. ch. 7). Individualistic, e.g. I-mode accounts, in some cases give too many equilibria in relation to we-mode ones and hence tend to create less order than the latter.

The above points give an argument for designing institutions so that they are based on we-mode we-thinking for the group that can often keep its identity when its members change.

1.1 Summary: Social Corporations Function as Extended Social Institutions.

Extended social institutions are *norm-governed social organizations* with positions and position holders plus the relevant status functions and deontic powers related to them. Extended institutions fall short of being corporations but they are yet at least ideally capable of action. The following features of extended institutions or institutions in the organization sense are summarized here:

- (a) Briefly, a social institution in the *extended sense* (e.g. public university, school, army, hospital, communal mail service) is a *social organization* that provides services for some group in a way that may resemble normal governmental services e.g. in the fields of education, security, and healthcare.
- (b) These services are typically non-profit or approximately so. The organization in question may have the form of a social corporation as characterized in this paper. The following hypothesis can be conjectured in the “spirit” of our above discussion: *Extended social institutions, viz. organizations that are institutions*

in the organization sense (e.g. schools and hospitals) can be “incorporated” so as to be able to function as social corporations in the sense of this paper.

- (c) Social institutions in the extended sense generally *presuppose such more basic institutions such as money and private property.*
- (d) The institutional services created and maintained by a group that is an extended (communal or societal) institution’s host group or host community are generally *non-profit*, or at least their service is based on relatively *low fees* that are used for the maintenance of the services in question.
- (e) As seen, an extended social institution involves *norm-governed positions and social practices* including those needed for providing the aforementioned institutional services. In addition to *regulative norms*, an extended institution’s norms include *constitutive norms* conferring special *institutional statuses and powers* to the members (e.g. eligibility for medical service) and to the position holders of the institution.
- (f) The members of the host group are disposed to be collectively aware of (a)–(e).

See Tuomela (2002: 221–233), for my earlier, partly mathematical account of institutions in the extended sense or, as said in that work, in the organization sense.

Finally, recall that a *social corporation* has an *ethos* containing its basic goals and presupposes basic institutions; it also involves collectively accepted constitutive and regulative rules as well as the members’ norm-governed positions and social practices for achieving their (positional) goals. It may also involve shares and shareholders. The ethos of the social corporation includes at least its central goals and principles, which are supposed to provide reasonably priced relevant social services for all of us, viz. the members collectively forming the host group.

A social corporation’s employees are supposed to act so that both the ought-to-be and ought-to-do group norms (and the corresponding may-do norms) together with their individual counterparts will be obeyed and lead to the satisfaction of the ethos (the constitutive goals, etc., of the corporation). The individual members (employees) of a corporation act to this effect in their status-expressing positions that involve deontic powers.

The above account gives evidence for the central claim of this presentation that *the social corporation that in general is “by the people for the people” functions as a social institution in the extended sense.* In more general terms, a social corporation exists in a host community (or state) and involves a normative organization with positions – thus statuses and powers – for the individuals.

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