

- **Subject: Economics of the Institution**

- **Level: First Year Common Core in Economic Sciences**

- **Academic Year: 2023/2024**

- The Emergence and Development of Economic Institutions

Economic institutions as we know them today did not appear in their current forms immediately. Their development has been the result of continuous changes paralleling the evolution of economic systems, social structures, and human civilizations since humans first settled and began to address their needs systematically.

- Stages of Development

1. Simple Family Production

- Focused on agriculture and animal husbandry to meet basic needs (food, clothing, shelter)
- Used simple tools crafted by family elders
- Production occurred within families, in fields or towns
- Trade was limited, with handmade products created based on specific community demands
- Barter was the primary form of exchange
- Common crafts included carpentry, blacksmithing, tanning, leather goods production, spinning, weaving, and chain-making

2. Emergence of Craft Units

- Developed as urban concentrations formed and demand for craft products increased
- Resulted in the formation of workshops where similar craftsmen gathered
- Production occurred under the supervision of the most senior or experienced craftsman
- Operated in a family-like structure without exploitation or cruelty

3. Domestic Craft System

- Emerged with the rise of merchant and capitalist classes

- Merchants contacted families in homes, supplying materials for the production of specific goods
- Home production often constituted one stage in the overall production process
- Rural families, in particular, engaged in crafts to supplement their agricultural income

4. Emergence of Manufacture

- Resulted from accumulated changes in craft production methods
- Driven by evolving tastes, rising population, and geographical discoveries
- Capitalist merchants acquired hand-production tools and rented them to individuals and families
- Eventually, merchants gathered craftsmen under one roof for better control and more efficient use of production means
- Marked a crucial turning point in the history of economic institutions
- Considered the form of manual production that gave rise to capitalist enterprises

5. Industrial Mechanical Enterprise

- Emerged after the development of industrially-oriented processes and further market expansion
- Banking system played a crucial role in economic development
- Characterized by the use of mechanical work tools, as opposed to manual tools in manufacture
- Economists date the appearance of the first capitalist workshops to the early 18th century, coinciding with the Industrial Revolution
- Led to the emergence of large enterprises employing many workers and the prominence of labor division
- More advanced workshops first appeared in England, notably in the textile industry by Arkwright

6. Conglomerates and Multinational Corporations

- Developed as capitalist economies evolved
- Characterized by various strategies of inter-company alliances (economic conglomerates)
- Expanded into foreign markets not just as distributors of goods and services, but also as producers in multiple countries
- Resulted in the formation of multinational corporations

This overview traces the development of economic institutions from primitive human activities to modern corporations, characterized by conglomeration and expansion into global markets.