Organizations as Constitutional Systems*

Viktor J. Vanberg**

Four theoretical approaches to the study of organizations that can be identified in the relevant literature are compared: the goal paradigm, the exchange paradigm, the nexus of contracts paradigm, and the constitutional paradigm. It is argued that the latter provides the more fruitful theoretical perspective in that it reconciles an individualist methodology with an account of organizations as corporate actors, as units of collective action.

Introduction

In everyday language, as well as in academic discourse, we often speak of collective entities like business firms, voluntary associations, political parties or governments, as if they are acting and decision-making units, much like individual human beings. We say, for instance, that governments take actions, that business corporations pursue strategies, or that universities decide on policies, as if governments, corporations or universities were endowed with a capacity that we normally attribute to individual persons, namely the capacity to choose and to act. The question of what significance we ought to ascribe to this use of language has long been a central issue in the controversy between advocates and opponents of the principle of methodological individualism.

Some proponents of methodological individualism have argued as if they believe that their methodological stance requires them categorically to deny that such language can be anything but metaphorical, and that it may only be used as a convenient shorthand for what otherwise would have to be stated in a more cumbersome language. To take such language literally, as if it were about factually existing "collective actors," would mean, in their judgement, to commit the fallacy of reifying the collective concepts of our language. Opponents of methodological individualism, on the other side, tend to insist that such language is not at all merely metaphorical, but that collective entities like

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** Professor of Economics; George Mason University, Fairfax, VA 22030-4444, USA.
business firms or governments are, in fact, "real actors." It is, in their view, precisely the seeming incapability of methodological individualism to deal with this aspect of social reality that makes it an unsuitable principle to guide social theory (Etzioni 1974: 87, 95ff.).

My purpose in this paper is to argue for a position between the two polar views, a position, though, that remains within the confines of methodological individualism, properly specified. I shall argue that the opponents of methodological individualism are right to insist that it is more than just metaphorical language when we talk about decisions and actions of corporations, associations, governments or other organizations. That is, I shall argue that organizations can, in fact, justly be viewed as decision-making and acting units or, to borrow a term from James S. Coleman (1974; 1990), as corporate actors. Yet, I shall also argue that it would be wrong to conclude that we need "to desert methodological individualism" (Schmitt and Marwell 1977: 176) if we want to consider organizations as actors in their own right. I suppose that an adequate theory of organizations has to do both, it has to recognize that organizations are "corporate actors" in more than a metaphorical sense, and it has to show how this fact can be accommodated on the basis of an individualist methodology. It is my purpose here to outline the contours of a theoretical approach that is able to accomplish both these goals.

There is one potential source of confusion in these matters that ought to be put aside right at the outset. To argue that organizations are corporate actors in more than a mere metaphorical sense is not to say that all collective units that, in our everyday language or even in academic discourse, are spoken of as "actors," can justly be called so. We must carefully distinguish between two kinds of collective concepts, namely those that refer to organized collective entities, like business corporations, universities or governments, and those that refer to mere statistical categories or conceptual constructs like "the unemployed," "the intellectuals," the "working class" or "mankind." By contrast to the former, the latter simply do not exist as organized units, equipped with an apparatus for concerted action. It would be a category mistake to use such concepts as "society," "class," "race," or "mankind" as if they referred to corporate actors. Subjects of this paper are only organized collective entities, the kind of entities that we call organizations. It is only to this kind of collective entities that the label "corporate actor" can be properly applied.