

THE INSTITUTIONAL ECOLOGY PRINCIPLE AND ITS ROLE FOR UNDERSTANDING INSTITUTIONAL SYSTEM FOR SUSTAINABLE DEVELOPMENT

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Nowadays, the problem to count the ecological component in economic development is becoming more urgent. The escalating degradation of the environment is the consequences of overusing the natural resources.

Exhaustion of a significant part of the natural resources and environmental pollution causes the necessity to search for the most rational forms, methods and ways of environmental management with the purpose to ensure ecologically safe sustainable development. A holistic ecological-economic approach to economic growth is needed to reach sustainable ecological-economic development. And it is impossible to make a new policy without institutional changes.

The crisis in the environmental sector has also revealed the inherent limitations of today's institutions in dealing effectively with the new set of problems related to resource use, allocation and management. Nowadays we need new institutional system dealing with sustainability.

Kasper and Streit define institutions as rules of human interaction that constrain possibly opportunistic and erratic individual behavior, thereby making human behavior more predictable and thus facilitating the division of labor and wealth creation. North defines institutions as the rules of the game that limit and therefore predict behavior of individuals.

And it is important to mention that institutions do not have to be mixed with organizations, which are defined as groups of individuals bound by some common purpose to achieve objectives.

Neither are institutions synonyms to fundamental values such as freedom, justice and security, which are defined as high preferences by most of the people most of the time. Institutions, therefore, are the way these values can be applied; they might help to achieve such a type of human aspirations.

The main features that characterize institutions - interlinkages, malleability or adoptive flexibility, and hierarchical and embedded nature – are similar in principle to those that characterize an ecosystem. This commonality allows us to propose what we call the institutional ecology principle. It considers institutional structures at various levels as an interconnected ecosystem that evolves and coevolves with institutional environment as characterized by cultural, socioeconomic, political, environmental, and resource-related factors.

The institutional ecology principle provides the conceptual basis for institutional decomposition and linkage-mapping exercises. This fact enables us to evaluate both forward and backward linkages and synergetic and discordant effects among institutional aspects as well as embedded nature of institutions within the physical, social, economic, and political systems.

The institutional ecology principle also enables us to treat both institutional segments – that is, institutional environment and institutional structure – together as a system, and separates this system from its physical, socioeconomic, and political settings (see Figure 1). Here while talking about transaction costs we mean those resources utilized for the creation, maintenance, use, and change of institutions and organizations.

Therefore, the role of the institutional ecology principle and its underlying ecosystem perspective is crucial for understanding institutional system for sustainable development. We can treat the institutional system as a system with different linkages, interrelations and feedback between its parts (endogenous linkages), and also with synergetic principle. And at the same time it is a system having some outside linkages (exogenous linkages). This approach allows us to separate institutional system for sustainable development from different other systems such as socio-economic, political system, etc.

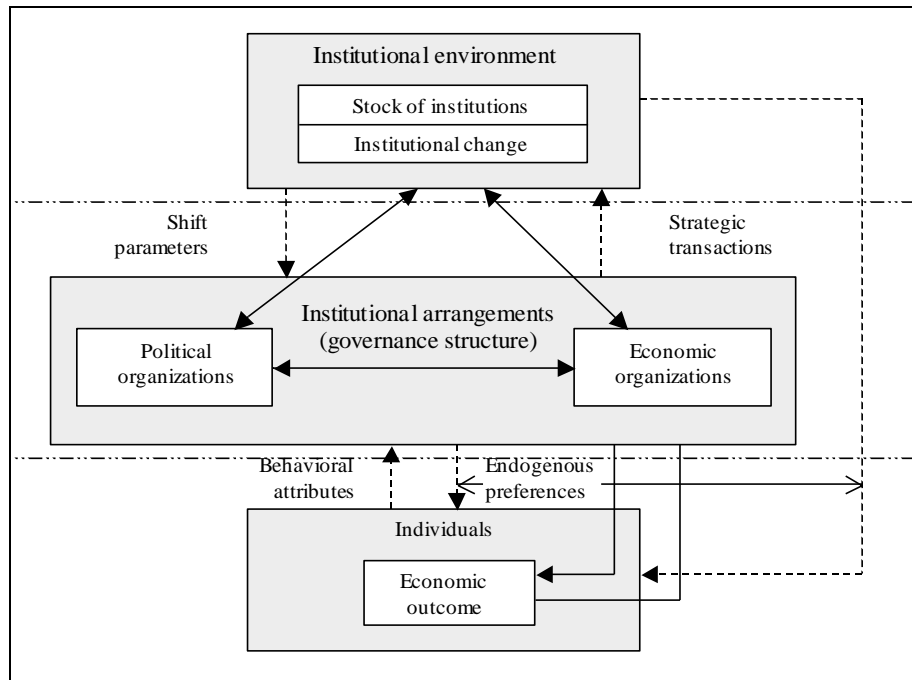


Figure 1 – Institutional environment and governance structure