

# Foreword

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The self-interested behavior that lies at the heart of economic theories of why firms exist and grow manifests itself in two very different variants, both of which were recognized by the Nobel Committee last year. One is opportunistic behavior of the kind that Oliver Williamson in particular paid attention to, which necessitates the construction of legal and hierarchical safeguards to minimize the costs of opportunism in exchange relations. The other is cooperative or even altruistic behaviour, that has been the focus of Elinor Ostrom's work, which results in the possibility of transactions taking place, even when the prevailing conditions do not provide sufficient formal support.

One way to conceptualize the ways in which firms mitigate the problems arising from both opportunism as well as cooperation is to view them as co-evolutionary processes. The essential feature of these co-evolutionary processes is that firms are not merely subject to selection rules, but through their own agency, they are in a position to influence the content of the rules they are governed by. The outcome of these processes is dependent on the variety of self-interested behaviour in question. If such co-evolutionary processes are driven by self-interested behaviour of the opportunistic kind, the result is likely to be something like destructive lobbying or regulatory capture. If, on the other hand, they represent a cooperative variety, this can result in new solutions to persistent problems of underinvestment and lack of technological capability, such as in the context of public-private partnerships as a tool for economic development.

It is precisely in such negotiated environments where law and economics intersect, and where the co-evolutionary processes between market and non-market participants generate the effective rules of the game. The various contributions in this book illustrate the variety of ways in which the emergence of new ideas and technologies results in the creation of new institutions. Indeed, with the deepening of globalization and economic interdependence, the complexity of how the game is played and the variety of players has increased, making it imperative for scholars from different disciplines to join their forces to enable more robust analyses of the forces shaping the contemporary global economy. It is this ambition that is so exhilarating about this wonderful collection of papers that brings together distinguished contributors from economics, law and sociology. *Law, Economics and Evolutionary Theory* represents an important and admirable effort to encourage more interdisciplinary work on topics that could not be more pertinent or timely.

Sarianna Lundan  
Professor, University of Bremen