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DO IDEAS MATTER IN STRATEGIC CHOICES MADE BY ORGANIZATIONS?
AN EMPIRICAL WORK ON THE PARTICIPATION OF AGRICULTURAL ORGANIZATIONS TO THE
POLITICAL MAKING PROCESS IN COSTA RICA

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The integration of ideas in the economic analysis of agents' behaviour is a recent issue : introduced by the old institutionalist economic tradition (Commons 1935), the analysis has been developed by Hayek (Hayek 1952), before being retaken in the new institutional economics framework (North 1988, Denzau and North 1994, Knight and North 1997, North 2005). The role of agents' mental perceptions in their strategic choices seems a promising area to enrich the analysis of behaviours that do not seem fully understandable through the reading of their economic interest only. This has shown particularly convincing when analysing actors' participation strategy in political making processes (see Murphy and Shleifer (2004), Muller (2000, 2005)). The ideological component of strategic choices made by individual or collective agents involved in a political activity seem to be influenced by the institutional environment characteristics, and to determine actors' political behaviour. Basically, the institutions defined as "*the rules of the game of a society*" (North 1990, p 3), determine the set of possible choices for the organizations, defined as "*the players*" (North 1990, p4), which can generate a set of mental perceptions. The role of ideas in the agents' choices in this context has also been recently emphasized (Denzau and North 1994, Knight and North 1997, North 2005, Grindle, 2001). When actors face an institutional change in particular, the process of adaptation can be ruled by ideological factors including mental perceptions inherited from the past, and that can last after an institutional change, and determine actors' capacity to adapt to this change. A key component of this adaptation that can be directly observed is the organisations political action that can resist, adapt, or take part to the institutional change. Institutions are indeed "*subject to change under the organizations actions*" (North 1993, p254). The purpose of this article is to investigate further this idea that the institutional change depends on organizations mental perceptions (North 1990, 1995, 2005). Can we empirically show that actors' mental perceptions play a role in organizational strategic choices? To address this question, we carry out a case study analysing the

agricultural organizations taking part to the political making process in Costa Rica, and we relate political behaviours of organisations to the way they perceive themselves in the political process.

The essential difficulty of the empirical demonstration that ideas influence strategic behaviours is to distinguish two kinds of differences in ideas: (i) ideas that arise from objective economic interests, and that are not necessary to account for the behaviours. These ideas can simply be seen as the actors' consciousness of their economic interest, which differ from one actor to another; (ii) ideas that do not seem to fit perfectly to actors' economic interest and that are necessary to explain paradoxical behaviours. These "paradoxical behaviours" do not necessarily mean that these actors have a non economic rationality, more likely do they account for the dynamic of ideas evolution, that can have a different path from the dynamic of economic interest, and still determine actors' strategies.

To that purpose we analyse four farm sectors in Costa Rica (milk, bean, coffee and pineapple sectors) that have evolved in different institutional environments and that are all four submitted to an institutional change, which can be roughly defined as the liberalization process. In the milk, pineapple and coffee sectors, the purchase of economic interest seems to explain the organizations political behaviour (that is to say that mental representations do not seem necessary to interpret their behaviour); whereas in the bean sector, producers' organizations political behaviour cannot be explained in an accurate manner without invoking their mental representations. We find that the key difference between these sectors is related to different historical trajectories, which have determined different types of mental perceptions, assessed by a textual statistical analysis. In average, mental perceptions in the bean sector do not put farmers in a favourable position to take active part to the change, on the contrary to the milk, pineapple, and coffee sectors.

The role of ideas as a determinant of political behaviours in the literature

Traditionally, cognitive processes have been studied by psychologists and neurobiologists. The integration in cognition in the economic analysis has been emphasized recently⁴ in the new institutional economics. In the 90s, North analysed the way mental models guide individual or collective choices (Denzau and North 1994) and underline their interaction with institutional change (North 1995); and the way cognition shapes institutions pointing particular (North 2005). His central point is that mental models guide actors choices, structure the institutional environment and at the end determine economic efficiency.

Opening the rationality black box

In the classical theory, choices are made according to substantive rationality: agents' perceptions correspond to an objective reality, so that there is no space for subjective concerns. Classical prescriptions can predict situations of simple, frequent and motivated choices. However, in complex situations, classical prescriptions are insufficient to explain choices, which are made according to specified ideologies (Knight and North, 1997). The complexity can be related to an uncertainty on the choice gains, a low occurrence of the choice, or a lack of information (Denzau and North, 1994). In these cases, the agent has to make his own interpretation of the elements he perceives to take a decision..

Individual and shared mental models

North follows Hayek idea of rational decisions as a product of social and cultural belief systems, and evokes the « *embeddedness of mental models in a social and institutional context* » (North, 2005, p 33). The individual mental models are strongly affected by social interactions: Knight and North define cognition as « *an interacting process involving the internal dynamics of the individual mind and cultural resources found in the social context* »

⁴ During the 1930s, we found the concept of “*thinking habits*” in the old institutional economics (Commons 1935); in the 1980s, the French tradition of conventions economics developed the cognition concept (Bessy 2002), and in the 90s, North made important assertions on the way cognition determines institutions (North 1988, Denzau and North 1994, North 1995, Knight and North 1997, North 2005).

(Knight and North, 1997). In a society, there is some established and recognized shared mental models, explaining a certain “*convergence of individual mental models*” (Denzau and North, 1994), and constituting a path-dependent element of the economic change (North 2005, p 52).

Understanding the relations between mental models and institutions

For Knight and North, shared mental models guide choices made by organizations in uncertainty situation, and thus constraint the societies political and economical evolutions (Knight et North, 1997). The same basic idea was present in the Denzau and North paper, which defined institutions as “*external mechanisms that the individuals create to structure their environment on the basis of shared mental models*” (Denzau and North, 1994). North develops that assertion in 2005, considering the institutions as “*the external manifestation of belief systems*” (North 2005, p 49). In feedback, the mental models are subject to change in a permanent dynamic process of interactions with the institutional environment.

At the end: the economic efficiency

Economic efficiency has always been the final point in North’s assertions on the way ideas affect strategic choices and institutional structures (Knight and North 1997, North 2005). In a static way, taking into account ideas helps to explain strategic choices made by economic agents. In a dynamic way, taking into account the evolution of ideas (by a learning process) helps to understand economic changes.

The gap: a lack of empirical studies

If there is a consensus in the new institutional economics on the need to include ideological factors further in the analysis, there is no explicit description of the way these factors determine behaviours. Most authors emphasize on the need to carry on empirical research to reinforce the theory. North’s insistence on the relations between ideas, organizations and institutions constitutes a research area that has to be explored in an empirical way (Alston

1996), in order to better understand the mechanisms under action (North 1997, Shirley 2004). The main contribution of this communication is precisely to present a case study that describes how mental representations influence strategic choice made by collective actors in the case of agricultural organizations participation in the political making process during the liberalisation scheme.

A case study methodology

To underline the way ideas affect strategic choices made by organizations, we rely on four case studies. Each of these case studies corresponds to an agricultural sector in Costa Rica, and has been chosen in function of its dynamics and its market destination. Regarding the liberalization process, these sectors had to face different stakes:

- Two sectors are oriented to the domestic market (milk and bean), and in the liberalized context, their protection action's levers are import tariff and quality norms.
- Two others are exports sectors (pineapple and coffee), and their protection action's levers are basically regulation and export enhancing systems.

Organizations characteristics

Organizations characteristics are roughly described by the following concepts:

- Their political experience. Experienced organizations will have great ability to obtain gains from their political action: that idea is related with learning and pathdependence concepts (North 1990, 2005).
- Their resources (technical abilities, human support, political network insertion, financial). The more an organization mobilizes resources, the more it will be able to satisfy its objectives.
- Their perception of their environment, and their own situation in that environment, more specifically the way they perceive and interpret the political making process.

Agents' mental perceptions are derived from a series of interviews carried out in Costa Rica, with agricultural producers, organizations leaders, civil servants and firm's representatives. The interviews have been used for two goals: (i) a qualitative understanding of actors' trajectories, their participation in the political making process and the way they perceive their role in the process; (ii) a statistical textual analysis with a specific lexicometric software (Alceste⁵) that helps relating the language used by actors and their mental perceptions. The statistical textual analysis, developed in the 80s, relies on a starting hypothesis that the words employed refer to subjacent mental representations that can be clarified (Reinert 1986, p 472). The basic objective is a quantitative definition of lexical specificity (Tournier, 1980) that leads to the production of qualitative structural information. There are many possible methods (see Jenny 1997), we chose to use the lexicometric one because of its decisive contribution as regards to software instrumentalization and of its broad application to social sciences (Brugidou 2000). The Alceste software permitted us to study actors speeches through the frequency of the words used but also through the formal structure of their co-events. Interviews were carried out in an open way so that each actor could feel free to talk about his situation with his own vocabulary, answering the following question: "*what do you think about the political making process in your sector?*"

Organisations behaviours

Organisations behaviours are analysed through the precise analysis of their participation in the policy making process. This includes the description of organisations' relations with policy makers, and the analysis of the results of their action in terms of public support they get during the liberalisation process. The efficiency of their action is adequacy of this participation to policy making. In particular the negotiation of import tariff is used as the primary indicator of the result of their participation, in line with basic results of political

⁵ From french, meaning "Analysis of Co-occurring Lexemes in Simple Utterances of a Written Text"

economy (see for instance Rodrik, 1996) . Thus, we analyse more in detail the way milk and bean sectors negotiated in 1994 their import tariff.

Results

Efficiency of the participation in the political making process (PMP)

Each one of the four sectors studied had special characteristics concerning the PMP: here we choose to present very briefly some of these characteristics in the Table 1, like the resources mobilized by political organizations, the actions carried out, and the results obtained from these actions.

Table 1 : Participation of professional organizations to the political making process

	Milk	Bean	Coffee	Pineapple
Resources mobilized	Strong technical abilities, network insertion, proper financial means	Low abilities (technical, financial, insertion)	Strong technical abilities, network insertion, proper financial means	Strong technical abilities, network insertion, proper financial means
Political experience	50 years	None	70 years	None
Places of exertion of the constraint (action's levers)	Products oriented to the domestic market: <ul style="list-style-type: none"> - External Trade Ministry: import tariffs - Economy Ministry: quality norms 		Exportation products: <ul style="list-style-type: none"> - Assembly: functioning regulations/ laws - External Trade Ministry: enhancing exportations systems - European Union: import tax 	
Places of political action (political spaces mobilized)	External Trade Ministry Economy Ministry	Agriculture Ministry	Coffee Institute Assembly	Presidential House Assembly European Union
Political results (public support obtained)	1994: 117% import tariff	1994: 1% import tariff	1993: internal regulation found	2003: suppression of European tax

A quick reading of this table confirms the intuitive features that “traditional” determinants of organisation political action (resources endowment, experience, and the existence of political space to negotiate) are favourable factors for organisations to obtain better political results. For instance, we can compare the bean and milk sectors, as far as the imports policy is concerned: in 1994, when facing WTO conditions, the bean sector failed to implement an import tariff that could protect the domestic production (1%), while the milk sector obtained a 117% import tariff. The domestic regulation significantly shows a low efficiency of the bean political participation to the change of economic and institutional change as compared with the milk sector. If we look at the political spaces used by the bean sector, we see that bean actors try to negotiate with Agriculture Ministry when strategic decisions are taken in the ministry of foreign trade and the ministry of economics. That is to say that, contrary to the milk sector, bean sector is not “acting where the constraint is exerted”, that could be seen as paradoxical, and can certainly be qualified as an inefficient allocation of its resources. It is not a lack of economic interest to take part to the change, but more likely a lack of adaptability to the change. So why don't bean producers implement the adequate political actions in a liberalised environment as the milk sector to get the same negotiation power with the policy makers? To address this question we formulate the following hypothesis: the former institutional environment (before liberalisation) had determined mental perceptions that were corresponding to economic interests during that period (given this existing institutional environment). When an institutional change occurred, these mental perceptions have remained for a while, and have determined behaviours that could seem “obsolete” in the new environment, and thus lead to inefficient behaviours. In the milk sector, the policies prevailing before the liberalisation included incentives for farmers to take part actively to the political process, and indirectly, have taught organisations to adapt to change.

Characterisation of mental perception regarding the political making process in each sector

During the interviews, organization's leaders were invited to talk freely about the way their specific sector was defending politically its interests. The textual analysis, made on the basis of these responses defined four lexical classes, presented below. Each class corresponds to a specific "lexical world", defined on the basis of specific "representative forms" linked in a specific way. A factorial analysis gives us a representation of these classes and identifies the way the different agricultural sectors correspond –or not- to these classes (figure 1). It results that each sector is more particularly represented by a different class: that is to say that the lexical classes representing mental perceptions of the political making process are significantly different for each sector. In the following table 2, the figures into brackets correspond to the associated chi-square.

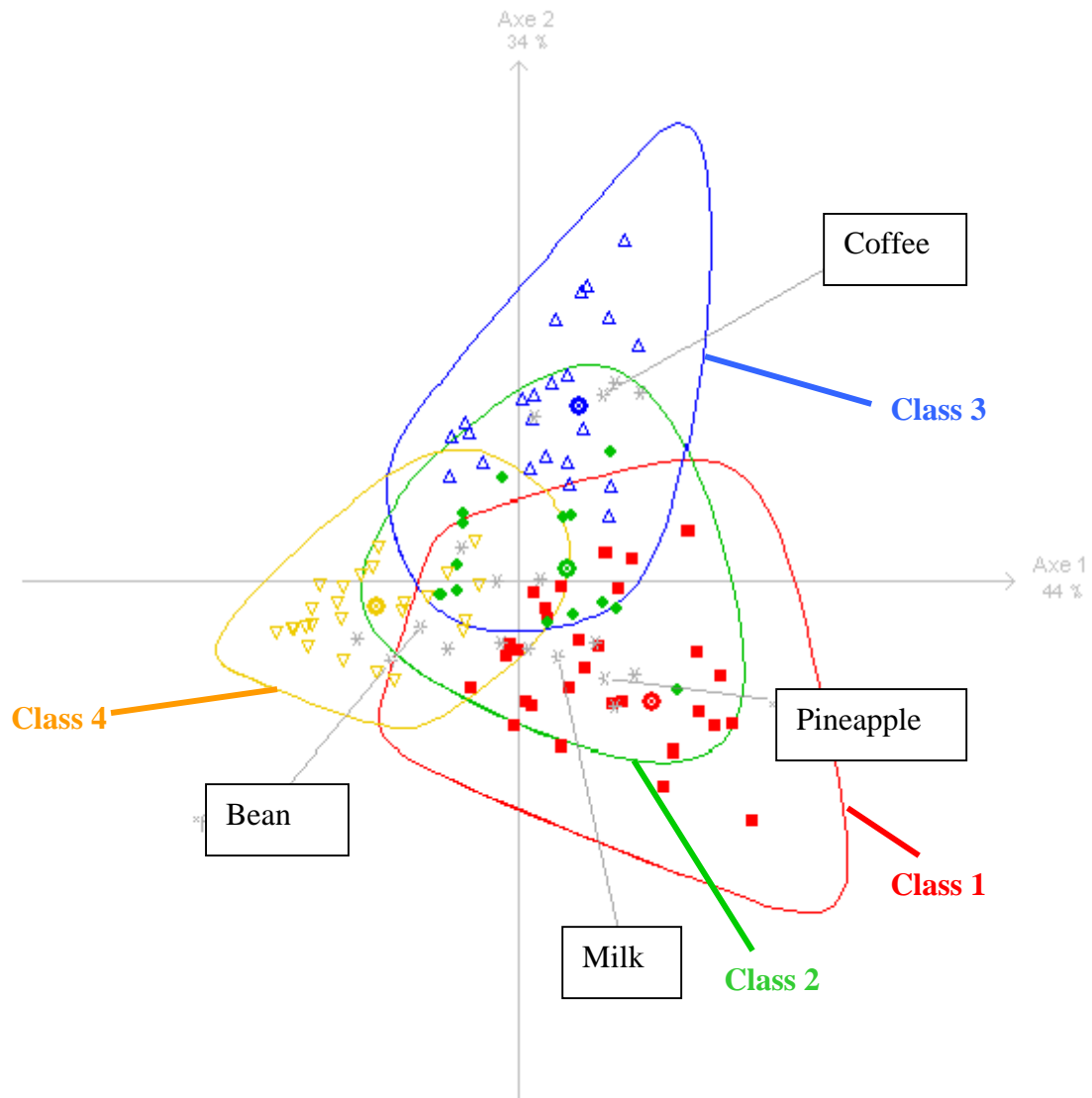
Table 2: Representative forms and sectors variables corresponding to the lexical classes

Classes and corresponding sectors variables	Representative forms
Class 1 (red one) Pineapple (9), Milk (3)	Interest (76), Advantages (34), To defend (33), Defense (32), To organize (28), ...
Class 2 (green one) Milk (10)	Relation (50), Affiliated (30), Organization (16), To represent (11), ...
Class 3 (blue one) Coffee (70)	Institute (31), Policies (25), Law (24), To regulate/ regulation (20), ...
Class 4 (yellow one) Bean (41)	Problem (27), Agriculture (19), Ministry (17), Conflict (11), Support (11), ...

A signed chi-square test shows that classes 1 and 2 are relatively close, while the class 4 is distant from the three others. This means that bean actors' mental perceptions are quite different from those of others actors. If we consider the representative forms in each class, we saw that in class 4 there are a lot of "passive words», while the classes 1, 2 and 3 show more

“active words”: it seems that in the bean sector, mental models traduce a sort of passivity in the relations with policy makers.

Figure 1: Factorial analysis obtained with Alceste software



The bean example shows that there is a robust correspondence between the way the actors are participating to the political making process and the way they are perceiving and interpreting this process. For bean producers, mental perception can determine behaviour, which seems in contradiction with the efficient behaviour of participation to the political process. The dynamics of institutional change, when it is exogenous, can be much faster than the dynamic of ideas, leading to situations of inefficiency.

Mental perceptions and change

Depending on the institutional environments, a same mental model can lead to efficient or inefficient behaviours

We saw that in a liberalized context, mental models in the bean sector could appear as “obsolete”, when they seem adequate in the milk sector. But if we look the context before liberalization, it gives quite a different picture. Indeed, in the bean sector, the institutional environment was basically made of public support to farmers under the form of production subsidies ruled by the ministry of agriculture: farmers were in position of “receiving” a stable public support without having to negotiate it. The point is that a specific mental model that appears as inadequate in a situation could have been perfectly adequate and have led to efficient behaviours in a past situation.

Mental models are inherited from past institutional environments

The previous point leads us to the statement that mainly mental models are inherited from the past. Thus, we have to reinterpret the bean and milk situation regarding their respective histories. The bean sector used to receive important public supports without really participating to the definition of these public supports, which could better explain their “inappropriate” present attitude. In the milk sector, there were important public regulations too but the key difference is that professional organisations used to negotiate the regulations content, and were encouraged – or forced – to do so. This past of strong and frequent interactions between the sector and the government explains that mental models refers to very active forms of acting and leads to efficient political results.

Confronted to new institutional environments, mental models change gradually

Anyway, mental models are submitted to gradual change with experience accumulation. Let’s take the example once again of the bean sector. We analysed the 1994 situation where their behaviour appeared inefficient in regard of their economic interests. But if we take a look at

the 2004 situation, we observe that –taking into account the same concepts- their behaviour is much more efficient: professional organizations are more active, and do not refer anymore to Agriculture Ministry as the only relevant interlocutor. That means that bean organizations have shifted in ten years from a passive attitude towards policies to a more active and better targeted one (better insertion in political networks, better technical endowment....) that enable them to defend in a more accurate way the domestic production.

Conclusion

The way political actors represent themselves in the political making process explains the way they act in that process to a large extent, and at the end the different political results observed. The empirical implication is that some sectors managed to put into place political activity that ensures their survival in a liberalized environment, while others are facing the liberalization situation in a more passive way. Our contribution is to confirm empirically that mental models developed themselves in specific institutional environments (and thus correspond to these environments), but also that when an exogenous change occurs in those environments, the former mental models could persist and lead to inefficient behaviours. Furthermore, we demonstrate that if actors' mental models are inherent to the past, they could also evolve when confronted to a new institutional environment (towards a model that fits this specific environment). Nevertheless, this evolution process is sometimes slow and gradual, depending on the adaptability that they have got or not in the past.

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