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The Role and Contribution of The New Institutional Economics In Economic System Performance

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Abstract : This study investigates new institutions' contributions and economic implications in current economic developments. This study uses a qualitative approach with a literature study method. The study illustrates key thought concepts and relevant works from figures such as Douglass North, Elinor Ostrom, Oliver Williamson, Ronald Coase, and Avner Greif through analysis of various reference sources, including books, journal articles, and other related publications. The results of the literature study show that New Institutional Economics has an essential contribution to understanding the role of formal and informal institutions in shaping economic behavior and Performance. Legal institutions, such as laws, regulations, and public policies, provide the framework for economic interactions, literature study results whereas informal institutions, such as norms, beliefs, and social networks, influence individual economic decisions. The importance of institutions and organizations in improving economic efficiency and overcoming problems arising in the economic system is also highlighted in this study. In the context of New Institutional Economics, institutions and organizations act as mechanisms for reducing transaction costs, resolving conflicts, and increasing trust and cooperation among economic actors. Its theoretical implications strengthen an understanding of how institutions and organizations can shape economic behavior and Performance. In contrast, its practical implications can provide direction for more relevant and effective public policies addressing economic and social problems.

Keywords : Role, Contribution, Institution, New Institutional Economics.

INTRODUCTION

The New Institutional Economics is an economics approach that studies institutions' role in shaping economic behavior and its outcomes (North, 2005). This approach emerged in the 1970s in response to criticism of neoclassical economics which was considered to pay little attention to the role of institutions in forming economic systems (Yonay, 1998). The New Institutional Economics considers institutions as rules or norms that affect how people interact in an economic system (Hodgson, 2009). Institutions can be laws, government policies, social norms, or customs. An important concept in this approach is "transaction cost," which refers to

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the costs incurred in conducting economic transactions such as negotiating, monitoring, and enforcing contracts (Coggan, Whitten, & Bennett, 2010). The New Institutional Economics approach has made important contributions to understanding the role of institutions in forming and managing economic systems, such as the role of institutions in reducing transaction costs, facilitating trade, regulating conflict, and creating long-term prosperity. Therefore, the New Institutional Economics became important in developing economic policies in various countries and international organizations (Nabli & Nugent, 1989; Kirsten, J. F., Karaan, A. M, 2009).

The New Institutional Economics Gaps refer to gaps or inequalities in economic conditions caused by differences in institutions or rules that affect economic behavior and outcomes among different groups or regions (Klasen, 2017). The phenomenon of new institutional economic gaps can occur at various levels, both on a national and international scale (Feige, 1990). Some examples of new institutional economic gaps include the first gaps between developed and developing countries: Developed countries have more efficient and effective institutional systems in facilitating trade, regulating conflict, and creating long-term prosperity. On the other hand, developing countries often need more developed institutional systems and are less effective in creating economic prosperity. Second, gaps between urban and rural areas: Urban areas often have more advanced institutional systems and are more effective in facilitating trade and investment. In contrast, rural areas often need more developed institutional systems and are less effective in creating economic prosperity (Barca, McCann, & Rodriguez-Pose, 2012) Rodríguez-Pose, A., 2012). Third, Gaps between formal and informal sectors: The legal sector has more advanced institutional systems and is more effective in facilitating trade and investment. In contrast, the informal sector often needs more developed institutional systems and is less effective in creating economic prosperity.

Several problems occur in society in the context of New Institutional Economics, among them the first economic gap: Economic disparities can occur due to differences in access to institutional systems that support economic growth. Groups or regions with better access to institutional systems tend to be more economically advanced than groups or areas that do not have equal access (Engerman, Haber, & Sokoloff, 2000). Second, Corruption: Corruption can hinder economic development by undermining the integrity of institutional systems and exacerbating economic inequality. Corruption can amplify the interests of specific groups above the public interest and harm society as a whole (Rose--Ackerman, 2008). Third, Legal uncertainty: Legal uncertainty can hinder investment and economic development. Legal delay can occur due to a lack of clear, consistent rules or weak enforcement (Trebilcock & Leng, 2006). Fourth, cultural differences and customs: Cultural differences and customs between groups or regions can hinder effective economic interaction. For example, differences in language, manner of dress, or manner of doing business can cause difficulties in communication and negotiation. And fifth, lack of education and skills: Lack of education and skills can exacerbate economic inequality and hinder people's ability to participate in the economy. Lack of education and skills can also exacerbate legal uncertainty and reinforce corruption.

Previous studies that became the basis for developing New Institutional Economics include Douglas North Research (1990) on institutions and economic change. North states that institutions are formal, informal rules that govern human behavior and that institutional change can affect economic Performance (North, 1990). Second, Ronald Coase's (1937) research on transaction and corporate costs. Coase states that companies arise because transaction costs between individuals or organizations are too high (Coase, 1991). Third, Oliver Williamson's (1975) research on transaction theory. Williamson says that companies occur because they reduce transaction costs through organizational hierarchies (O. E. Williamson, 1975). Fourth, Elinor Ostrom's (1990) research on the co-control of natural resources. Ostrom states that local communities can manage natural resources effectively through rule-setting and coordination mechanisms (Ostrom, 1990). Fifth, Douglass C. North and Robert Paul Thomas' (1973) research on economic history. North and Thomas state that economic development is influenced by technological factors and institutional factors such as legal, political, and social (North & Thomas, 1973).

These researches formed the basis of new institutional economic thinking and inspired much of subsequent research and theoretical development in this field. New Institutional Economics has developed into an essential approach in the study of economics and social sciences and has provided many insights and policy recommendations to address economic problems at many levels. The New Institutional Economics (NIE) has emerged as a significant paradigm in understanding economic systems. However, its specific role and contributions in enhancing the performance of these systems are not fully understood. This research aims to investigate how NIE principles and frameworks influence the functionality, efficiency, and adaptability of economic systems. It seeks to understand the extent to which NIE contributes to the performance of these systems in various contexts, including market efficiency, regulatory frameworks, and the impact on economic growth and stability. The problem lies in bridging the gap between theoretical NIE concepts and their practical implications in real-world economic systems, identifying key factors where NIE has significantly altered economic performance.

This study will also explore the challenges and limitations of applying NIE in different economic and institutional settings.

RESEARCH METHODS

In New Institutional Economics research, qualitative methods can be used to understand the role and function of institutions and institutional factors in an economic context (Urbano, 2019). Qualitative methods in new institutional economic research can provide deep insights into the social, cultural, and political contexts that affect institutional and organizational dynamics. In addition, this method can help understand the perspectives and experiences of related actors in the context of New Institutional Economics. Research using more literature studies on New Institutional Economics is the process of searching, reading, and analyzing various scientific publications, books, journal articles, and other documents relevant to new institutional economic concepts, theories, and applications. A literature study aims to comprehensively understand the research topic being studied and build a solid knowledge base. During the literature study process, it is vital to cover a range of relevant approaches, viewpoints, and research in the New Institutional Economics. By conducting a comprehensive literature study, you can build a solid foundation of knowledge and gain better insight into new institutional economic research (Cresswell, 2014).

RESULT AND DISCUSSION

There are several exciting things with the New Institutional Economics, including: 1) Focus on the role of institutions: New Institutional Economics places institutions as an essential factor in economic development and analyzes the role of institutions in shaping human behavior (Acemoglu, Johnson, & Robinson, 2005). This approach differs from classical economics because it focuses more on markets and individuals. 2) Interdisciplinary: The New Institutional Economics involved economists and experts in political science, sociology, and anthropology. This interdisciplinary approach helps understand the social and political factors influencing economic behavior (Boswell & Mueser, 2008; Furubotn, 2001). 3) Emphasis on transaction costs: The New Institutional Economics emphasizes the importance of transaction costs in forming institutions and organizations. The concept of transaction fees helps explain why companies emerged and how institutions can help reduce transaction costs (Dawkins, 2000; Prasetyo, 2020). 4) Application in real contexts: New Institutional Economics, such as public policy analysis and development planning, is often applied in real contexts. This approach helps to provide policy recommendations that are more relevant and effective in addressing economic and social problems. 5) Relevance in a global context: The New Institutional Economics has relevance in a global context, as it analyzes the relationship between institutions, policies, and economic development in a variety of cultural and political contexts (Zhu & Thatcher, 2010). This approach helps to understand differences in economic policies and practices in different countries and regions.

The contribution of New Institutional Economics includes, first, Understanding the role of institutions in economic development: New Institutional Economics helps understand the role of formal and informal institutions in shaping economic behavior and Performance (North, 2005; Ménard, 2014). This approach helps to overcome problems in the economic system caused by a need for more attention to institutional factors. Second, Transaction cost analysis: The New Institutional Economics helps understand the transaction costs of forming institutions and organizations. The concept of transaction costs helps explain why companies emerged and how institutions can help reduce transaction costs, thereby increasing economic efficiency. Application in real contexts: New Institutional Economics is often applied in natural contexts, such as public policy analysis and development planning. This approach helps provide policy recommendations that are more relevant and effective in addressing economic and social problems. Relevance in a global context: The New Institutional Economics has relevance in a global context, as it analyzes the relationship between institutions, policies, and economic development in a variety of cultural and political contexts (Simón-Moya, Revuelto-Taboada, & Guerrero, 2014). This approach helps understand differences in economic policies and practices across countries and regions. Helping to understand the influence of non-economic factors on economic Performance: The New Institutional Economics recognizes the result of non-economic factors such as political, cultural, and social policies on Economic Performance. This approach helps understand those factors and how they can affect economic Performance in the long run.

Douglass North, as one of the founding figures of the New Institutional Economics, introduced concepts of thought that were important in institutional studies. The following are some of them: 1) Institutional interests: North believes institutions are important factors in shaping economic and social behavior. 2) Institutional evolution: North argues that institutions can change over time through a complex evolutionary process. He stressed the importance of historical analysis and observation of institutional change in explaining economic and social change. 3) Conflict and coordination: North emphasized the importance of economic coordination in preventing social conflict and facilitating economic growth. He argues that social institutions and norms can help create coordination and reduce societal conflict. 4) Transaction costs: North developed the concept of transaction costs to explain the costs involved in conducting economic transactions. He argues that social institutions and norms in society can influence transaction costs. 5) Institutional change: North argues that institutional change can significantly impact economic growth. He emphasized the importance of analyzing the factors influencing institutional change, such as technology, the environment, and social interaction.

Elinor Ostrom's concept of thought (Milonakis & Fine, 2007) is an American social scientist best known for her work in natural resource management. Essential concepts of thought and works produced by Elinor Ostrom include: 1) Collective Theory of Action: This concept proposes that natural resources can be managed collectively by local communities effectively and sustainably. Elinor Ostrom observed examples worldwide where local communities successfully worked on natural resources, such as forests, fisheries, and groundwater, without government or private company interference. 2) Institutional Design: Elinor Ostrom emphasizes the importance of appropriate institutional design in collective natural resource management. Institutions should be designed to encourage active participation, transparency, accountability, and mutual trust among resource managers. 3) Other Thought: Elinor Ostrom rejected the approach commonly used in economics, namely the assumption of individual selfish rationality and self-interest. He argues that humans have more diverse motivations and can work together in groups. Therefore, he proposed an alternative model that recognized the diversity of human behavior and its causes. 4) Governing the Commons (1990): Elinor Ostrom's most famous work is this book. In this book, he discusses how local communities can collectively, effectively, and sustainably manage natural resources. This book became one of the primary references in the study of new institutions and theories of natural resources.

Oliver Williamson is an American economist known as one of the central figures in developing organizational theory and institutional economics. The following are some of the concepts of thought and bookwork produced by Oliver Williamson. Among them, 1) Transaction Cost Theory The idea of transaction cost theory is a significant contribution of Oliver Williamson in developing institutional economic theory. Williamson emphasized that financial organizations and institutions were created to reduce transaction costs in economic transactions. 2) Hierarchy Versus Market Williamson posited that organizations could be formed in hierarchy and market. A hierarchy is a centralized and coordinated organization through a management hierarchy, while a market is a decentralized and cooperative organization through a pricing mechanism. 3) The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting (1985) This book is a famous work by Oliver Williamson, which discusses the relationship between organizations and markets in capitalist economies. Williamson shows how organizations and markets interact and generate economic profits. 4) The Nature of the Firm (1937) This book was written by Ronald Coase. Still, Williamson contributed significantly to developing the book's theory of institutional organization and economics. This book discusses why organizations are formed and how organizations reduce transaction costs in the economy. 5) Markets and Hierarchies: Analysis and Antitrust Implications (1975) This book discusses hierarchy versus markets and the antitrust implications of organizational theory and institutional economics. Williamson shows how antitrust decisions can be influenced by organizational structures and markets within the industry (O. Williamson & Winter, 1993).

Ronald Coase was a British economist known as one of the leading figures in institutional economics. Ronald Coase's famous concepts, thoughts, and book works: 1 Transaction Cost Theory: Coase developed transaction cost theory in his favorite article, "The Nature of the Firm," in 1937. This theory explains that organizations are formed when the cost of transactions between individuals in a market becomes too high. Coase later developed this theory in his other books, such as "The Problem of Social Cost" and "The Firm, the Market and the Law." 2) Shared Resource Theory Coase also developed the shared resource theory in his book "The Economics of Fisheries Management" in 1959. This theory explains why shared resources such as fish and forests often suffer from overuse problems. 3) The Firm, the Market, and the Law The book was published in 1988 and is a collection of Coase's essays on organizations, markets, and law. This book discusses how organizations and markets interact in economics and how law can affect the relationship between organizations and markets. 4) The Problem of Social Cost This article was published in 1960 and became one of the most influential economic articles of the 20th century. Coase discusses the issue of social costs or externality in markets and how laws can affect the relationship between producers and consumers (Posner, 1993).

Avner Greif is an economist and economic historian known as one of the leading figures in institutional economics. Avner Greif's famous books' concepts, thoughts, and works include 1) Institutions and Changes in History. This book was published in 2006 and became one of

Greif's famous works. This book discusses how institutions and policies can affect the progress or decline of a society. Greif also discussed several historical examples from various parts of the world that show the importance of institutions in driving economic growth and community development. 2) Community Dependence Greif also developed the concept of community dependence or "social embeddedness," which explains that a person's economic behavior cannot be separated from his social and institutional environment. This concept forms the basis of institutional economic theory and is essential in understanding the role of institutions in economics. 3) Trade in the Mediterranean in the Middle Ages Greif researched trade in the Mediterranean in the Middle Ages and found that it occurred in a complex and effective institutional system. His research proved that trade occurs not only because of demand and supply but also because of trust, mutual benefit, and a good system of rules. 4) The Persistence of the Past: The Case of the Ottoman Empire This article was published in 1994 and became one of Greif's famous articles. Greif discusses why the Ottoman Empire failed to modernize its economy in the 19th century. Greif identified that the problem lies in weak institutions and the inability to resolve internal conflicts (Greif & Laitin, 2004; Ahmad, 2013).

Jean Tirole was a French economist best known for his works in game theory and industrial economics. Here are some of Jean Tirole's famous thought concepts and book works, including Game Theory and Industrial Economics. Jean Tirole contributed a lot to developing game theory and its application in industrial economics. One of his famous works is "The Theory of Industrial Organization," published in 1988. The book addresses various topics in industrial economics, including oligopoly, price discrimination, and innovation. 2) Market Regulation Jean Tirole also contributed much to the development of market regulation theory. One of his best-known works in this field is the book "Competition in Telecommunications," published in 2001. The book addresses various issues in the telecommunications industry, including regulation of network access, tariffs, and competition. 3) Contract Theory Jean Tirole also contributed a lot to contract theory. His famous book in this field is "The Theory of Corporate Finance," published in 2006. The book addresses a wide range of issues in corporate finance, including financing decisions, risk-taking, and the management of the relationship between owner and management (Tirole, 1988).

The role of formal and informal institutions is critical in shaping economic behavior and Performance in New Institutional Economics. Legal institutions such as laws, government regulations, and financial institutions provide clear directions and rules for economic actors to create stable and predictable conditions. Formal institutions also play a role in facilitating economic interaction between economic actors, providing guarantees of property rights and contracts, and resolving disputes and conflicts (Zenger, Lazzarini, & Poppo, 2000; Abera, 2019). Meanwhile, informal institutions such as norms, customs, customs, and social networks also play an essential role in shaping economic behavior and Performance. Informal institutions are often the result of long and continuous social interactions between economic actors and serve as a reference for their actions in transactions. Informal institutions can strengthen or weaken economic Performance in New Institutional Economics (Tamanaha, 2015).

In the context of New Institutional Economics, there is a new approach to understanding the role of formal and informal institutions in shaping economic behavior and Performance. This approach assumes that formal and informal institutions are interrelated and influence each other and must be considered together in economic analysis. In this case, informal institutions can complement or even substitute weak or ineffective formal institutions. Formal and informal institutions are essential in shaping economic behavior and Performance in New Institutional Economics. Legal institutions usually consist of rules, laws, policies, and other formal structures created by governments or official agencies. On the other hand, informal institutions are comprised of norms, values, and ordinances that develop within society.

In the New Institutional Economics, formal and informal institutions work together to create an environment that enables sustainable economic growth. Formal institutions can shape economic behavior and Performance through fiscal and monetary policies, regulations governing markets and investments, and law rules protecting property rights and contracts (Holmes Jr, Miller, Hitt, & Salmador, 2013). On the other hand, informal institutions also have an essential role in shaping economic behavior and Performance. The norms, values, and ordinances that develop within a society can shape prejudices, beliefs, and solidarity that are important for promoting cooperation and building trust among community members. In many cases, informal institutions can play a more important role than formal institutions in shaping economic behavior and Performance.

However, the role of formal and informal institutions in shaping economic behavior and Performance is only sometimes positive. Bad or corrupt formal and informal institutions can lead to economic instability and social injustice. In addition, differences between formal and informal institutions that are conflicted or misaligned can result in obstacles to sustainable economic growth. In New Institutional Economics, it is important to pay attention to the role of formal and informal institutions in shaping economic behavior and Performance. Governments and other legal institutions must ensure that rules and policies are made to promote sustainable economic growth and social justice. On the other hand, societies must promote positive values and norms, including trust, cooperation, and solidarity, to form strong and mutually supportive informal institutions. Formal and informal institutions are important in shaping economic behavior and Performance in New Institutional Economics. Formal institutions such as laws, regulations, government agencies, and public policies play a crucial role in regulating economic interactions, resolving conflicts, and providing legal certainty for economic actors (Edquist & Johnson, 1996). Formal institutions can also create a stable and attractive investment climate, increase efficiency and productivity, and encourage innovation.

However, more than formal institutions are needed to create a healthy economic system. Informal institutions such as social norms, customs, and customary practices can play an important role in shaping economic behavior and Performance. Social norms, for example, can shape trust and cooperation between individuals, which is crucial in building good business relationships. Indigenous customs and practices can also help strengthen social networks and promote adherence to formal rules. Informal institutions can also be a barrier to economic growth (Anderson, 2004). For example, social norms that do not support innovation or risk can limit creativity and the ability to adapt to change. Inefficient customary habits and practices or not being open to change can prevent proper decision-making or effective problem-solving. In New Institutional Economics, formal and informal institutions should be seen as interrelated and mutually influencing systems. These two types of institutions must be supported and improved together to create a healthy and sustainable economic system.

Transaction costs are incurred to carry out certain transactions or economic activities (O. E. Williamson, 1979). Transaction costs include information costs, negotiation, monitoring, and contract enforcement. High transaction costs can hinder the formation of efficient transactions or economic activities. In New Institutional Economics, transaction costs are seen as an essential factor influencing the formation of institutions and organizations. High transaction costs encourage forming institutions and organizations that help reduce these costs (Pingali, Khwaja, & Meijer, 2005). Formal institutions such as regulations and laws can help reduce transaction costs by providing rules and frameworks for contracts and transactions. Meanwhile, informal institutions such as norms and trusts can help reduce transaction costs by reducing uncertainty and increasing trust between the parties involved. On the other hand, low transaction costs can lead to more superficial and less formal organizations and institutions. In this context, organizations and institutions can depend more on social norms and trust, as low transaction costs make it easier for parties involved to trust each other.

In addition, transaction costs can also affect the selection of the most appropriate organizational form or market structure for a particular economic activity (Bello, Dant, & Lohtia, 1997). For example, low transaction costs can enable the formation of competitive markets where prices and quantities are determined through efficient market mechanisms. However, high transaction costs can limit a market's ability to operate efficiently and ultimately lead to the formation of alternative market organizations or structures. For example, in an agricultural industry where farmers typically own relatively little land, high transaction costs can limit a market's ability to operate efficiently. Farmers often need help negotiating with buyers and gathering the necessary information to determine the right price and quality. Alternatively, farmers can form cooperatives or other organizations that allow them to collaborate in the production, marketing, and sale of their products. Such organizations can help reduce high transaction costs and improve economic systems' efficiency and Performance.

In the end, transaction costs will influence individual decisions in forming institutions and organizations that are efficient in reducing transaction costs. In New Institutional Economics, efficient organizations and institutions can facilitate efficient trade and investment, reduce transaction costs, increase trust and cooperation among community members, and create significant added value. In this case, formal and informal institutions will interact and, side by side, form a new institutional economic system that is efficient and sustainable. However, it should be noted that transaction costs are not the only factor affecting the formation of institutions and organizations in New Institutional Economics (North, 1995). Other factors such as culture, history, politics, social environment, and technology can also influence the formation of institutions and organizations. For example, culture and history can influence how individuals and groups interact, trust each other, and form habits that impact the formation of institutions and organizations. On the other hand, political factors can influence government policies in forming institutions and organizations that facilitate efficient trade and investment.

Information and communication technology advances can affect the formation of institutions and organizations in the New Institutional Economics by enabling more efficient use of communication and transaction methods, such as using blockchain or other technologies for financial and trade transactions. In order to understand more about how transaction costs and other factors affect the formation of institutions and organizations in New Institutional Economics, further research and analysis by new institutional economists are needed.

Non-economic factors such as cultural, political, and social play an essential role in influencing economic Performance in the long run in New Institutional Economics

(Hadjimichalis, 2006). Some of these factors include cultural values that encourage cooperation and trust among members of society and political and legal systems that support the establishment and maintenance of effective institutions and organizations. In terms of culture, values such as trust, cooperation, and openness can help in the formation of effective institutions and successful organizations. This is especially important in the context of new institutional economies, where agreements and contracts are often made between people who do not know each other personally. When members of society have a high level of trust in each other, they are more likely to execute their contracts and abide by the rules set by institutions and organizations (Cook, 2001). For example, a community culture that encourages cooperation and trust can form effective and efficient institutions and organizations. Conversely, a culture that does not support collaboration and trust can hinder the formation and development of institutions and organizations.

In the political context, government and other state institutions can play an important role in supporting the establishment of effective institutions and organizations (Vincent-Jones, 2000). Public policies supported by the government, such as market regulation and restrictions, protection of intellectual property rights, and tax incentives and subsidies, can provide the impetus for forming and developing institutions and organizations. However, poor policies, such as corruption and political instability, can hinder the formation of effective institutions and successful organizations. On the political side, strong political and legal stability can help in the formation and development of good institutions and organizations. Conversely, weak political and legal instability can hinder the formation and development of institutions and organizations. A stable and reliable political and legal system can also provide certainty for economic actors and encourage long-term investment. A corrupt and unstable political system can cause uncertainty and hinder economic growth.

In social terms, factors such as education, gender equality, and community participation can also affect economic Performance in the long run (Klasen & Lamanna, 2009). Higher education can help improve the capacity and skills of individuals, which in turn can help form and develop effective institutions and organizations. Gender equality and broader community participation in decision-making processes can help build legitimacy and support for existing institutions and organizations. In addition, social factors such as people's level of education and technical ability can also affect economic Performance in the long run. A high level of education and technical knowledge can form and develop effective and efficient institutions and organizations. Good levels of education and health can increase productivity and innovation capabilities, while gender equality can expand the talent base available to thrive in the economy.

In order to build and develop a new, sustainable institutional economy, non-economic factors must be taken seriously (Żuk & Żuk, 2023). They must be considered an integral part of forming and developing effective institutions and organizations. In this regard, the role of government and public policy is also critical. Government can play an essential role in promoting cultural, political, and social support for establishing and developing effective and efficient institutions and organizations. Public policies that strengthen political and legal stability, improve people's education levels and technical capabilities, and promote cooperation and trust among people can also help develop sound institutions and organizations. In the context of New Institutional Economics, it is essential to consider these non-economic factors because they can affect the effectiveness of institutions and organizations in achieving economic goals. Therefore, policies that promote the development of culture, stable political and legal systems, and positive social factors can contribute to long-term economic Performance in the New Institutional Economics.

Applying New Institutional Economics in public policy analysis and development planning can provide more relevant and practical policy recommendations in addressing economic and social problems in New Institutional Economics (Lehtonen, 2004). In the context of public policy, the application of New Institutional Economics can help identify issues in the economic system and provide policy alternatives that are better suited to local conditions. For example, in addressing poverty in a region, new institutional economic analyses can help identify institutional factors driving poverty, such as lack of access to needed resources and infrastructure or lack of support from governments and community organizations. Based on this analysis, policy recommendations such as infrastructure development, increased access to resources, or targeted social assistance programs can be generated.

Meanwhile, in the context of development planning, New Institutional Economics can help design more sustainable and measurable development programs and policies (Thomas et al., 2018). For example, in developing the agricultural and tourism sectors in a region, New Institutional Economics analysis can help identify the needs of farmers and institutional factors that affect the Performance of the agricultural sector. Thus, development programs and policies can improve farmers' access to resources, improve farmers' skills and knowledge, and overcome institutional barriers affecting agricultural sector performance. Taking into account the unique characteristics of these sectors, policy recommendations may take the form of developing more effective financial institutions or marketing networks, increased access to technology or information, and improved regulation to increase public participation.

Thus, the application of New Institutional Economics in a real context can provide more relevant and effective solutions for overcoming economic and social problems in New Institutional Economics (North, 1995; Prasetyo, 2020). Therefore, policymakers (Miao, Holmes, Huang, Zhang, & others, 2021) and development practitioners can leverage this approach to design and implement more sustainable and effective policies and programs. In applying New Institutional Economics in a real context, it is necessary to conduct institutional analysis to understand existing institutions, how these institutions can cooperate or contradict each other, and how to build new institutions or improve existing institutions to achieve desired policy goals. This analysis can be done by adopting a new institutional economic approach, which includes identifying transaction costs, the role of formal and informal institutions, the influence of public policy, and non-economic factors such as cultural, political, and social.

In practice, the application of New Institutional Economics can provide policy recommendations that are more effective in addressing economic and social problems within a country. For example, in the context of development planning, institutional analysis can help governments to understand how institutions may cooperate or conflict in implementing development policies, as well as identify obstacles to the implementation process. Thus, the government can take more effective action to improve existing institutions or build new institutions as needed. In addition, New Institutional Economics can also provide policy recommendations that are more relevant in the context of public policy analysis. In public policy analysis, New Institutional Economics can help governments understand how the role of formal and informal institutions affects Economic Performance in the long run and how non-economic factors such as cultural, political, and social can affect the effectiveness of public policies. By considering these factors, the government can design public policies that are more effective and relevant in overcoming economic and social problems.

CONCLUSION

The New Institutional Economics is an approach that views institutions and organizations as important factors in shaping economic behavior and Performance. The concept comes from the works of Douglass North, Elinor Ostrom, Oliver Williamson, Ronald Coase, Avner Greif, and others. In the New Institutional Economics, there are two types of institutions, formal and informal. Legal institutions consist of regulations, laws, and government institutions, while informal institutions consist of customs, norms, and customs. Both play an important role in shaping economic behavior and Performance. Transaction costs also influence the formation and development of institutions and organizations in the new institutional economic system. The higher the transaction costs, the more important the role of formal institutions and organizations in addressing these problems. Non-economic factors such as cultural, political, and social also have an important role in economic Performance in the long run. Institutions and organizations can help improve economic efficiency and overcome problems in the economic system caused by a need for more attention to institutional factors. Applying New Institutional Economics in real contexts, such as public policy analysis and development planning, can provide policy recommendations that are more relevant and effective in addressing economic and social problems in New Institutional Economics.

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