Identifying Institutional Vulnerability:
The Importance of Language, and System Boundaries

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Abstract: Taking the idea that institutional reproduction is not obvious and that institutions are vulnerable has significant conceptual implications. Institutional vulnerability can arise through communication between actors in a common language. To apprehend this requires an elaboration of John Searle's (1995, 2005) argument that language is the fundamental institution. Ontologically, language delineates and circumscribes a community. A community cannot function without a common language, and language at the same time constitutes a community's boundaries, allowing for focused and effective communication within a community. Communication through language introduces ambiguity as well, however, and so institutional reproduction, mediated by language, is a deeply contentious process. Communication across boundaries may particularly "irritate" a system, as Niklas Luhmann has argued. How can institutions then be re-identified through change? Searle's general form for institutions is in need of elaboration. We develop arguments by drawing upon Luhmann's (1995) systems analysis and notion of communication.

Keywords: communication, institutions, language, reproduction, vulnerability

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> *Boundaries are an evolutionary achievement par excellence.*
> — Luhmann (1995)

Institutionalist analysis has emphasized the durability and reproductive qualities of institutions in a system with differential levels and rates of evolutionary change. Durability is widely recognized as an essential dimension of institutions, but we add that durability only really makes sense if we also recognize that it implies vulnerability. Institutional reproduction is not inevitable and institutions are indeed vulnerable since institutional reproduction can fail such that institutions may no longer be re-identified, or identifiable across time. Thus, we consider vulnerability in terms of the susceptibility of an entity, such as an institution, to succumb to some force or influence that entails a loss of identity. The entity may be seen to lack the adaptive capability to ensure it is re-identified over time.

Language, considered as an institution (Searle 1995, 2005), and its use in communication both in institutional reproduction and in institutional change offers ample scope to investigate the recursive institutional conditions of durability and vulnerability. Conceptualizing the durability and change of institutions is only possible through acknowledging the role of language. We ask what makes institutional reproduction a vulnerable process, as well as how, conceptually, possibly changing institutions may be re-identified through time. Identity in economic discourse is usually conceived in terms of the individual (see Fine 2009). Here, by contrast, we seek to extend its epistemological reach to offer an analytical entry point in the apprehension of institutional vulnerability. In doing so, this aspect of our argument draws from John Davis's (2003) assessment of the individual in economic theory. Moreover, we acknowledge the Darwinian influence in some institutional analyses, especially Veblenian, of change (see Liagouras 2009 for a critical assessment of Veblenian Darwinism). However, the scope of our argument is confined to a possible transmission mechanism of change as opposed to considerations of the more broadly based scope of Darwinism. Indeed, given the strictures of space, we resolutely avoid further references to Darwinism in a bid for analytical clarity. Considerations of the relationship between our argument and Veblenian Darwinism is an agenda for further work. In articulating our case the argument is necessarily abstract in nature; yet we endeavor to establish our views as clearly and concisely as possible.

We draw upon Niklas Luhmann's (1995) social systems approach to refer to communication and language used within a community (system) and across a system's boundaries as a prompt for institutional vulnerability (Leydesdorff 2006; Luhmann 1995). Analysis of communication envisages individuals as actors drawing on institutions. Successful communication is in no way guaranteed as actors' understandings of institutions drawn on in communication can be incomplete, or incompletely understood, even within a single community. Communication is usefully described as experimental, rather than self-explanatory and unproblematic (as implicitly assumed by Searle); communication is a social process in which "limited inquiry and intelligent adaptation" is involved (cf. Flaherty 2000). By boundaries we refer to the limits of the extent of some "thing," such as an institution or system of institutions. We recognize boundaries as ontologically stratified, frequently fuzzy, permeable, moveable, emergent, and as sites of communication. Our argument about the role of language thus is one that emphasizes the deeper ontological levels, and

moves beyond what Henderson, Dudley-Evans and Backhouse (1993), for instance, have claimed about the role of language in economics.

In developing our argument, we make two main contributions to the institutional economic literature. First, given that institutions are vulnerable when reproduced, we provide a framework for their re-identification. Secondly, we develop ideas for the deeper comprehension of institutional vulnerability by drawing on communication in social systems. The two prominent works upon which we draw demonstrate obvious differences: Searle's focus on individual rule following contrasts with Luhmann's emphasis on systems. Yet in drawing on both we argue that an appreciation of institutional vulnerability can be apprehended through both authors' stress on the centrality of language. Indeed, this acts as a point of congruence in their distinctive approaches.

The paper has the following structure: the next section further outlines our conception of institutional vulnerability, while the third section argues that, when taking the institution of language seriously, conceptually allowing for re-identification of institutions through change requires that Searle's general form for institutions is elaborated. The fourth section discusses how communication across system boundaries may upset the institutional "furniture" in a system. Drawing upon Luhmann's emphasis on communication, institutional vulnerability is discussed in terms of communication across system boundaries. A conclusion follows.

Institutions' Vulnerability

It is now conventional wisdom that interest in the concept of institutions has reignited over the last three decades in economics with the emergence and proliferation of the so-called "new" institutional economics. It is also well established that there are crucial differences between the "original" and "new" institutional economics, which may not be reconcilable (Rutherford 1989). New institutional conceptions of institutions are confined to defining institutions as constraints to individual free will and market processes (Bowles 2004; Williamson 2000). By contrast, original institutionalists also recognize the enabling and facilitating roles of institutions. Institutions are partly constitutive of individuals and are partly constituted by individuals. For instance, Hodgson (2004, 424) describes institutions as: "durable systems of established and embedded social rules that structure social interactions." This is the entry point of our analysis: our approach is explicitly situated in an original institutional conception of the institution and its recognition of a stratified ontology, which consists of, for example, individuals, groups, institutions, communities and systems of institutions, *inter alia*.[1]

For the purposes of our argument we draw upon Ferdinand Tönnies's (2002) delineation of community (*Gemeinschaft*) and other associations (*Gesellschaft*). The former involves a greater degree of social cohesion than the latter — Tönnies spoke of the "unity of will" (22) — and involves shared identity or character, such as place or belief. Communities are thus nested; for instance, communities of place may have multiple identities, such as in African-American and Irish-American.

Given the original institutionalist approach, examples of institutions include money, marriage, markets, organizations, religions and language: all enable, partly constitute and constrain the individual (see for example, Dewey [1922] 1945; Veblen [1919] 1969). However, despite these common properties recent institutionalist analysis emphasizes the critical role of language as the fundamental institution predicating all other institutions, and its recursive and so communicative quality furnishes the key to order and change in society (Hodgson 2004; Robichaud, Giroux and Taylor 2004; Searle 1995, 2005). Institutions must be recognized within a community, so cannot be recognized by an individual only. Institutions, when perceived as legitimate and acted upon correlate behavior,[2] allowing individuals to negotiate "their daily affairs" (Lawson 1997, 187). Institutions have the potential to be connected in what Veblen ([1919] 1969) terms as "institutional furniture." This provides an additional source of their durability. Institutions exhibit differences in level, scale, scope and durability, and therefore possess multiple meanings for individual actors (Jessop 2000; Parto 2005), and can constitute boundaries, physically, cognitively and socially (O'Hara 2000).

In institutional economics, the stability or resistance to change of institutions has received more attention than the vulnerability of institutions. In addition, as Veblen ([1919] 1969, 239) observes, people must also assume the stability of institutions in their daily affairs:

> As a matter of course, men order their lives by these principles [of action] and, practically, entertain no question of their [institutions'] stability and finality. That is what is meant by calling them institutions; they are the settled habits of thought of the generality of men. But it would be absentmindedness . . . to admit that . . . institutions have . . . stability [that is] intrinsic to the nature of things.

Institutions are always, and simultaneously, potentially durable and vulnerable. What makes institutions vulnerable and what makes them durable? Relations — both hierarchical and non-hierarchical — and roles that define individuals' deontic powers are important sources of institutional durability (Searle 2005, 10). Searle thus points to a political constellation as a source of institutional durability. He argues that institutional durability is supported by or expressed through a particular language. Power is, of course, a complex, multi-dimensional and evolving conception and phenomenon, located in an institutionalized system of relationships rather than simply attributable to people (Avio 2004; Foucault 1982). Lawson also suggests that institutions demonstrate persistence due to the collective, not the individual, when he observes (1997, 163):

> Teachers . . . are allowed and expected to follow different practices from students, . . . employers from employees, men from women . . . Rules [institutions] as resources are not equally available, or do not apply equally, to each member of the population at large.

Institutional durability is furnished through collective intentionality, the temporal and ontological primacy of commonly held habits, and the normative apparatus associated with this (Dewey [1922] 1945; Hodgson 2004; Robichaud, Giroux and Taylor 2004). Stable and durable conversational procedures in particular, as Searle argues, embed communication. The process of embedding structures, discourse (and practice) in specific ways leads to the persistence of particular organizational forms (Maguire and Hardy 2006; Munir and Phillips 2005; Phillips, Lawrence and Hardy 2004; Sanchez and Mahoney 1996).

The institutionalist literature appreciates that feedback from individuals, and individual actions have the potential to change institutions (see Dolfsma and Verburg 2008). Rules and norms necessarily require individuals to interpret them. To some extent individuals possess discretion, have recourse to different repertoires of habit and experience (Finch 1997), or may misinterpret what is required of them. A classic example of this is provided by Alan Fox (1974) when he alludes to the seemingly simple instruction: "sweep the floor." There is an element of individual discretion as to what constitutes the appropriate performance level and effort in discharging even such an apparently simple task. Differences in interpretation can have consequences for action and, more significantly from our perspective, carry potential ramifications for the reproduction of an institution. Phillip O'Hara (2000, 39) argues, too, that durability of institutions is not self-evident:

> Hence rather than seeing socio-economic reproduction as being purely a process of maintenance, function, and equilibrium, it must be historically situated in a maze of potential dysfunctions, contradictions, and transformations, without, of course, ignoring the historical functions of institutions.

Institutional durability resonates with reproduction as opposed to replication. Reproduction (of institutions) is not mechanical. Moreover, the persistence of institutions can obviously be affected by other, wider or more indirectly related and general institutions, environmental, systemic, and historical effects and events (cf. McCarthy, Fiolet and Dolfsma 2011). Institutions (and systems of institutions) clearly possess differing qualities of durability. For instance, one of the most enduring institutions in the UK is the monarchy, but here too there has been noticeable change in the deontic powers and influence of the individuals placed in the roles defined by this institution. The monarchy has preserved its identity in the face of considerable environmental change: it pre-dates the emergence of capitalism and democracy, and more recent erosions and recalibrations in class boundaries, as well as the "loss" of empire. It has adapted to historical change and emergent structures and systems, and broadly maintained identifiable behavioral parameters. Despite change, vulnerable institutions may be re-identified through time, which raises the question how re-identification is to be conceived.

Re-Identifying Vulnerable Institutions Through Change

We emphasize the incomplete, uncertain, and haphazard nature of the reproduction of institutions. Even when in many cases agents themselves will have no problem recognizing institutions after spells of incomplete reproduction, conceptually, re-identifying institutions through time and change is problematic. To our knowledge this is an under-elaborated area in the literature, although Feldman's (2003) studies of changing routines in an administrative setting is an exception. If institutions are durable or persistent, yet subject to change, how can institutions be recognized from one point in (real) time to another? Instructive inferences may be drawn from Davis's (2003) analysis of the conceptualization of the individual in economics. Davis establishes two tests: individuation (can individuals and, by extension in this paper, institutions be distinguished?), and re-identification (can individuals, and also institutions, be re-identified over time?). In other words, what are the boundary conditions? It is clearly the re-identification test that is relevant for the purposes of analyzing institutional durability.

Davis (2004) notes that in mathematics the mapping of transformations is conducted via fixed point theorems of the general form such that each point *x* of a set X to a point *f(x)* within X has a fixed point *x** that is transformed to itself:

$$f (x^*) = x^* \tag{1}$$

Conceptually, this theorem is closely related to mainstream and game theoretic discourse in economics to demonstrate equilibrium, as a particular and very strong form of durability. Furthermore, x^* is characterized reflexively: ". . . what would be unchanging about individual economic agents amidst change in other characteristics is their being able to take themselves as an object" (Davis 2004, 3). With respect to our analysis of institutions, fixed point theorems may have a direct bearing as they involve reflexivity on the part of individuals with regard to themselves as well as with regard to institutions, which they perceive in shaping and facilitating senses (Davis and Klaes 2003; Leydesdorff 2006). Drawing on Ludwig Wittingstein's signpost analogy: signposts only guide an individual insofar as there is regular utilization of them, and only when others are involved who act upon the signposts and share an understanding of them. Institutions thus provide bases for shared understandings and senses of purpose and meaning (Douglas 1986).

For Searle (2005, 14), language provides recognition of institutions: ". . . a crucial function of language is in the recognition of the institution as such." In recognition of one's inevitable embeddedness in an institutional and relational sense, taking oneself as an object means understanding institutions, however implicitly, in their general form. Searle (2005) has then suggested as a general form for institutions:

$$\textit{X counts as } Y \textit{ in } C \tag{2}$$

X refers to certain features of an object, entity, person, or state of affairs; *Y* assigns a status function (to *X*) carrying a deontology in context *C* (Lawson 1997, 162). Crucially, taking oneself to be an object is necessarily reflexive and involves unequivocally the use of language. Language as the fundamental institution furnishes symbolic representation that is essential for institutional recognition and reproduction, and therefore for re-identification of institutions through change. However, the actor understanding an institution, behaving in accordance to it and reproducing it (incompletely), is not a part of Searle's definition. There is inevitably a measure of discretion, misapprehension, or error involved for each individual in interpreting what an institution requires her to do: individual *H* to some extent evaluates or judges *X*, *Y* as well as *C*. Some properties of the elements may have changed (somewhat), while other elements, which by achieving stability over time become essential to that overall institution, must have retained their essential identities, at least according to *H* (see, for example, O'Neill 1998).

For *H* to be able to satisfactorily function in a community, her understanding of *X*, *Y* and *C* must be shared with and by other participants, as individuals are of necessity part of a community (Bush 2008). It is important to acknowledge that a community is not a homogenous grouping, and it is thus necessary to specify an individual *H*. A reformulation of Searle's general form can then be proposed:

According to H, understood and communicated in language L
within a society or system S, X counts as Y in C   (3)

To indicate the vulnerability of institutional reproduction, consider the institution of marriage. Marriage has been subject to radical change over the past century. People's understanding of the institution has changed dramatically, even when ceremonies demonstrate obvious temporal consistencies. Two people expressing promises to commit themselves to each other in front of an audience of witnesses, under the auspices of an individual of legitimate authority, suitably attired, given her/his role, still constitutes a wedding ceremony in most cultures. Much has changed in the understanding of people in diverse communities, however, even to those who have themselves been married for a prolonged period. The obligatory narrative has changed; arguably, especially in the West the religious element has diminished; women, in general, appear to be less (economically) dependent within such a commitment; divorce is more readily available; co-habitation outwith, but resembling, the strictures of marriage is more socially acceptable, and this is increasingly the case with same gender partnerships. Communities that seem to have had a similar conception of marriage some time ago still re-identify the institution of marriage even if in one community does and another does not recognize gay marriage.

In terms of Searle's logical sequence, *X*, a woman who is married, attains the status function of a wife, *Y*, but the context, *C*, has changed such that the deontic powers assigned to wives has altered, as a consequence of changing social values and economic conditions, which has changed aspects of the status function, *Y*, at least in legal terms. Thus, a redefined *Y* is an emergent property – irreducible to either *X* or

C. There is still durability to the institution of marriage that ensures that it remains recognizable in that behavioral propensies have some coherence through time. There is a need to acknowledge explicitly and conceptually that *X*, *Y* and *C* are to be understood as such in a (legal, social) language *L* by an observer potentially communicating to other members of a community or society *S*. Without observers, *H*, including but not limited to scholarly observers, there are no "institutional facts."[3] Perceptions are not integrated into Searle's view of an institution, however, giving his perspective of language an oddly positivistic flavor.

Searle's (1995) analysis of the evolution of money buttresses our view. He considers the evolution of paper currency, noting "standard textbook" accounts identifying: "commodity money," such as gold, which possess use as well as exchange value; "contract money," which is "bits of paper" (Searle 1995, 42) that are valuable due to their status as promissory notes (pay the bearer on demand), and "fiat money," which attains legitimacy by virtue of some branch of the state, such as a central bank. Searle then goes on to describe the emergence of fiat money from the use of commodity money in medieval Europe, noting historical turning points in terms of innovation in the definitions and nature of money. Thus, as he concedes, his account is a potted history intended to emphasize constitutive rules. However, the context of a specific society, *S*, is substantially important in influencing Searle's *X counts as Y in C* – place as well as historical contingency matters. For instance, in observing the emergence of fiat money he writes:

> The next stroke of genius came when somebody figured out . . . we can forget about the gold and just have the certificates. With this change we arrived at fiat money (1995, 43).

In terms of the "stroke of genius," Searle's *X counts as Y in C* cannot furnish a comprehensive account of institutional change, and hence vulnerability and durability. For instance, what imbued the "stroke of genius" with legitimacy, and where? How was this communicated and perceived? Was this a reflection of greater social change?

Vulnerable Institutions, Communication and System Boundaries

Institutions' vulnerable sides are largely under-explored among the community of institutionalist researchers. Individuals (*H*) acquire an understanding or representation of the contextual rules within which they are situated and act. Understandings of institutions are shared through communication within a community, if institutional reproduction is not to fail. Analyzing language separates, distinguishes *and* connects institutions and institutional furniture, and therefore permits discussion of institutional durability and vulnerability. We introduce the term "boundary" to that purpose, using insights from systems theory. Broadly, we define a *boundary* as an institution or set of institutions that separates two or more relatively homogenous entities (Chick and Dow 2005). Boundaries are a means of connection

as well as a means of distinction, such that boundaries are simultaneously buffers and bridges (Thompson 1967). Star and Griesemer (1989, 393) — in a paper that has become a standard reference in organization studies — argue that boundary (objects) "are both plastic enough to adapt to local needs and the constraints of the several parties employing them, yet robust enough to maintain a common identity across sites." For Luhmann, boundary maintenance is system maintenance.

Communication analysis shows how boundaries between systems are described, permeated, interpenetrated, and changed. Communication, for Luhmann, occurs in the setting of a social system that necessarily construes itself in interaction with its environment and so also, necessarily, identifies boundaries. Boundaries allow for both the autonomy of systems and communication between them (Star and Griesemer 1989). Luhmann (1995, 17) states:

> But boundaries do mark a break in connections. In general, one cannot maintain that internal interdependencies are greater than system/environment interdependencies. The concept of boundaries means, however, that processes which cross boundaries (e.g., the exchange of energy or information) have different conditions for their continuance . . . after they cross boundaries.

Communication across a system's boundaries, as Luhmann argues, yields meaningful communication yet creates circumstances for possible failure of institutional reproduction within a system. Luhmann (1995) further argues that change may be instigated when "information" from outside of an instituted system crosses a system's boundaries into an adjoining system and "irritates" that system. Instituted systems exchanging information both imply the possibilities of durability and vulnerability. For communication between systems to be meaningful, interacting systems need to be relatively internally coherent and homogenous themselves, while a system is necessarily distinct from its environment.

Luhmann's discussion of communication then can help us draw together an explanation of the vulnerable dimension of institutions. Communication is dynamic and emerges in a mutually constitutive way with language, supporting a social system's increasing complexity (cf. Leydesdorff 2006). Luhmann (1995, 39) argues:

> One can speak of communication . . . only if a change in the state of . . . A corresponds to a change in the state of . . . B, even if both . . . had other possibilities for determining their states. To this extent, communication means limitation.

Social systems come into being and are perpetuated through communication. For Luhmann, communication comprises a "unity of information, utterance and understanding" such that it is difficult to disentangle or isolate any one component. Luhmann argues that communication is the process by which a social system forms in distinction to its environment. Critically, an event to be captured must be new to the

social system if it is to have the currency of information. Nevertheless, and at the same time, information is for the system and can only be made sense of in terms generated by the system. Even information from outside of the system is sensible only in self-referential terms (cf. Dimaggio and Powell 1983). The communication of information foreign to the system may be by means of metaphor such that an event can be carried into a particular social realm. Repeated subsequent communication of the information within a system then tends toward institutional structure so that it eventually loses its informational status. For Luhmann (meaningful) information is necessarily temporal and experimental. Explicitly this provides insights into the dual qualities of institutions as both durable and vulnerable at the same time, or in Luhmann's terms "improbable."

Inevitably, distinctions emerge between a social system and its environment as the social system and its environment emerge and are established simultaneously. A social system thus entails a boundary. As communication is social, subjective or personal thinking is placed within a social symbolic system (Dolfsma and Verburg 2008). Luhmann argues that social systems are operationally closed so that they may develop through an accumulation of communication, but open in the sense that information as representations of environmental events may enter the system. The selection of an outside event and its representation within a system necessarily implies the rejection of other possible outside events as noise in the system's environment. This is an action according to Luhmann. An actor selecting an event or an observation beyond the boundaries of the system, however, needs to represent this through the nuances of the language of the system even if the event is largely foreign to it.

An actor making selections of information and utterances can never be sure as to how others understand because that understanding is personal and opaque given the social system, yet communication is with reference to established institutions. Institutions may not involve a complete closed script prescribing the interpretation of outside information or proper behavior (Dolfsma and Verburg 2008). If one acknowledges agents as interpreting beings employing a language that is by definition imperfectly equipped to understand information from outside the boundaries of a community or system (Wittgenstein 1954), ambiguity and thus institutional vulnerability is entailed. Information from outside the system, thus, has the potential to disrupt that system. As communication or action is social, others interpret utterances as a selection and presentation of an event allowing for understanding but also misunderstanding and confusion. The vulnerability of the institutionalized communication system is thus perpetual.

Inter-system communication then, has the potential to upset, destabilize or undermine the receiving system, in particular. Of course, feedback between systems will produce non-linear complications. Setting this aside, the important point is that communication can act as a conduit for the challenge of established tenets and value systems. For instance, changing values generated in Western Europe in the seventeeth and eighteenth centuries from some religious groups, such as the Quakers, accompanied by Enlightenment thinking communicated across geographical

boundaries to the emerging United States may be interpreted as system disrupting in terms of the provocation of the American Civil War.

Developing Searle's argument, an "institutional fact" is subjective because its existence is dependent upon an individual's (*H*) perception, understood in a language (*L*) as practiced within a society or system, *S*, maintained through the status function of the form: *X counts as Y in C*. The status function is expanded in three directions: its inherent social quality, its mutually constitutive expression through language, and its mutually constitutive development of deontic power. An "institutional fact," in this sense, is both the achievement and precondition of collective intentions and implies a process by which epistemology may acquire some objectivity in its context. The institutional fact is expressed symbolically, as it is not ontologically objective in the sense of being independent of human perception: "If there are to be these representations, there must be some medium of representation, and that medium is language or symbolism in the broadest sense" (Searle 2005, 12).

Luhmann's (1995) discussion of "communication and action" in particular can be illuminating since its focus is on the emergence of communication. Emergence and durability of a social system are inherently related to the system's "improbable" (Luhmann 1995) continuation or reproduction. Luhmann refers to "double contingency" in his analysis of the improbability of system order. He describes this in terms of individual self-commitment pre-supposing a similar commitment in other individuals. He (1995, 116) argues:

> Along with the improbability of social order, this concept (double contingency) explains its normality; under double contingency, every self-commitment, however accidentally arisen, or however calculated, will acquire informational and connective value for the action of others. Precisely because such a system is formed in a closed and self-referential way . . . every accident, every impulse, every error is productive. The genesis of the system presupposes structured complexity in the sense of nonarbitrary distributions. Without "noise," no system.

The accounts of Searle and Luhmann are nonetheless congruent in their respective focus on "institutional fact" and, respectively, on "information, which is for the social system." However, Luhmann addresses dynamism explicitly as communication bears the weight of a social system's (improbable) coherence and continuation. Luhmann explicitly addresses the problem of an instituted system's vulnerability resulting from communication.

Luhmann and Searle are both analyzing social settings so that Searle's collective intentions and Luhmann's communication are analytically complementary. Unlike Searle, Luhmann (1995) retains the human individual in the form of a "psychic" or mentalist system distinct from the social system. A result of this is that there can be a clear disjunction in Luhmann's argument between an individual's thinking or personal cognition on the one hand, and the social system's communication on the

other. Agency and (mis-) interpretation highlight the vulnerability of institutions and institutional furnitures, are thus introduced conceptually by Luhmann but not Searle.

According to Luhmann, social systems distinguish themselves from their environment *by virtue of* communication and so must have boundaries. A system cannot exist without other systems it is separated from by means of boundaries. Searle argues that institutional structures connect with other structures "vertically and horizontally," but that does not account for heterogeneity in the social realm. If the existence of separable social systems is not conceptualized, arguably a significant source of institutional change is overlooked. As Luhmann's systems necessarily have their environments and thus boundaries, this permits, conceptually, for institutional vulnerability.

Concluding Remarks

Institutions and systems of institutions are constitutive of socioeconomic life. Original institutional economics has done much to illuminate this central insight. Yet in its considerations of institutional reproduction institutionalism tends to be confined to notions of durability. However, durability also invites considerations of vulnerability; indeed, this feature of evolutionary theorizing has not received as much attention. This paper argues that institutional economics' recognition of the centrality of language provides the analytical entry point in interrogating the perpetuation or otherwise of institutions and systems of institutions. In this regard we believe that the differing (and potentially divergent) contributions of Luhmann and Searle offer an intriguing prospectus. Our argument has attempted to be focused on the potential transmission mechanism that operates at both systemic and institutional levels. We recognize that our argument is incomplete, but it is intended to provoke further considerations as opposed to offering a comprehensive analysis, which we consider to be well beyond the scope of a single paper.

We believe Searle has argued convincingly that language is the fundamental institution without which there would be no other institutions and without which no understanding of institutions would be possible. Searle, however, does not emphasize the ambiguity in the use of language. He appears to assume that meanings do not differ between people and seems to exclude differences in interpretation and perception especially of communication sourced from outside of a society (system). As a result institutional vulnerability and change cannot be analyzed in Searle's conceptual framework.

A fruitful understanding of institutional durability and change would draw in part, as we argue, on the work of Luhmann on communication between systems or societies across the boundaries that separate them. Language constitutes a homogenizing tendency in forming groupings, institutionally mediated, separating an inside from an outside by constructing boundaries that need to be actively maintained. Communication crossing system boundaries is only meaningful when it upsets (or "irritates" in terms that Luhmann uses) a system but can only be understood in the language of a receiving system. Allowing for institutions to be

durable *as well as* vulnerable, one needs to reconsider Searle's generic formula for (re-) identifying institutions by contextualizing it further to conceptually allow for institutional vulnerability and change, and thus attain a better understanding of institutional durability as well.

Notes

1. In this we also recognize groups as collections of individuals with shared characteristics that define membership in those groups. Just as shared intentions create obligations, membership in groups create sets of rights and responsibilities that are supported by individuals' collective intentions (Davis 2003).
2. See Avio (2002, 2004). Searle (2005) discusses this in terms of institutions either tacitly or explicitly establishing agents' deontic powers, which are in effect rights, obligations, duties, roles and legitimacy.
3. The need to acknowledge the position of the observer implies that observations are relative. This need not be interpreted as adopting a post-modern stance, but could also be conceived of as in line with post-Newtonian insights in physics.

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