

## Introduction by the Editors to this Special Issue

The papers in this special issue of the *Journal of Contextual Economics – Schmollers Jahrbuch* were presented at the 3<sup>rd</sup> Witten Conference on Institutional Change under the title of “Institutions in Development Research: Buzzword or Real Impact?” which took place at Witten/Herdecke University (Germany) on December 1–2, 2016.

In recent years, economists and social scientists have (re-)discovered the impact of institutions on growth and development. A vast and quickly growing empirical literature seems to provide ever more refined evidence that the quality of institutions is the key to understanding why some countries are rich and others poor. Moreover, by now the insight that “institutions matter” has become common wisdom, not only in academia but also in development organizations and in politics.

While the importance of institutions seems undebated, the specific design of institutions conducive to development is less clear. “Institution” is a very broad term which still lacks a precise definition. Additionally, some institutions are highly persistent over time and different causal mechanisms and interrelationships exist. Some of these problems were addressed in studies that showed (or failed to show) a relationship between different definitions of institutions and development, leading to disenchantment with the hope that the “institutional turn” would be able to solve the “development puzzle.”

At the same time, development research and practice have both seen a long chain of buzzwords and concepts which, for a certain period of time, were believed to provide *the* key to explaining the global problems of development. In the end, all these buzzwords shared the same fate: sooner or later they proved not to do due justice to the complexity of development processes, went out of fashion and were replaced by new buzzwords and simple policy prescriptions based on these. Accordingly, our motivation to conduct this conference was to shed light on the question whether “institution” is just a new buzzword or whether the inclusion of the institutional dimension of development provides real and politically relevant insights.

At the Witten Institute for Institutional Change at Witten/Herdecke University, economists, political scientists and philosophers aim at improving our understanding of social change by encouraging the exchange of ideas among these disciplines and by developing multi-disciplinary perspectives. In line with this mission, the seven papers collected in this volume were primarily selected

according to the criterion to which degree they contribute to a multi-disciplinary discourse on institutions and development. Four of them were written by economists, the remaining three by an anthropologist, an economic historian and a development geographer.

Alice Nicole Sindzingre's conceptual paper "Institutions as a composite concept: explaining their indeterminate relationships with economic outcomes" opens up this special issue. Sindzingre is highly critical of the light-handedness with which the newer empirical literature assumes a causal relationship between institutions and growth. Drawing on insights mainly from evolutionary economics and cognitive psychology, she argues that the nexus between institutions and growth is highly context-dependent. Attempts to isolate institutional "building blocks" that allegedly promote growth and development, she argues, are thus analytically mistaken and might easily lead to counter-productive policy advice.

The context-sensitivity of institutions and institutional change is also the leit-motif of Christian Berker's paper on "The Geopolitical Context for Institutional Change: The Case of Prussia in the 17<sup>th</sup> and 18<sup>th</sup> Century." On the one hand Berker, as typical for a historian, shows that Prussia's institutional development has to be understood in the context of a variety of rather contingent political and military challenges. At the same time, he argues, Prussia's geographical location formed the decisive background to these challenges. Accordingly, he concludes that the case of Prussia provides evidence of a significant indirect effect of geography on institutions.

Two papers in this volume highlight the role of agency in processes of institutional change and, in particular, in processes of institutional transfers. First, in her contribution "Development, informal institutions and agency analyzed through the lens of New Institutional Anthropology: A modification of Ensminger's framework on institutional change" Johanna Goetter argues that the New Institutional Anthropology has its comparative advantage in the analysis of informal institutions. However, in her view the emphasis on cultural embeddedness of human behavior sometimes leads to a one-sided focus on structure and a negligence of agency. Her case study on informal constraints to cope with cattle rustling in Madagascar illustrates how taking agency into account can significantly improve our understanding of cultural change. Second, in his paper "Institutional copying in the 20th century: The role of 14,000 British colonial officers" Valentin Seidler introduces a new research project that analyses the role of British colonial officers who, following the independence of the countries in which they were stationed, remained in the former British colonies and as "translators" promoted the transplantation of British institutions. The project is based on in-depth interviews with former British colonial officers. Seidler's paper introduces this research method and his unique data set of 14.000 biographical entries on the former colonial officers.

Janis Kluge's paper "Can Regulatory Competition Improve Contracting Institutions? A Russian Tale of Two Reforms" looks at the legal dimension of institutional competition. Kluge shows how increased "legal outsourcing" (an increasing number of Russian business transactions are conducted in more reliable legal surroundings, in particular in the UK) led to an improvement of the Russian commercial court system implemented by the Supreme Arbitrazh Court (SAC). This reform, however, was almost immediately thwarted when the Kremlin dismantled the SAC in 2014. According to Kluge, this case shows that regulatory competition can certainly trigger institutional improvements, but that they are not sufficient to defend these improvements against a strong central government that regards the (partial) independence of courts as a threat to its claim to power.

Two contributions deal with cases from Sub-Saharan Africa (SSA) and illustrate the spectrum of institutional definitions. First, in their paper "Repositioning Local Institutions in Natural Resource Management: Perspectives from Sub-Saharan Africa" Jude Ndzifon Kimengsi and Balgah Roland Azibo follow the lines of Elinor Ostrom's research program in asking how local, traditional institutions could be put in the service of natural resource management. Due to the specificity and context-sensitivity of local institutions, the authors argue, there is no silver bullet how to achieve the urgently needed alliance between local (informal) and centralized (formal) institutions. Nevertheless, they show that integrating local institutional perspectives in macro-level policy can help to improve on resource management in SSA. Second, Ngozi Adeleye's, Evans Osabuohien's and Ebenezer Bowale's paper "The Role of Institutions in the Finance-Inequality Nexus in Sub-Saharan Africa" has a stronger economic focus. The authors argue that the quality of institutions is decisive for the impact financial development has on income distribution. On the basis of careful empirical analysis they come to the conclusion that controlling corruption is the key prerequisite for financial development contributing to more equal income distribution.

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*Magdalene Silberberger  
Joachim Zweynert*