

POSC 211 Institutional Analysis and Development

Winter 2002

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Tues/Thurs
10:10-11:55
SH 252

Office hours by appt.
Mon-Thurs.
sign-up Willis 408
x4084

The Course

Our readings and discussions in this introduction to Institutional Analysis and Development will draw from a number of disciplines including anthropology, economics, law, political science, public administration, political philosophy, and sociology. We start from the assumption that there are several core problems of organization that face all societies and cultures. Although the dilemmas that a particular group, association, or society may face can manifest as different "issues" according to different cultural understandings, periods of institutional development, and so forth, we can step back from the specifics to think about general problems of, for example, coordinating our individual activities in ways that produce some mutually beneficial results. Thus, people in any association or society have a stake in how the relationships of the group are constituted and, if there are some general principles about constituting relationships that can be known, we all have an interest in thinking about what those principles might be. As you can see, another premise of the course is that people do constitute their relationships; we have choices ♦ the rules and so forth are not simply given ♦ and it is important to develop our understanding of individual and *collective choices*, *rules*, and the *constitution* of relationships. There are a variety of institutional designs available for dealing with various categories of problems; how do we begin to think about why we might take one approach over another? To think about how different sorts of rules (especially rules structuring the basic conversations about what to do when ♦ rules of language as rules shaping our foundation-making choices, that is, our *constitutional choices*) establish parameters of choice we necessarily make some assumptions about the people making the choices. For example, many institutional analysts picture a *rational actor* responding to the various *incentives* established by *rule-ordered relationships*. This is a description of individual people that deserves a great deal of attention, so we will spend several sessions thinking about the various things people mean when they talk about making *rational choices*. As we move on from thinking about why we might expect or predict a certain behavior or choice in a given situation, we will enter the complex world of "given situations" or *institutional structure*. We will examine some of the basic choice situations that seem to come up again and again, the various collective approaches that organized groups seem to take, and compare different organizational structures, given the different conditions that may face a group. All of these interactions become even more complex as associations and individuals interact in a *matrix* of relationships. At the conclusion of the course we will look at some cases where scholars have used the *framework* of institutional analysis to examine complicated interactions.

Readings

The readings for the course have been drawn from a number of books and journal articles available on reserve at the library. You may make copies for your personal use.

Assignments

In addition to coming to class prepared to discuss the readings and topics listed for each meeting below, you will write two essays discussing a particular issue raised by each main section of our readings. The first essay will cover topics from the first two parts of the course ♦ the construction of the "rational actor" and various ways of understanding the problems that result when the individual actions of rational actors sum to unintended and undesirable results. The second essay will cover the third and fourth parts of the course. In part three we see that dealing with "the individual" is just the beginning ♦ we also have to deal with the various "authority" or rule enforcers that we constitute to address the problems examined in parts one and two. Institutional analysis offers

an approach to constitutional design that will highlight the strengths and weakness of four major categories of rule ordered relations: markets, centralized authority (hierarchies), decentralized authority (including center-periphery designs), and polycentric designs (including federalism). For four of our sessions, I offer you the choice of reading in greater depth about a specific institutional form (centralization, decentralization, and polycentricity) and the moral implications of institutional development, as compared to other measures of institutional performance such as efficiency, effectiveness, sustainability, etc. Each of you will do the depth reading for one of these four options (we will make assignments according to your interests in class). One of the choices for your final essay will be to tackle the "depth" reading assignments for additional topics, so that you can write a comparative essay about institutional designs or evaluate one of our case studies (part four) from some angle that examines (critiques, augments, whatever) the analysis given by our authors.

Grades will be computed as follows:

Essay 1	40%
Essay 2	40%
Participation	20%
Total	100%

Part 1: Cause, Order, and Pattern: Ideas about Nature and Culture and Implications for Institutional Design and Development

Thur Jan 3 The Study of Institutions--two (related?) perspectives

Read: John Searle, ed. 1969. "The Distinction Between Brute Facts and Institutional Facts." In *Speech Acts: An Essay on the Philosophy of Language*. New York: Cambridge University Press. 50-53.

Thomas Hobbes. 1994 [1651]. *Leviathan*. Edwin Curley, ed. Indianapolis: Hackett Publishing. "Author's Introduction" 3-5.

Tues Jan 8 Common sense as ordering principle

Read: Clifford Geertz. 1983. "Common Sense as a Cultural System," in *Local Knowledge*. New York: Basic Books. 73-93.

Thurs Jan 10 Knowledge as Pattern: Implications for Design

Read: Herbert Simon. 1982. "Designing Organizations for an Information Rich World." In *Models of Bounded Rationality*. Vol 2. Cambridge: MIT Press. 171-185.

Vincent Ostrom. 1997. "Back to Basics" and "The Human Condition: Life, Learning, Language, Knowledge, Culture, and the Problem of Order," in *The Meaning of Democracy and the Vulnerabilities of Democracy*. Michigan: Michigan University Press. 117-150.

F.A. Hayek. 1945. "The Use of Knowledge in Society," *American Economic Review*. 35: 4, 519-530.

Part 2: The Idea of "Rationality" and Reasonable Expectations of Rational Actors Collective Action and Assurance Problems, Uncertainties and Asymmetries of Information and other Resources

Tues Jan 15 Rational Choices, Non-exclusion, and the "free rider"

Read: Garrett Hardin. 1968. "The Tragedy of the Commons," *Science* 162 (December 13). 1243-1248.

Kenneth Boulding. 1963. "Towards a Pure Theory of Threat Systems," *American Economic Review* (May) 424-534.

Mancur Olson. 1971. "Introduction," "A Theory of Groups and Organizations," and "Group Size and Group Behavior," from *The Logic of Collective Action*. Cambridge: Harvard University Press. 1-66.

Thurs Jan 17 Leaving the "State of Nature" is just the beginning: Imperfect Information and "Bounded Rationality"

Read: Herbert Simon. 1947. *Administrative Behavior*. Chapters 4 & 5. New York: Macmillan.

Herbert Simon. 1986. "Rationality in Psychology and Economics," *Journal of Business*. 59:4 pt. 2 S209-S224.

Karl Popper. 1985. "The Rationality Principle (1967)," in *Popper Selections*, ed. David Miller. Princeton: Princeton University Press. 357-365.

Tues Jan 22 More on Uncertainty and Rationality

Read: Amos Tversky and Daniel Kahneman. 1986. "Rational Choice and the Framing of Decisions," *Journal of Business* 59: 4 pt 2. S251-S278.

Amartya Sen. 1977. "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory," *Philosophy and Public Affairs*. 6: 4 (summer) 317-344.

Kenneth Arrow. 1974. "Rationality: Individual and Social" and "Organization and Information" in *The Limits of Organization*. New York: WW Norton. 15-43.

Herbert Simon. "From Substantive to Procedural Rationality" in *Models of Bounded Rationality*. 424-443.

Thurs Jan 24 More Problems with our Models of Exchange: Contractual Uncertainties, "Friction," Transaction Costs, and increasingly complex, yet rational interactions

Read: Oliver Williamson. 1986. "The Vertical Integration of Production: Market Failure Considerations" (pp. 85-100) and "What is Transaction Cost Economics?" from *Economic Organization*. New York: New York University Press. 174-191.

Douglass North. 1990. "A Transaction Cost Theory of Politics," *Journal of Theoretical Politics*. 2(4): 355-367.

John R. Commons. 1968. "Transactions," *The Legal Foundations of Capitalism* Madison: University of Wisconsin Press. 65-69.

Oliver Williamson. 2000. "Economic Institutions and Development: A View from the Bottom," in Mancur Olson, ed. *Not so Dismal Science*. Oxford: Oxford University Press. 92-118.

*****Topics for Essay 1 Discussed*****

Tues Jan 29 Networks, Goodwill, and Information Asymmetries

Read: Margaret Archer. 1995. "The Vexatious fact of Society," from *Realist Social Theory: The Morphogenic Approach*. Cambridge: Cambridge University Press. 1-30.

C. Ford Runge. 1984. "Institutions and the Free Rider: The Assurance Problem in Collective Action," *Journal of Politics*. 46 155-181. **OR READ** Thomas Schelling. 1978. "Thermostats, Lemons, and Other Families of Models" *Micro Motives and Macro Behavior*. New York: WW Norton. 83-133.

Elinor Ostrom. 1990. *Governing the Commons*. London: Cambridge University Press.
Ch 1. "Reflections on the Commons," London: Cambridge University Press. 1-28.

Thurs Jan 31 Summary: Micro-motivation and aggregate actions: Implications for Institutional Development

Read: Mary Parker Follett. 1940. "Constructive Conflict," in H.C. Metcalf and L. Urwick, eds. *Dynamic Administration*. New York: Harper & Row 30-49.

Jonathan Bendor and Dilip Mookherjee. 1987. "Institutional Structure and the Logic of Ongoing Collective Action," *American Political Science Review*. 81: 1 (March) 129-151.

Part 3: The Institutional Basis for Constructive Conflict and Cooperation

Tues Feb 5 Individual Choice is only one issue: Rent seeking and tyranny of other sorts

Read: John R. Commons "The Price Bargain" in *Legal Foundations of Capitalism*, 225-282.

Elinor Ostrom. *Governing the Commons* Chapter 2, "An Institutional Approach to the Study of Self-Organization and Self-Governance in CPR Situations." 29-57.

Vincent Ostrom. 1999. "Cryptoimperialism, Predatory States, and Self-Governance," in Michael McGinnis, ed. *Polycentric Governance and Development*. Ann Arbor: University of Michigan Press.

Barry Weingast. 1995. "The Economic Role of Political Institutions: Market Preserving Federalism and Economic Development," *Journal of Economics and Organizations* 11: (April) 1-31.

Douglass North and Barry Weingast. 1996. "The Evolution of Modern Institutions of Growth," in Lee J. Alston, et al. eds. *Empirical Studies in Institutional Change*. London: Cambridge University Press. 134-165.

*****Essay 1 Due in Class*****

Thurs Feb 7 The Problems of Scale and Scope in Institutional Design

Read: Oran Young. 1995. "The Problem of Scale in Human/Environment Relationships," in *Local Commons and Global Interdependence*. Robert Keohane and Elinor Ostrom, eds. London: Sage. 27-45.

Duncan Snidal. 1995. "The Politics of Scope: Endogenous Actors, Heterogeneity and Institutions," in *Local Commons and Global Interdependence*. 47-70.

Michael McGinnis. 1996. "Multiple Agents in Overlapping Realms of Collective Action: A Reformulation of International Relations Theory. Unpublished manuscript

Avner Greif. 1995. "Institutional Structure and Economic Development." Unpublished manuscript.

Tues Feb 12 A Framework for Institutional Analysis

Read: Elinor Ostrom, et al. 1994. *Rules, Games, and Common-Pool Resources*. Ann Arbor: University of Michigan Press Ch. 1 & 2, 3-21;23-50

Elinor Ostrom, et al. 1993. *Institutional Incentives and Sustainable Development*. San Francisco: Westview Press. Ch 5 & 6.

*****Assignment of Depth Reading; Discussion of Topics for Second Essay *****

Thurs Feb 14 Analyzing Centralized Institutional Arrangements

Read: E. Ostrom, *Institutional Incentives* Ch 7

For more depth read: Hobbes *Leviathan*. Ch 3-7; 10, 11; 13-16; 17-19

Tues Feb 19 Analyzing Decentralized Institutional Arrangements

Read: E. Ostrom, *Institutional Incentives* Ch 8

For more depth read: Max Weber. 1977 [c 1914-1920] *Economy and Society*. Guenther Roth and Claus Wittich eds. Berkeley: University of California Press. "The Types of Legitimate Domination," V 1 pt 1, Ch 3 212-254; "Household, Neighborhood and Kin Group," V1 pt. 2 356-369; "Domination & Legitimacy" V2. Ch 10, 941-953. "Bureaucracy" V2 Ch 11, 956-1005.

Robert Michels. 1959. *Political Parties*. New York: Dover Publications, Part Six "Synthesis: the Oligarchic Tendencies of Organizations" 365-408.

Thurs Feb 21 Analyzing Polycentric Institutional Arrangements

Read: E. Ostrom, *Institutional Incentives* Ch 9

For more depth read: Alexander Hamilton, John Jay, James Madison. 1789. *Federalist* New York: Modern Library. Numbers 1, 10, 15, 23, 47, 51, (3-7; 53-63;86-95; 141-147; 312-321; 335-341)

Alexis de Tocqueville. 2000 [1835-41]. *Democracy in America*. Harvey Mansfield and Delba Winthrop trans. V. 1 pt. 1 Ch 2-5; pt. 2 Ch. 1, 5-9.

V. Ostrom. 1995. "A Forgotten Tradition: The Constitutional Level of Analysis" in *Polycentric Governance and Development*. 151-165.

Daniel Elazar. 1974. "First Principles," in *The Federal Polity*, Daniel Elazar, ed. New Brunswick: Transaction Books. 1-10.

Tues Feb 26 Moral Philosophy and Institutional Design

Read: Philip Selznick. 1992. *The Moral Commonwealth*. Berkeley: University of California Press. Part 3, "Moral Institutions" (229-354) Ch. 16, "Covenant & Commonwealth" (477-538)

More on the subject read: V. Ostrom "The Ontological Foundations of Human Understanding" and "Artisanship-Artifact Relationships" in *The Meaning of Democracy*, 175-226.

Part 4: Cases Studies in Institutional Analysis and Development

Thurs Feb 28 Institutional Development and Natural Resource Management ♦ Possibilities in Self-Government

Read: Vincent Ostrom. 1999. "Legal and Political Conditions of Water Resource Development" in McGinnis, *Polycentric Governance and Development*. 42-59

Elinor Ostrom. 1999. "Design Principles in Long-Enduring Irrigation Institutions." in McGinnis, *Polycentric Governance and Development*. 74-86.

Tues Mar 5

1. An institutional approach to regulated monopoly

Read: Oliver Williamson "Franchise Bidding for Natural Monopolies in General and with Respect to CATV," *Economic Organization*, 258-297.

2. An institutional analysis of Centralization and Sovereignty

Read: Kathryn Firmin-Sellers. 1999. "The Concentration of Authority: Constitutional Creation in the Gold Coast, 1950," in McGinnis, *Polycentric Governance and Development*. 186-208.

Thurs Mar 7 The Uses of Institutional Analysis Our Summation

*****Essay Two Due in Class*****