

**A COURSE OF STUDY  
IN INSTITUTIONAL ANALYSIS AND DEVELOPMENT**

by

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\*We wish to express our appreciation to Roger Parks, Harold Schneider, Susan Wynne, and Patty Dalecki for their help in contributing to the development of this course of study over the course of the last seven years. Vincent Ostrom assumed primary responsibility for drafting the portion of the course of study for the Fall term and Elinor Ostrom and Roberta Herzberg for the Spring term. The first term is concerned with the foundation for a macro-approach concerned with social aggregates, and the second term with a micro-analysis that can be used to frame analyses set in the context of specifiable situations. Both approaches rely upon presuppositions of methodological individualism. We proceed on an assumption that human societies entail extraordinary complexity requiring recourse to multiple levels and foci of analysis. This course of study is intended to be suggestive of the magnitude of the task we face in building capabilities for doing comparative analysis and assessing the implications of institutional arrangements for human development.

**Workshop in Political Theory and Policy Analysis**

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WORKSHOP IN POLITICAL THEORY & POLICY ANALYSIS  
Indiana University, 513 North Park  
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This seminar is an effort to build a multidisciplinary approach to institutional analysis and development that draws heavily upon work in anthropology, economics, law, political science, public administration, and sociology. The effort is to develop a coherent theoretical approach that is consistent with work in public choice theory and the new institutional economics but focusing upon institutional analysis more generally. We proceed upon a presupposition that alternative institutional arrangements are available for those types of problems that are common to all human societies. Choice is possible; and choice of institutional arrangements is grounded in informed calculations that take account of both positive and normative considerations. The focus in institutional analysis is upon rule-ordered relationships and the way that these affect structures of incentives that facilitate or impede developmental opportunities. *This seminar constitutes the theoretical core for the more general intellectual exchange among scholars participating in the Workshop's program for advanced study in comparative institutional analysis and development.* The approach is intended to offer a mode of inquiry concerned with the nature and constitution of order in human societies.

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FIRST SEMESTER: FALL TERM, 1991

INSTITUTIONAL ANALYSIS AND DEVELOPMENT: MACRO

### General Introduction

#### Institutions as Social Technologies or Social Capital

The focus of this seminar is upon how people relate to each other in ordered ways and how this, in turn, relates to development in human societies. We proceed on the assumptions that knowledge is essential in taking advantage of opportunities that may become available to human beings in the course of time. Most people are aware of the way that knowledge about physical and biological phenomena has made possible a wide range of technologies using new forms of energy to drive mechanical and electronic tools, creating a wide variety of goods and services. Similarly, we can selectively breed different species of plants and animals which, when nurtured by an appropriate agriculture, yield supplies of food and fiber to meet the diverse demands of human populations. Genetic engineering promises new developments with both beneficial and harmful consequences.

Much less awareness exists with reference to the way that human social relationships affect potentials for development. These potentials can be realized only under certain conditions, and those conditions can be understood if we make the effort to do so. Advances in knowledge about human relationships are the basis for social technologies and are as important to development as knowledge in relation to physical and biological potentialities.

"Social technology" or "social capital," to use another expression (Coleman, 1988), refers to the way that human beings order their relationships with one another as they carry on activities and seek to accomplish tasks including those of producing, distributing, and using different goods and services and the way they organize exchange relationships. A plant, in the sense of an industrial facility, can be conceptualized as tools, machinery, and facilities (physical capital) that enter into a production process. Similarly, any organization, such as a business enterprise, or firm, can be viewed as the ordering of human activities and relationships that are necessary to the operation of a plant as a going concern. Social technologies represented by the ways that people order their relationships with one another, thus, are as essential to productive efforts as the physical or biological technologies that are represented by an industrial plant or a farm. We refer to all patterns of ordered human relationships variously as being "organized" or "instituted." In our analytical language, organization and institution both refer to patterns of ordered human relationships.

#### Diverse Forms

No single form of organization can serve as an appropriate means for ordering all human social relationships. At the same time, different forms of organization may be available for performing similar tasks. Thus, our problem is to learn about both the capabilities and limitations that are inherent in different forms of organization. There are some fundamental similarities that apply to all organization, but the basic elements get put together in quite different ways, yielding varying opportunities and limitations. Variations in the patterns of organization can be expected to be correlated with the way that people come to use and enjoy different opportunities in their world of experience. All human societies have been required to come to terms with different ways of ordering social relationships as times have changed. As a result, human beings have a wide variety of experience with different patterns of organization. Alexis de Tocqueville, for example, refers to the "prodigious variety" of institutions to be found in human societies. By identifying what is universal in human experience we have the basis for reasoned calculations and rational choice about creating social forms instead of depending entirely on blind trial and error. Two or more persons can accomplish tasks that no one individual can achieve alone. But, there are different ways to organize teamwork; and these different ways afford varying opportunities for those who are involved.

### Isolable Systems and Contextualities

Taking patterns of organization as an object of study necessarily presupposes that they can be treated as isolable systems. This needs to be done with caution. The way that particular institutional arrangements are linked together into larger configurations of relationships in any society needs to be taken into account in specifying any particular focus of analysis. Once this context can be specified with a recognition of the multiple levels of analysis that apply, there then exists the possibility that comparisons can be made of particular institutional arrangements across different social systems. Any particular organization exists in a specific space and time context that implies distinct uniquenesses. Yet, human beings confront problems that have underlying similarities and offer possibilities for a comparative analysis so long as we take appropriate account of similarities and differences.

All human institutions are rule ordered: having rules implies rulers; and ruled: the "rule-ruler-ruled" condition. People's organizational behavior will reflect the way order is conceptualized, the place of rules in such a system and kinds of rules they have and how they are administered, e.g., between societies with central authorities and those which are acephalous, having no single designated ultimate authority but still living by rules.

All human understanding is subject to limits. Human beings do not have access to perfect information, nor can they know the truth. We must simplify to understand, as economists do to make predictions about the economy. But as we simplify, we may lose understanding of the way that diverse institutions get linked together in complex configurations of organization. We may lose sight of the diverse patterning in the general configuration of order existing in different societies. For example, in the social sciences and related fields we refer to the "state," using a model that glosses over the great variety that exists in the organization of rule-ruler-ruled relationships. Similarly, a generalized model of a market economy ignores the wide variety of arrangements that are possible for organizing market relationships and the complex configurations of market organizations that exist in a modern "market" economy. Markets in land are vastly different from markets for general merchandise or for "capital," and these markets are significantly different from labor markets if we can appropriately conceptualize labor as a "commodity." Yet, each of these sets of relationships and the way they relate to one another is important for patterns of development in any society.

Similarly, principles of bureaucratic organization are basic to business management, and public administration. But, as with teams, insufficient attention is given to variable patterns of coordination in complex structures of teams of teams. Superior-subordinate relationships in a hierarchical command structure are not the only way to achieve coordination in the public sector. This tendency to simplify can be carried to an extreme where all patterns of social relationships are viewed as being either market or state -- markets and hierarchies. Kinship structures, clans, voluntary associations, and community organization need to be conceptualized as having a fundamental place in the political economy of human societies.

Ways are being found to study such complex structures that overcome some of the losses that come with simplifications. With multiple levels and foci of analysis, it is possible to use simplifications to understand patterns of increasing complexity. Separable systems can be isolated from more general configurations of relationships. We can deal with problems pertaining to these separable structures where conditioning variables are specified; or we can deal with patterns of linkages so that we specify the way that contextuality occurs in configurations of relationships. The asymmetries inherent in dependency relationships may, if linked in appropriate ways, give rise to more general patterns of interdependency that yield a larger structure of relationships with greater degrees of symmetry.

### Universals and Particulars

If we assume, as Hobbes has asserted, that there is a basic similitude of thoughts and passions that characterize all of mankind, there is a possibility that human inquiry can be used to develop a common method for understanding different institutions and configurations of relationships. Universals that apply to how people think and feel provide a common structure for understanding the great variability that applies to what particular thoughts and feelings people have about particular events. Variable patterns occur against a

common background enabling people to understand by relating particulars to universals. This is not a simple task, but it should, with an appropriate appreciation of the difficulties involved, be tractable to human inquiry and understanding. This task would take account of the fact that people in different societies may act from different conceptualizations and would require thinking through the consequences for social organization that follow from different conceptualizations.

Since all modes of reasoning must be built upon some conceptual grounding, any effort to formulate a metatheoretical framework can be challenged with respect to the assumptions (a simplifying process) that are made as well as with respect to the basic elements that are taken into account and the activating principle or principles that are assumed to drive patterns of relationships. There is no way of resolving these issues except to understand them and to clarify the basic relationships between assumptions and implications and how these relate to the world of experience as conditions and consequences for order in human societies. It is easy to dismiss any set of ideas out of hand. Such a dismissal breaches further inquiry, reflection, and dialogue. As thinkers (*homo sapiens*), we bear the burden of clarification, reasoning through implications, and exchanging ideas with each other so that we can come to a better understanding of what is involved in the nature and constitution of order in human societies.

We advance understanding only when we clarify the grounds on which we stand. We have the possibility of deepening our own level of understanding as we are challenged and come to understand both the ground and the fuller implications of any challenge. By some such process human beings have over time created the relatively extended, productive, and organized cultures that exist today.

Since all human action is mediated by the voluntary nervous system, cognitive structures play a fundamental place in all patterns of action. Human interpersonal relationships depend upon shared expectations: common understanding. But, people may ground their shared community of understanding upon different presuppositions and conceptions. The question is whether all cognitive structures have equal merit or whether some are better than others. If such potentials exist, they can be considered only through reasoned exploration of possibilities and by experimentation.

#### **Potentials for Error, Fantasy, and Frustration**

The human imagination is the primary source of innovation. People can conceive of possibilities that have never existed before. This same imagination, as we are all aware, is capable of great flights of fantasy. People who experience high levels of frustration and anxiety are especially vulnerable to the promise of some utopia. This is greatly reinforced by social analysis that view different types of structural arrangements in human societies as ideal-type or nirvana models on the one hand and as diabolical machines on the other hand. All human institutions are subject to limits, and human societies require recourse to an array of different institutional arrangements if they are to take best advantages of available opportunities. Sources of institutional weaknesses and failure need to be subject to critical inquiry and understanding. Otherwise, people may "fall sacrifice of the ills of which they are ignorant" as Tocqueville has expressed the problem (1945, I: 231). We face the circumstance where reasoned calculations are necessary for fashioning order in human societies and where order in human societies is necessary to reasoned discourse. It may be difficult to create the circumstance where intelligible and critical discourse about the meaning of human experience can be achieved.

#### **Institutions as Social Artifacts**

Human social organization is to a major extent an artifactual creation grounded in the accumulated learning that becomes a part of the cultural tradition in any society. Human beings can be said to fashion their own social realities. The effect that each has in this process turns both upon the choices that individuals make and the voice that they exercise in collective decision-making processes. Social technologies, like other technologies, can be transmitted and acquired as people develop new ones. Machines can be shipped from one area of the world to another and their use, in a limited sense, need not depend on a general community of understanding of the principles upon which they are built. The same cannot be said of social technologies.



In dealing with institutions as social technologies we must recognize, with Amilcar Cabral, that people are the artisans who must fashion their own ways of structuring relationships to accomplish tasks and realize capabilities. We must build upon the common understanding and the shared experience of people in their particular circumstances. This is what Cabral meant by his plea to "return to the source" in building institutions that are appropriate to national liberation and development. They cannot hire social engineers to do the task as they might with machines. We can assume that people in all human societies have had experience in dealing with social problems. Understanding one way of addressing a particular type of problem lays the foundation for both clarifying the general nature of the problem and for considering alternative ways of coping with it. Institutions are social experiments that contain their own experimenters. The quality of an experiment can never transcend the capabilities of the experimenters. But, we should never underestimate the potentials that human beings have for learning and for achieving what they conceive to be in their best interest.

### Focus of the Seminar

Given these general considerations, this seminar on patterns of order and development in human societies will attempt to move to a general frame of analysis that is grounded in conditions that are assumed to apply universally among human beings. Responses to universal conditions may be highly variable. Where universal conditions might exist, we would expect them to be common to all human societies. We presume that it should be possible for human beings to engage in a meaningful inquiry about what is common and what is variable as among different societies. With patience, we should learn to communicate about both what is common and what is variable in human experience. Communication requires that we learn how to translate from one language system to another. That is not easy because the meaning assigned to words depends upon the shared experience of communicating with one another. For any language system there will always be implicit presuppositions about which people may not have a conscious awareness. Those presuppositions may be implicated in the language system of one culture; and different presuppositions may be used to give meaning to words used in a different culture. These problems are always inherent in translating from one language to another. The task of translation, while difficult, is assumed to be possible and that possibility is grounded in a presupposition that there is some basic "similitude of thoughts and passions," to use Thomas Hobbes's expression, that is universal among all mankind.

This implies that it is important to press one another in light of the variable circumstances existing in different societies so that we can move to deeper levels of understanding. This is greatly facilitated by having diverse programs of inquiry that can be drawn upon as we pursue a dialogue in the seminar about the nature and constitution of order in human societies more generally.

Our task in the seminar will be to see how far we can go in developing such a mode of analysis, to challenge the grounds upon which it stands, and to see if we can move to more general levels of analysis. By drawing upon diverse intellectual traditions and upon diverse experiences in different societies, we might hope to advance our general understanding about the nature and constitution of order in human societies and what differences the structuring of human institutions make for the way that human beings live their lives in different societies. It is only as we address ourselves to such levels of generality in light of the "prodigious variety" existing among different human societies that we can hope to establish satisfactory grounds for the study of human institutions. People in particular times and places draw upon resources, capabilities, and constraints to fashion institutional arrangements to pursue perceived opportunities giving rise to unique structures in each case. Success depends both upon a knowledge of universals and of the particulars that apply to specific exigencies.

A convergence of a great deal of scholarship from a variety of different intellectual disciplines promises a coherent, disciplined approach to problems of institutional analysis and design. Perhaps the major thrust has come from the application of the rudiments of economic reasoning to variable institutional structures. This thrust has occurred in efforts to study markets and nonmarket modes of organization associated with a transactions-cost approach, the study of public sector institutions associated with the public-choice approach, and to the study of institutions by anthropologists who have come to identify themselves as economic and ecological anthropologists and with studies in law and anthropology. Additional contributions are coming

from game theory, especially on the part of those game theorists who rely upon the extensive form. Many contributions are also coming from scholars in organization theory and management science. These efforts, in turn, are consistent with earlier contributions from analytical jurisprudence. Much work in institutional analysis is being generated by a multidisciplinary group of scholars in law and economics. The *Journal of Law and Economics* is an important source of literature on institutional analysis. Economic historians are also making major contributions in their study of the development of institutions during different historical periods. The German tradition of *Ordnungstheorie* (theory of order) and the Austrian school of economics are also making important contributions to the study of economic systems as institutional orders. A great deal of earlier work in sociology, in institutional economics, and in political theory is based upon intellectual traditions that can be easily reconciled with the modern efforts to apply economic reasoning to institutions in both the private and public sectors. We are at a point where a coherent methodology in institutional analysis and development may provide us with tools of analysis to address more generally problems associated with social technologies and their place in the constitution of order in human societies.

The topics addressed in the seminar will explore an essential core of ideas that are assumed to be of interest to all members of the seminar. In addition, we assume that each participant in the seminar will be pursuing independent research interests related to some particular aspect of institutional analysis and design. We assume that most members of the seminar will be concerned with analyses of the way that institutional arrangements affect developmental potentials in their societies. We have much to learn from the diverse experience of different peoples; and we cannot assume that the advanced industrial societies offer the only route to development. We may learn from both failures and apparent successes in advanced industrial societies as well as from the failures and apparent successes that occur in other societies.

We need to find ways of developing a shared community of understanding about the way that particular research efforts are related to one another and to the basic core of ideas that are pursued in the regular sessions of the seminar. To do this, we need to rely upon supplementary modes of organization and complementary patterns of activities. The Workshop maintains a weekly colloquium that can serve as one forum for the articulation of ideas. We might also anticipate that complementary meetings might be scheduled to allow members of the seminar to pursue other intersecting interests. In particular, we normally use a conference format as a basis for reporting to one another at the conclusion of each semester's work. Presentations will draw upon particular issues that each person wishes to address in more basic detail as a result of the first semester's work.

### Participants

Leadership in the seminar will be shared by Vincent Ostrom and Roberta Herzberg. Patty Dalecki will be available to assist on the general use of Workshop facilities and the reproduction and availability of seminar materials.

Participants in the seminar come from diverse backgrounds of experience. We assume that each member of the seminar is a relatively mature scholar or professional who is capable of substantial initiative in pursuing his or her research and scholarly interests. Each will have much to contribute to the seminar as a joint undertaking. It is only as we can draw upon different disciplines and varied experiences that we can be expected to deepen our work in institutional analysis and design so that we might more adequately address patterns of order and development in human societies.

Outline of Principal Topics

**PATTERNS OF ORDER AND DEVELOPMENT IN HUMAN SOCIETIES**

**SEMESTER I: SYSTEMS OF GOVERNANCE AS ARRANGEMENTS FOR CREATING, MAINTAINING, AND MODIFYING ORDER IN HUMAN SOCIETIES: A MACRO PERSPECTIVE**

Thinking about Aggregate Levels of Analysis

Introduction -- An Overview of the Semester's Work

Some Ontological and Epistemological Problems

Adaptive Potentials, Choice, and Cultural Evolution

Hobbes's Analytical Foundations

Artisanship and the Emergence of Principles of Economy

Rules and Rule-Ordered Relationships: A Faustian Bargain

Conceptual Foundations for Order in Human Societies

Autocratic Orders

Theories of Limited Constitutions

Polycentricity

Construing the American Experiment

Tocqueville's Prognosis

The Problem-Solving Problem: Inquiry, Discovery, Innovation

Framework, Theories, and Models

**SEMESTER II: INSTITUTIONAL ANALYSIS AND DEVELOPMENT: MICRO**

**I. Introduction**

- A. Overview of Semester and Some Introductory Thoughts on Modeling Individual Behavior
- B. The CPR Situation in Theory and in the Lab
- C. Theories and Models of Individual Behavior
- D. Attributes of the Physical World
- E. Rules and Their Effect on Action Situations

**II. Analyses of Operational Situations**

- A. Markets and Market Failure
- B. Firms: Lessons from New Institutional Economics
- C. Lessons from Successful, Failed, and Fragile Self-Organized Collectivities

**III. Collective-Choice Situations**

- A. Voting Rules
- B. Politicians, Interest Groups, and Rent Seeking
- C. Inside Legislatures
- D. Conflict and Conflict Resolution

**IV. Institutional Choice**

- A. Choosing Operational Rules
- B. Choosing Collective-Choice Rules
- C. Layers and Facets of Institutional Choice

### Comments on the Course of Study

As we approach the sequence of topics to be considered in the core seminar, some reflections are in order about the constraints under which we proceed and how we might attempt to compensate for those constraints. Perhaps the most fundamental constraint is the serial or linear character of human thought. Human beings have great difficulty in coping with simultaneity and making simultaneous observations. Rather, we proceed with sequential trains of thought, speak one word at a time, write one word at a time, listen to only one speaker at a time, and read in sequences of words, phrases, clauses, sentences, etc. But the universe, including the universe of social relationships, is not confined to a serial or linear ordering but reflects many concurrent, simultaneous, and parallel orderings that get built into more general configurations of relationships. We, thus, confront a basic problem of how to address configurations of relationships in a serial or linear way.

The analysis of any practical problem of human organization is likely to implicate all of the different types of relationships that can be characterized in a list of universal problems and variable responses. Thus, a person interested in agricultural development in socialist societies will be concerned with teamwork, exchange, teams of teams, commons and collective goods, conflict and conflict resolution, rule-ruler-ruled relationships, complex orderings, and a need to take account of multiple levels and foci of analysis. Another person interested in constitutional law is likely to be concerned with distinctions between legislatures, executive instrumentalities, courts, etc. These imply reference to specialized problems of teamwork, exchange, teams of teams, commons and collective goods, conflict and conflict resolution, rule-ruler-ruled relationships, and networks of complex orderings.

We are thus caught in a dilemma that we shall be proceeding sequentially through a series of topics each of which has importance for the investigation of particular problems that are the focus of our individual research efforts. This dilemma can be resolved only by assuming some general background of experience with each topic to be considered before it has appeared on our formal agenda of inquiry. There is no way out of this dilemma except to presume that we all share some fundamental background of experience in relation to all topics to be explored in the seminar and to presume that we can participate as colleagues in a joint effort to improve our analytical capabilities with reference to institutional analysis and development.

This dilemma further implies that the perspectives we take and the words we use will lead us to attribute quite different meaning to what is being said and to what we read. Unfortunately, much of the language of discourse pertaining to human institutions contains reference to words like state, hierarchy, bureaucracy, market, democracy, etc., that can mean anything, everything, and nothing. Coherent discourse and communication is difficult to establish. We are required to struggle with the problem of clarifying the meaning of terms before we can have a coherent conversation. Such problems are pervasive in the social sciences, and we must be patient in our efforts to understand one another.

### Working Procedures

In order to facilitate communication about ideas, we propose that regular patterns be established for writing notes or memoranda about a problem of interest, or criticism of some argument. Regular graduate students will be expected to submit a short memorandum (4 or 5 pages) of this type each week during the first semester to Vincent Ostrom and to Elinor Ostrom during the second semester. These papers shall be due each Friday, prior to the meeting of the seminar on Monday afternoons. A written response will be given to each student each week. Other participants in the seminar are invited to prepare memoranda on points of interest, reflections, and issues that need to be pursued. These may variously be circulated to all members of the seminar or to anyone making seminar presentations on the assumption that he or she can help address the matter and place it on the agenda for an appropriate discussion.

We assume that participants in the seminar will also find it productive to organize working groups where two or more who share interests in a common problem might develop working relationships with one another.

We anticipate that drafts of research papers will be circulated among all seminar members, that some will be presented at Workshop colloquia, and that others will be related to continuing discussions in the core seminar.

We presume that all seminar participants will prepare papers for presentation in a conference format at the end of each semester. The focus of the conference at the end of the first semester will be on conceptualizing, designing, and explaining systems of governance in human societies. The focus of the conference at the end of the second semester will be more upon particular research papers that address specific problems in institutional analysis and development.

We hope that these procedures will facilitate mutually productive working arrangements that yield high quality work. We emphatically do not want our efforts to be routine assignments. Should anyone feel that working procedures have eroded into routine assignments, it is important that such feelings be articulated at an early juncture.

The Workshop has access to different types of computer facilities with both word processing and data processing capabilities. Efforts will be made to help each person acquire computer literacy and make use of these facilities in communicating with colleagues in the seminar.

Items listed as "essential readings" will be distributed to all members of the seminar. These are few in number and it is important that these be carefully read and considered before seminar meetings. Those listed as "related readings" are items of lesser priority and are available in reprint files. Patty Dalecki can provide access to these materials.

A small library collection of related materials is available in the seminar room and the Workshop library. Other library resources are available at the Main Library, the joint library of the Business School and the School of Public and Environmental Affairs, the Law Library, and the Research Collection in the Department of Political Science. Historically, the Economics Department was associated with the Business School. Their joint library was retained by the Business School. The Business School-SPEA library, as a result, is an important source of materials for the study of human institutions. Charlotte Hess, the Workshop librarian, is a helpful source of information about library facilities on the Bloomington campus.

A variety of research papers and reprints are available in the Workshop that report upon prior research efforts. A collection of dissertations is available in the Colloquium Room. Several manuscripts, either in the process of publication or being considered for publication, have been reproduced. Copies are available for general use in the library. Arrangements can be made to procure individual copies for anyone wishing to give careful attention to any of these manuscripts.

#### Basic References

Each member of the seminar needs to give attention to the development of a personal library. We presume that all members of the seminar will have their own personal copies of Hobbes's *Leviathan*, Vincent Ostrom's *The Meaning of American Federalism*, and Tocqueville's *Democracy in America*. A list of books that we would recommend for your working library include the following:

Advisory Commission on Intergovernmental Relations (1987) The Organization of Local Public Economies. Washington, D.C.: Advisory Commission on Intergovernmental Relations.

Advisory Commission on Intergovernmental Relations (1988) Metropolitan Organization: The St. Louis Case. Washington, D.C.: Advisory Commission on Intergovernmental Relations.

Ashby, W. Ross (1960) Design for a Brain. 2nd ed. New York: John Wiley (if available).

Bagehot, Walter (1964) The English Constitution. R.H.S. Crossman, ed. London: C. A. Watts.

- Barry, Brian and Russell Hardin (1982) Rational Man and Irrational Society? An Introduction and Source Book. Beverly Hills: Sage Publications.
- Bates, Robert (1981) Markets and States in Tropical Africa. Berkeley: University of California Press.
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- Ordeshook, Peter C. (1986) Game Theory and Political Theory. Cambridge: Cambridge University Press.
- Ostrom, Elinor (1990) Governing the Commons: The Evolution of Institutions for Collective Action. New York: Cambridge University Press.
- Ostrom, Vincent (1991) The Meaning of American Federalism: Constituting a Self-Governing Society. San Francisco, CA: Institute for Contemporary Studies Press.
- Ostrom, Vincent (1989) The Intellectual Crisis in American Public Administration. 2nd ed. Tuscaloosa: The University of Alabama Press.
- Ostrom, Vincent (1987) The Political Theory of a Compound Republic: Designing the American Experiment. 2nd ed. Lincoln: University of Alabama Press.
- Pipes, Richard (1974) Russia Under the Old Regime. New York: Charles Scribner.

- Popkin, Samuel (1979) The Rational Peasant. Berkeley: University of California Press.
- Raiffa, Howard (1982) The Art and Science of Negotiation. Cambridge, Mass.: Harvard University Press.
- Shubik, Martin (1983) Game Theory in the Social Sciences. Concepts and Solutions. Cambridge, Mass.: MIT Press. (For those with a good mathematical background.)
- Tocqueville, Alexis de (1945) Democracy in America. New York: Alfred A. Knopf.
- Tocqueville, Alexis de (1955) The Old Regime and the French Revolution. Garden City, New York: Doubleday.
- Williamson, Oliver (1985) The Economic Institutions of Capitalism. New York: Free Press.
- Wilson, Woodrow (1956) Congressional Government: A Study in American Politics. Meridian Books edition. New York: Meridian Books.



Schedule of Topics: Fall Term, 1991

Thinking about Aggregate Levels of Analysis

We face a rather overwhelming problem of how to think about patterns of order and development in human societies. These range from the microcosm of our discrete experience as individuals to the more general sweep of human experience and the way that accumulated learning in the social sciences, professions, and humanities may enable us to extend our vistas from a discrete existence to a more general and comprehensive understanding of the human condition and its potentials. This is a challenge that we face throughout life. How do we use the next few weeks to take some decisive steps that lay foundations for further efforts?

I propose that we plunge into some of the basic puzzles pertaining to the nature and constitution of order in human societies by addressing basic issues about that reality and how knowledge is mobilized in coming to terms with that reality. With this in mind a current paper on "Some Ontological and Epistemological Problems in Policy Analysis" will be used as a point of departure. That paper does not address the broader comparative context. Another paper presented at the International Political Science Association in Buenos Aires on "The Transformation of Institutions: Some Critical Reflections" poses the general problem without giving discrete attention to particular cases. This paper in turn can be complemented by a memorandum on ILD to Deborah M. Orsini dated August 2, 1991. We have important studies about particular cases or contexts at the macro level of analysis done by colleagues in the Workshop over the last few years. Among these are: T. S. Yang (1987) "Property Rights and Constitutional Order in Imperial China" (a Ph.D. dissertation in political science); James Wunsch and Dele Olowu (1990) *The Failure of the Centralized State: Institutions and Self-Governance in Africa*; Antoni Kaminski (1992) *An Institutional Theory of Communist Regimes: Design, Structure, and Breakdown*; Amos Sawyer (1992) *The Emergence of Autocracy in Liberia: Tragedy and Challenge*; Vincent Ostrom (1991) *The Meaning of American Federalism: Constituting a Self-Governing Society*; and Mark Sproule-Jones (1990) *Governments at Work*.

Elinor Ostrom's (1990) *Governing the Commons: The Evolution of Institutions for Collective Action* focuses more upon the micro level of analysis. The report that Ronald Oakerson prepared for the Advisory Commission on Intergovernmental Relations (1987) *The Organization of Local Public Economies* together with a similar report (1988) on *Metropolitan Organization: The St. Louis Case* prepared by Ronald Oakerson, Roger Parks, and Aaron Bell are oriented more to an intermediate or meso level of analysis.

Our initial focus on "Some Ontological and Epistemological Problems" will be primarily concerned with how scholars and practitioners sort out impressions, illusions, and fantasy from workable knowledge and mobilize language and analytical capabilities in a way that can clarify problematical situations and how knowledge might be used to clarify choice in problematical situations.

The opening discussion of ontological and epistemological problems will plunge us into the midst of many of the most difficult issues in the social sciences and professions. Some may be issues that you have never thought about before, but they pose problems that anyone trying to understand the nature and constitution of order in human society must at least attempt to resolve in orienting oneself to either the tasks of scholarships or to the task of working with and fashioning patterns of order and potentials for development in human societies. You need to be prepared to face serious challenges to your ways of thinking about the referents that apply to terms such as "government," "society," "states," "organization," "bureaucracy," etc.

We shall at each step through the semester's work be wrestling with these basic ontological and epistemological problems. In addressing what I refer to as the problem-solving problem, we need to recognize that we again find ourselves on the frontier of serious ontological and epistemological problems. These cannot be "solved" in any conclusive sense. It is the human destiny to face uncertain futures. We can, however, attempt to develop strategies on methods of analysis that can be used to confront problematical situations. We are witnessing the failure of a 70-year experiment to achieve the liberation of mankind. That failure provides no guarantee that others are immune to failure.

**Week 1: Introduction: An Overview of the Semester's Work****Essential Reading:**

Syllabus: Fall 1991

**Week 2: Some Ontological and Epistemological Problems****Essential Readings:**

Ostrom, Vincent (1991) "Some Ontological and Epistemological Puzzles in Policy Analysis." Paper presented at the American Political Science Association meeting Washington, D.C., August 30.

Ostrom, Vincent (1991) "The Transformation of Institutions: Some Critical Reflections." Paper presented at the International Political Science Association meeting, Buenos Aires, Argentina, July 23.

Ostrom, Vincent (1991) "Institute for Liberty and Democracy." Memorandum to Deborah M. Orsini, Director, International Programs, Lima, Peru, August 2.

**Week 3: Adaptive Potentials, Choice, and Cultural Evolution****Essential Readings:**

Geertz, Clifford (1973) "The Growth of Culture and the Evolution." In The Interpretation of Cultures. New York: Basic Books.

Jacob, Francois (1977) "Evolution and Tinkering." Science 196(4295) (June), 1,161-166.

Ostrom, Vincent (1982) "The Human Condition." Working paper. Bloomington: Workshop in Political Theory and Policy Analysis, Indiana University. Originally prepared at the Center for Interdisciplinary Research, Bielefeld University, Bielefeld, Germany.

**Supplemental Readings:**

Ashby, W. R. (1958) "Requisite Variety and Its Implications for the Control of Complex Systems." Cybernetics, Vol. 1, 83-99.

Bonner, John T. (1980) "The Evolution of Culture." In The Evolution of Culture in Animals. Princeton, New Jersey: Princeton University Press, 163-198.

Cabral, Amilcar (1973) "National Liberation and Culture." In Return to the Source: Selected Speeches of Amilcar Cabral. New York and London: Monthly Review Press, 39-56.

Campbell, Donald T. (1975) "On the Conflicts Between Biological and Social Evolution and Between Psychology and Moral Tradition." American Psychologist, Vol. 30 (December), 1,103-1,126.

Cassirer, Ernst (1946) "The Technique of the Modern Political Myths." In The Myth of the State. New Haven, Connecticut: Yale University Press, 277-296.

Huxley, Julian (1957) "Evolution, Cultural and Biological." In Knowledge, Morality, and Destiny. New York: Mentor Books, 56-84.

Radnitzky, Gerard and W. W. Bartley (1987) Evolutionary Epistemology, Rationality and the Sociology of Knowledge. La Salle, Illinois: Open Court.

Turchin, V. F. (1977) "The Phenomenon of Science." In The Phenomenon of Science. New York: Columbia University Press, 315-344.

#### **Week 4: Hobbes's Analytical Foundations**

##### **Essential Reading:**

Hobbes, Thomas ([1651] 1960) Leviathan or the Matter, Forme, and Power of a Commonwealth Ecclesiasticall and Civil. Michael Oakeshott, ed. Oxford: Basil Blackwell. Author's Introduction, Chapters 1-12.

##### **Supplemental Reading:**

Eucken, Walter ([1939] 1951) The Foundations of Economics. Chicago: University of Chicago Press.

#### **Week 5: Artisanry and the Emergence of Principles of Economy**

##### **Essential Readings:**

Buchanan, James (1979) "Natural and Artifactual Man." In What Should Economists Do?, eds. H. Geoffrey Brennan and Robert D. Tollison. Indianapolis: Liberty Press, 93-112.

Hayek, F. A. (1945) "The Use of Knowledge in Society." American Economic Review 35 (September), 519-30.

Hume, David (1948) "Selected Excerpts with Regard to Natural and Artifactual." In Hume's Moral and Political Philosophy, ed. Henry D. Aiken. New York: Hafner, 46-55; 167-69; 277-82.

Ostrom, Vincent (1980) "Artisanry and Artifact." Public Administration Review 40(4) (July/August), 309-17.

##### **Supplemental Reading:**

Lachmann, Ludwig M. (1978) Capital and Its Structures. Menlo Park, Calif.: Institute for Humane Studies.

#### **Week 6: Rules and Rule-Ordered Relationships: A Faustian Bargain**

##### **Essential Readings:**

Commons, John R. (1968) "Transactions." In Legal Foundations of Capitalism. Madison: University of Wisconsin Press, 65-142.

Llewellyn, Karl N. and E. Adamson Hoebel (1941) "A Theory of Investigation," and "Primitive Law, and Modern." In The Cheyenne Way. Norman: University of Oklahoma Press, 20-40; 41-63.

Ostrom, Elinor (1986) "An Agenda for the Study of Institutions." Public Choice 48: 3-25.

##### **Supplemental Reading:**

Berman, Harold J. (1983) "The Origin of Western Legal Science in European Universities." In Law and Revolution. Cambridge, Massachusetts: Harvard University Press. Chapter 3.

**Week 7: Conceptual Foundations for Order in Human Societies****Essential Reading:**

Hobbes, Thomas ([1651] 1960) Leviathan or the Matter, Forme and Power of a Commonwealth Ecclesiasticall and Civil. Michael Oakeshott, ed. Oxford: Basil Blackwell. Chapters 13-19, 21, 30, and 31.

**Week 8: Autocratic Orders****Essential Reading:**

Friedman, Thomas L. (1989) "Huma Rule." In From Beirut to Jerusalem. New York: Doubleday (Anchor Books ed.). Chapter 4.

**Supplemental Readings:**

Kaminski, Antoni (1992) An Institutional Theory of Communist Regimes: Design, Structure, and Breakdown. San Francisco, Calif.: Institute for Contemporary Studies Press, forthcoming.

Sawyer, Amos (1992) The Emergence of Autocracy in Liberia: Tragedy and Challenge. San Francisco, Calif.: Institute for Contemporary Studies Press, forthcoming.

Yang, T. S. (1987) Property Rights and Constitutional Order in Imperial China. Ph.D. diss., Indiana University, Dept. of Political Science. Chapters 2, 3, and 8.

**Week 9: Theories of Limited Constitutions****Essential Reading:**

Ostrom, Vincent (1991) The Meaning of American Federalism: Constituting a Self-Governing Society. San Francisco, Calif.: Institute for Contemporary Studies Press. Chapters 1-5.

**Supplemental Readings:**

Buchanan, James and Gordon Tullock (1962) The Calculus of Consent. Ann Arbor: University of Michigan Press.

Hamilton, Alexander, John Jay, and James Madison (n.d.) The Federalist. New York: Modern Library.

Locke, John (1952) The Second Treatise of Government. Thomas Peardon, ed. New York: Liberal Arts Press.

Montesquieu, Charles Louis de Secondat (1966) The Spirit of the Laws. New York: Hafner.

Ostrom, Vincent (1989) The Political Theory of a Compound Republic: Designing the American Experiment. 2nd ed. Lincoln: University of Alabama Press.

**Week 10: Polycentricity****Essential Reading:**

Ostrom, Vincent (1991) The Meaning of American Federalism. Chapters 7-9.

**Supplemental Readings:**

Advisory Commission on Intergovernmental Relations (1987) The Organization of Local Public Economies. Washington, D.C.: Advisory Commission on Intergovernmental Relations.

Ostrom, Elinor (1990) Governing the Commons: The Evolution of Institutions for Collective Action. New York: Cambridge University Press.

**Week 11: Construing the American Experiment****Essential Readings:**

Tocqueville, Alexis de (1945) Democracy in America. New York: Knopf. Author's Introduction, Chapters 1-17.

Wilson, Woodrow (1956) Congressional Government: A Study in American Politics. Meridian Books ed. New York: Meridian Books. Chapters 1 and 6.

**Week 12: Tocqueville's Prognosis****Essential Reading:**

Tocqueville, Alexis de (1945) Democracy in America, Vol. II. New York: Knopf. Books 1, 2, and 4.

**Week 13: The Problem-Solving Problem: Inquiry, Discovery, Innovation****Essential Readings:**

Ostrom, Vincent (1991) "Some Ontological and Epistemological Puzzles in Policy Analysis." Paper presented at the American Political Science Association meeting, Washington, D.C., August 30.

Popper, Karl (1967) "Rationality and the Status of the Rationality Principle." An English translation of: Le Fondements Philosophiques des Systems Economiques Textes de Jacques Rueff et Essais Rediges en son Honneur, ed. E. M. Classen.

**Week 14: Framework, Theories, and Models****Essential Readings:**

Kiser, Larry L. and Elinor Ostrom (1982) "The Three Worlds of Action: A Metatheoretical Synthesis of Institutional Approaches." In Strategies of Political Inquiry, ed. Elinor Ostrom. Beverly Hills, Calif.: Sage, 179-222.

Ostrom, Elinor (1990) Governing the Commons: The Evolution of Institutions for Collective Action. New York: Cambridge University Press. Chapter 6.

Mozaffar, Shaheen (1991) "Understanding Governance in Africa: A Comparative Analytical Framework." Paper presented at the International Political Science Association, Buenos Aires, Argentina, July 21-25.

### Concluding Comment

There comes a point in every scholar's development when one is reading to extend one's own understanding and to come to terms with problems or issues that arise in one's own continuing inquiry rather than reading what is assigned. It is important for every student to cross this threshold if you intend to become an independent scholar. My sense is that Hobbes's *Leviathan*, one or the other of Kaminski, Sawyer, or Yang, Tocqueville's *Democracy in America* and my *Political Theory of a Compound Republic* or *The Meaning of American Federalism* are minimal for an introduction to this semester's work. Whenever you have an opportunity to extend your reading beyond each week's assignments you should keep in mind the larger agenda of work.

What each of us should aspire to is the scope and quality of scholarship achieved by Tocqueville in *Democracy in America*. He was 25 years of age when he arrived in Boston and devoted much of the next 10 years to that effort. His level of knowledgeable understanding was remarkable. He had done a great deal of homework in preparation for what he was able to accomplish. My sense is that the Kaminski and Sawyer volumes represent similar levels of achievement. If we can build upon such foundations we might aspire to a social science (a science and art of association) that moves to levels of achievement comparable to those in the biological sciences since the time of Charles Darwin, a contemporary of Tocqueville's.

### Mini-Conference: Conceptualizing, Designing, and Explaining Systems of Governance in Human Societies

The full day on Saturday, December 14, and the full afternoon of December 16, will be reserved for a mini-conference (i.e., a series of presentations following the format used in professional meetings) that will be organized around a series of roundtable presentations and discussions that focus upon "conceptualizing, designing, and explaining systems of governance in human societies." Each of the roundtables will be organized around a series of topics that will permit all participants in the seminar to address himself or herself to some aspect of the work covered during the fall semester. Each member of the seminar should be reflecting upon and discussing with colleagues the questions he or she would like to see addressed in a general discussion at one of these roundtables. These questions should be the basis for a series of individual papers that will be the subject of a dialogue among those participating in each roundtable.

We would propose that each participant in the roundtable make initial remarks by summarizing and commenting upon the work of another colleague with opportunities for responses and general discussion. We may want to explore the possibility of revising papers for publication as working papers organized around the topic for each of the roundtables. A roundtable might, for example, address itself to the problem of doing comparative analysis so that explicit attention could be given to a specifiable level of analysis where alternative arrangements might permit observations to be made of human experience, viewed as natural experiments, to test conjectures about the effects of the alternative institutional arrangements. We anticipate that papers for this mini-conference may be of a more speculative nature than those which will be presented at the end of the spring semester.

**MINI-CONFERENCE AGENDA: December 14 and 16, 1991**

**SATURDAY, DECEMBER 14**

**SESSION I: LOCAL AND GLOBAL COMMONS  
James Walker, Chair**

**9:00 - 10:20**

Discussant/Presenter: Karen Rasler

Paper author: Michael McGinnis & Elinor Ostrom, "Institutional Analysis and International Regimes: Local and Global Commons."

Discussant/Presenter: Minoti Kaul

Paper author: George Varughese, "Governing Nepal's Forests: The Peasant's Dilemma--Consequences of Central Regulation."

**SESSION II: ECONOMIC CONTINGENCIES  
Roberta Herzberg, Chair**

**10:40 - 12:00**

Discussant/Presenter: James Walker

Paper author: Janet Landa, "The Role of China's Domestic Contract Law in Economic Development: A Property Rights-Public Choice Approach."

Discussant/Presenter: Vincent Ostrom

Paper author: Tony Matejczyk, "Cost-Benefit Analysis, Rules and Context: A Framework Proposal."

**SESSION III: EMERGING PATTERNS OF ORDER IN AFRICA AND ASIA  
Vincent Ostrom, Chair**

**1:30 - 2:50**

Discussant/Presenter: Dele Gege

Paper author: Tjip Walker, "The Poverty of African Federalism: Lessons from the Federal Republic of Cameroon, 1961-1972."

Discussant/Presenter: Elinor Ostrom

Paper author: Gopendra Bhattarai, "A Comparative Study of the Panchayat and Multi-party Democracies in Nepal."

**SESSION IV: ONTOLOGY OF ORDER IN HUMAN SOCIETIES**  
**Mike McGinnis, Chair**

**3:10 - 4:30**

Discussant/Presenter: Hamidou Magassa

Paper author: Vincent Ostrom, "The Human Condition II: Individual and System in Societies."

Discussant/Presenter: Piotr Chmielewski

Paper author: Berthold Bunsen, "Two Different Methods of Normative Inquiry."

**MONDAY, DECEMBER 16**

**Session V: Spontaneity**  
**Elinor Ostrom, Chair**

**3:30 - 5:00**

Discussant/Presenter: Gina Davis

Paper author: Jeff Steele, "Spontaneous Orders and the Constitution of Self-Governing Societies."

Discussant/Presenter: Myrna Mandell

Paper author: Jeri Burkhart, "Some Reflections on Applying Institutional Analysis to the American Ghetto and Its Problems."



**SECOND SEMESTER: SPRING TERM, 1992****INSTITUTIONAL ANALYSIS AND DEVELOPMENT: MICRO****The Relationship of the Fall Semester to the Spring Semester**

The two semesters of this course can be taken in either order or as an independent course, but they are related to one another.

The primary focus in the fall semester was upon the way that human beings fashion systems of order so as to establish stable expectations in relating to one another and to do so in ways that enable human beings to take advantage of one another's capabilities. The focus was upon rule-ordered relationships as these function in aggregate structures of relationships which were characterized as rule-ruler-ruled relationships. The conception and design of alternative systems was considered in relation to patrimonial regimes, a theory of sovereignty, and a general theory of limited constitutions. Serious problems of incommensurability arise in finding ways to compare state-governed (cephalous) societies with self-governing (acephalous) societies or with societies which manifest varying degrees of state-governed and self-governing characteristics.

Considering alternatives and knowing their implications requires the making of comparisons. The making of comparisons, however, requires commensurability in settings. Yet, commensurability is difficult to achieve. These problems were explored in a preliminary way by indicating how conjectures derived from a theory of sovereignty and a general theory of limited constitutions applicable to compounded republics might be used to generate competing hypotheses about intermediate structuring arrangements in human societies. Comparisons become possible to the extent that appropriate bounding conditions can be specified; but this specification is required to take account of the way that cognitive structures operate vis-a-vis rule-ordered relationships and the way that rule-ordered relationships are used to shape working relationships in human societies. Comparisons of systems operating in similar epistemic orders (cognitive structures) is easier to achieve than comparisons where human beings rely upon quite different cosmological and epistemological presuppositions.

The presupposition that human beings share a basic similitude of thoughts and passions leaves open the possibility that they can acquire different languages and appreciate the cognitive disparities inherent in the meaning assigned to symbols in different language systems. This possibility provides a basis for translation between languages and establishing grounds for making system comparisons. Problems of incommensurability are pervasive and the analysis of alternatives requires analysts to establish the grounds for comparison as a part of the methodological challenge confronting anyone who is concerned with assessing alternatives.

Walter Eucken, in *The Foundations of Economics* (1939/1965), demonstrates that an ideal-type, overall view of human societies, economies, or systems of government yield formulations which had little or no connection to the way that human beings experienced their relationships with one another as ways of life in human societies. This is what he refers to as "the great antinomy" that plagues human efforts to understand patterns of order in human societies. His response is to indicate that an effort to understand "social reality" cannot be achieved by "distancing" ourselves from that reality in order to achieve a general overview but of "penetrating" that reality.

An approach which attempts to "penetrate" social reality requires a movement from a holistic perspective to an effort to examine specifiable situations and to view those specifiable situations within contexts that are amenable to comparative analysis. Such an effort requires the observer to adopt a micro-analytic perspective with regard to actors in specifiable situations and contexts. But the problems of incommensurabilities cannot be ignored. As we move from taking a macro perspective of societies to a micro-analytic perspective in the spring semester, we shall do so in a way that is consistent with the basic approach that was taken in the fall semester. We are, thus, concerned with how to link a macro approach to the reality that human beings experience by using a "penetrating" as well as a "distancing" mode of analysis. It is as we bring these

approaches together that we have the prospect of resolving the great antinomy and developing a coherent theory of order that is able to take account of diverse patterns of order in human societies.

Advances in the understanding of human cultural and institutional behavior cannot, however, be achieved by either simple "penetration" nor simple "distancing" strategies. The early scientific advances in the understanding of physical systems were related to systems which were relatively simple and where each level of behavior and analysis was substantially separated from other levels in time and/or space. Various simplifying assumptions could be made about what was going on at different levels than the level being examined. The process being analyzed was isolated from its context in two ways. On the one hand, the environment in which a process occurred was supposed to remain unaffected by the behavior at the level being examined. The relevant environment could be represented by a few variables with their values fixed.

As the levels of a system become complexly linked in time and space, a simple penetration or distancing strategy does not work regardless of whether the system under analysis is a strictly physical system, a biological system, or an artifactual system. While any effort to analyze involves simplifications and generalizations, examining some particular level in total isolation from other levels is inadequate for understanding complex institutions. One needs to be prepared to move back and forth across levels, being aware of the possibility that what happens at one level affects what happens at its adjoining levels.

Consideration of alternatives in all reaches of life places a premium upon comparative analysis. We are again plagued by problems of incommensurabilities. These difficulties cannot be resolved by analysts who seek to "distance" themselves from "social reality." The strategy of "penetrating" social reality by reference to hypothetically structural situations offers a complementary approach. Problems of incommensurabilities must, then, be addressed in attempts to establish a context for commensurability in making comparative analyses. This poses a substantial challenge in circumstances where choices in all reaches of life imply alternatives that apply at different levels and foci of analysis.

A central theme of this seminar is that the performance of political systems -- large and small -- must be understood as the result of the behavior of humans interacting in many simultaneously and sequentially nested actions situations. The outcomes resulting from behavior within even the simplest and most self-contained (autonomous) situations may be both counterintentional (the actors did not intend to produce what they did) and counterintuitive (why the situation producing this result is not immediately obvious to either the participants or the observer). It is even more likely that a system of nested situations will produce results that were counterintentional and counterintuitive at some level of analysis for at least some of the participants and observers of the nested system.

The web of humanly constructed political-economic-social-cognitive structures is a "whole" composed of many "wholes." No one sees the totality in its full detail. Nor, can anyone see any "sub-whole" without some reference to a larger whole of which any "sub-whole" is itself a part. Further, these interweaving structures are themselves constructed and reconstructed by humans, given the conceptions they hold and the actions they take.

The complex web of patterned human relationships can produce great suffering for at least some who are "caught" within it. What can be done? That is the central question facing all who are concerned with human welfare and suffering. Those who presume omniscience and omnipotence try to construct a totally new web to solve the ills of society. Those who presume that any system which has evolved, reaches relative optimality through evolutionary processes, simply observe the process without intervening. It will all get better on its own. Those who are fatalists and presume that humans have little control over their destiny, also observe the process without intervening. It may get better or worse, but what happens is beyond human control.

We take the position that some self-determination is possible -- particularly if social structures are relatively open for internal contestation and transformation. Understanding how parts of a complex system work and how the parts are related is important not because omniscience is achievable. Such an understanding provides insight to self-reflective human beings and can help those involved refashion parts of their own reality as a way of life.

### Procedures and Requirements for the Spring Semester

During the spring semester of this year-long course we try to provide an overview of the literature focusing on the analysis of individual behavior within various types of institutional arrangements. Many of the topics covered here in one week could well be the topic of a full semester's work. Thus, once you have completed this spring's work, you will have been introduced to a diversity of work but you will not yet have gained mastery and will need substantial additional study to gain that mastery. For some subjects, we have listed additional readings that you may wish to pursue either during this semester on those topics of particular interest and importance to you or over the coming years.

The assigned readings will either be distributed at least one week in advance or be at the IU bookstore. Books ordered for the course are:

Alt, James and Kenneth Shepsle (1990) Perspectives on Positive Political Economy. New York: Cambridge University Press.

Eggertsson, Thrainn (1990) Economic Behavior and Institutions. New York: Cambridge University Press.

Ostrom, Elinor (1990) Governing the Commons: The Evolution of Institutions for Collective Action. New York: Cambridge University Press.

Riker, William (1984) Liberalism Against Populism. Prospect Heights, IL: Waveland Press.

I also ordered Karen Cook and Margaret Levi (1990) The Limits of Rationality. Chicago: University of Chicago Press. We will use this book as supplement to our readings rather than as required readings.

Graduate students taking the course for credit have three types of assignments. First, each student is expected to write a short (2 to 5 page) memo to Lin Ostrom each week starting on January 24th reflecting on what they are currently reading, how they are progressing on their seminar paper, and related topics. From time to time, I will ask for comments on a particular subject. These memos are due in my box at the Workshop (513 North Park) by 5:00 pm each Friday. I will respond to these memos in writing by Monday and use them to organize part of the discussion during the Monday session. [Last semester the memos were reproduced, but to do this requires that they be turned in by 9 a.m. on Friday. We will discuss alternative ways of handling the memos on Monday, January 27, 1992.] These memos are *not* individually graded but 25 percent of the final grade will be based on class participation, and the faithfulness and quality of the memo's will be reflected in this part of the grade.

Second, all participants in the seminar will be asked to make presentations on the readings during the semester. These will be assigned ahead of time.

Third, a final paper: Each student and visiting scholar will be expected to select either a type of problem (such as that of providing a particular type of public goods or common-pool resource) or a type of decision-making arrangement (such as that of a legislature or self-organized collectivities) and undertake a micro-analysis of how combinations of rules, the structure of the goods and technology involved, and culture interact to affect the incentives facing individuals and resulting patterns of interactions adopted by individuals in one or a set of closely related situations. The student may focus more on an operational, a collective choice, or a constitutional choice level, but the linkage among these levels should be addressed. This is an excellent opportunity to do a research design for a dissertation that applies institutional analysis to a particular problem. Students may wish to do the first draft of a paper that eventually will be submitted for publication. All papers will be presented at a mini-conference on May 2 and 4, 1992.

The final paper is due April 27, 1992 and constitutes 50 percent of the final grade.

Schedule of Topics: Spring Term, 1992

I

**Introduction**

**Week 1: Introductory Overview of the Semester: Frameworks, Theories and Models of Institutional Arrangements**

Each member of the seminar will be expected to read the syllabus and to have begun to think about how their own work might be related to the general work to be covered during the spring semester. Professor Herzberg will provide a brief overview of the general organization of the spring semester's work and an initial discussion of the model of individual behavior used most frequently in game theory and other formal methods of analysis.

**Essential Readings:**

Hofstadter, Douglas R. (1979) "Ant Fugue." In Gödel, Escher, Bach: An Eternal Golden Braid. New York: Basic Books, 310-336.

Ordeshook, Peter C. (1986) "Individual Preference and Individual Choice." In Game Theory and Political Theory. New York: Cambridge University Press, Chapter 1.

Ordeshook, Peter C. (1990) "The Emerging Discipline of Political Economy." In James Alt and Kenneth Shepsle, eds. Perspectives on Positive Political Economy. New York: Cambridge University Press, Chapter 1 (from Bookstore).

**Review:**

Kiser, Larry and Elinor Ostrom (1982) "The Three Worlds of Action: A Metatheoretical Synthesis of Institutional Approaches." In Elinor Ostrom, ed. Strategies of Political Inquiry. Beverly Hills: Sage Publications, 179-222.

Ostrom, Elinor (1987) "An Agenda for the Study of Institutions." Public Choice, Vol. 48, 3-25.

During the spring semester we will work with several alternative models of the individual. One of the important models when we do formal analysis is that of complete rationality. Please read the Ordeshook chapter very carefully so that the key assumptions of this model become a part of your working tools.

A central theme of the entire year's seminar is that human organization is the result of layers and layers of conscious and unconscious structuring --both within the single individual and within any organized polity. To study institutions, there is no single correct level of analysis. To ask any particular theoretical or empirical question, however, one needs to select the "correct" level (or levels) of analysis to address that question. That is the central message of Hofstadter's "Ant Fugue." His provocative way of developing this argument will, hopefully, supplement the argument for multiple levels made in the other papers.

Larry Kiser and E. Ostrom's 1982 paper was an overt attempt to examine how action at an operational level is structured by actions at a collective-choice level which are, in turn, structured by actions at a constitutional-choice level. My "Agenda" paper stresses that observed behavior is the result of: (1) underlying variables (rule configurations, the structure of the physical world, and general cultural views of the world); (2) the specific configuration of elements in the action situation itself; and (3) the perceptions, cognitions, values, and resources of particular individuals. The energy that has been expended on "the individual" vs. "the system" has generated lots of heat, but not the insight that comes from recognizing that all explanations must

ultimately involve both an understanding of how individuals perceive, think, value and decide as well as how the structural constraints of the situations in which they find themselves affect outcomes.

The concept of an action situation is one way to identify a "smallest relevant unit of analysis" for comparative research. Similar efforts to identify a "smallest relevant unit of analysis" have used such terms as: collective structures, transactions, frames, and the other terms listed below. The following is an initial bibliography of key works that describe other efforts to identify units of analysis that are very similar to the concept of an action situation:

**Collective Structure:**

Allport, F. H. (1962) "A Structuronomic Conception of Behavior: Individual and Collective." Journal of Abnormal and Social Psychology, Vol. 64, 3-30.

**Frames:**

Goffman, Irving (1974) Frame Analysis: An Essay on the Organization of Experience. Cambridge: Harvard University Press.

**Logic of the Situation:**

Farr, James (1985) "Situational Analysis: Explanation in Political Science." Journal of Politics, Vol. 47, No. 4 (November), 1,085-1,107.

Popper, Karl (1961) The Poverty of Historicism. New York: Harper & Row.

Popper, Karl (1976) "The Logic of the Social Sciences." In T. W. Adorno, ed. The Positivist Dispute in German Sociology. New York: Harper & Row.

**Scripts:**

Schank, Roger C. and Robert P. Abelson (1977) Scripts, Plans, Goals, and Understanding: An Inquiry in Human Knowledge Structures. Hillsdale, New Jersey: Lawrence Erlbaum Associates.

**Transactions:**

Commons, John R. (1968) "Transactions." In Legal Foundations of Capitalism. Madison: University of Wisconsin Press, Chapter 4, 64-142.

**Units of Meaning:**

Barwise, Jon and John Perry (1983) Situations and Attitudes. Cambridge: MIT Press.

**Week 2: The CPR Situation in Theory and in the Lab**

One way of modeling a theory of how a particular action situation is structured, the likely behavior of participants, and the consequences that these will produce is by a formal game. A second way of modeling the same theory is by operationalizing the formal game in an experimental laboratory. The readings for this week are the initial drafts of the first 3 chapters of a book in process that provide a background for a session to be held in a computer room in Ballantine Hall (118) that we use as an experimental lab.

**Essential Reading:**

Ostrom, Elinor, Roy Gardner, and James Walker (forthcoming) Rules and Games: Institutions and Common-Pool Resources. Ann Arbor: University of Michigan Press, Chapters 1-3.

**Week 3: Theories and Models of Individual Behavior**

The neoclassical model of the individual used by economists in theoretical and empirical studies of market behavior has proved to be a very robust and powerful model both for its usefulness in explaining choices in market situations but also as the foundation for explaining choices in other well-structured situations including many collective-choice situations. This model has also been criticized on a number of fronts as you will see in the assigned readings. Given the very substantial empirical evidence that human behavior frequently does not conform to the neoclassical model, one has to take the criticisms seriously. On the other hand, one does not lightly discard a highly powerful and very useful model of human choice-making behavior.

The stance that I will take in this seminar is that one should retain the neoclassical (or, game theoretical) model as one, but not the exclusive, model of the individual to be used in conducting institutional analyses. In other words, this is one of the tools of the trade and an institutional analyst should know this tool well. Knowing a tool well means knowing its capabilities AND its limitations. This model is particularly useful in regard to the following three tasks:

1. Undertaking a theoretical analysis of what a fully informed and narrowly self-interested person would do in a particular type of well-defined situation.

James Buchanan has frequently argued that an essential analysis of any particular institutional arrangement must examine what strategies would be selected by individuals who are selfish, opportunistic, and calculating. If these strategies lead to optimal outcomes for others -- as they do in a highly competitive market -- the institutional arrangement is quite robust to the type of individuals who will be using it. If these strategies lead to suboptimal outcomes, then one is alerted to the problems that the naive use of the institutional arrangement might produce. The use of the neoclassical model of the individual enables one to examine how vulnerable a particular institutional arrangement is to the calculations of a narrow hedonist.

2. Undertaking a normative analysis of what fully "rational" persons should do in a particular type of highly structured and repetitive situation.
3. Undertaking a positive, theoretical analysis in those situations that are tightly constrained, where the actions and outcomes are clearly known, and where some single value -- such as profit or likelihood of reelection -- can serve as an external indicator of utility.

The key question facing institutional analysts who wish to undertake positive analyses of less structured and certain situations is what modifications in the neoclassical theory are the most likely to generate useful predictions? In my opinion, Herbert Simon has been pointing in the right direction for some time. Simon retains the fundamental presumption that individuals compare benefits against costs, but relaxes the assumptions about how finely values are measured and the type of calculation process presumed. If one adds to the important work of Simon, the work of Kahneman and Tversky (and others) on perception and framing effects and of Coleman (and others) on the adoption of norms of behavior, one begins to gain a model of a fallible learner who develops routines or SOPs (standard operating procedures) for coping with much of life that may reflect more or less opportunistic behavior dependent upon both personal and social developments. Thus, the neoclassical model becomes one -- but not the only -- model of the individual that the institutional analyst can use. In his classic article on "rationality," Popper gives us some very good advice: rest most of your analysis on the structure of the situation rather than on the model of the individual.

**Essential Readings:**

Eggertsson, Thrainn (1990) Economic Behavior and Institutions. New York: Cambridge University Press, Chapter 1 (from Bookstore).

Harsanyi, John C. (1986) "Advances in Understanding Rational Behavior." In Jon Elster, ed. Rational Choice. New York: New York University Press, 82-107.

Popper, Karl R. (1967) "Rationality and the Status of the Rationality Principle." In E. M. Classen, ed. Le Fondements Philosophiques des Systems Economiques Textes de Jacques Rueff et Essais Rediges en son Honneur. Paris: Payot, 145-150.

Tversky, Amos and Daniel Kahneman (1986) "Rational Choice and the Framing of Decisions." Journal of Business, Vol. 59, No. 4, Pt. 2, S251-278.

Williamson, Oliver E. (1986) "The Economics of Governance: Framework and Implications." In Richard N. Langlois, ed. Economics as a Process: Essays in the New Institutional Economics, 171-202. New York: Cambridge University Press. (Pages 171-189 are relevant to this topic.)

**Supplemental Book:**

Cook, Karen and Margaret Levi (1990) The Limits of Rationality. Chicago: University of Chicago Press.

**Further Readings of Relevance to this Topic:**

Anderson, John R. (1980) Cognitive Psychology and Its Implications. San Francisco: W. H. Freeman.

Boudon, Raymond (1986) "The Logic of Relative Frustration." In Jon Elster, ed. Rational Choice. New York: New York University Press, 171-196.

Coleman, James S. (1987) "Norms as Social Capital." In Gerald Radnitzky and Peter Bernholz, eds. Economic Imperialism. The Economic Approach Applied Outside the Field of Economics. New York: Paragon House.

Dawes, Robyn M. (1988) Rational Choice in an Uncertain World. New York: Harcourt Brace Jovanovich.

Earl, Peter E. (1983) The Economic Imagination: Towards a Behavioural Analysis of Choice. Armonk, New York: M. E. Sharpe, Chapters 4 and 5.

Elster, Jon (1979) Ulysses and the Sirens. Studies in Rationality and Irrationality. Cambridge: Cambridge University Press.

Elster, Jon (1986) "Introduction." In Jon Elster, ed. Rational Choice. New York: New York University Press, 1-33.

Heiner, Ronald A. (1983) "The Origin of Predictable Behavior." American Economic Review, Vol. 73, No. 4 (September), 560-595.

Hogarth, Robin M. and Melvin W. Reder, eds. (1987) Rational Choice. The Contrast between Economics and Psychology. Chicago: The University of Chicago Press. (The whole volume is worth serious attention.)

Leibenstein, Harvey (1976) Beyond Economic Man: A New Foundation for Microeconomics. Cambridge: Harvard University Press.

Schelling, Thomas C. (1978) Micromotives and Macrobehavior. New York: W. W. Norton.

Sen, Amartya K. (1977) "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory." Philosophy and Public Affairs, Vol. 6, No. 4 (Summer), 317-344.

Simon, Herbert A. (1987) "Rationality in Psychology and Economics." In Robin M. Hogarth and Melvin W. Reder, eds. Rational Choice: The Contrast between Economics and Psychology. Chicago: The University of Chicago Press, 41-66.

#### **Week 4: Attributes of the Physical World**

Now we shift our focus in an action situation from the individual deciding upon actions to characteristics of the relevant situation. At the operational level, individuals attempt to solve problems in light of the incentives they face. The nature of the problems as well as the incentives are strongly affected by the attributes of the physical and technological world involved as they interact with the rules used to define exclusion and other aspects of an action situation.

#### **Essential Readings:**

Eggertsson, Thrainn (1990) Economic Behavior and Institutions. New York: Cambridge University Press, Chapter 2.

Olson, Mancur (1990) "Toward a Unified View of Economics and the Other Social Sciences." In James Alt and Kenneth Shepsle, eds. Perspectives on Positive Political Economy. New York: Cambridge University Press.

Ostrom, Elinor, Larry Schroeder, and Susan Wynne (1990) Institutional Incentives and Rural Infrastructure Sustainability. Burlington, Vt.: Associates in Rural Development.

Ostrom, Vincent and Elinor Ostrom (1978) "Public Goods and Public Choices." In E. S. Savas, ed. Alternatives for Delivering Public Services. Toward Improved Performance. Boulder, Colorado: Westview Press, 7-49.

Plott, Charles R. and Robert A. Meyer (1975) "The Technology of Public Goods, Externalities and the Exclusion Principle." In Erwin S. Mills, ed. Economic Analysis of Environmental Problems. New York: Columbia University Press, 65-94.

#### **Further Readings of Relevance to this Topic:**

Cornes, Richard and Todd Sandler (1986) The Theory of Externalities, Public Goods, and Club Goods. Cambridge: University of Cambridge Press.

Hardin, Russell (1982) Collective Action. Baltimore: Johns Hopkins Press.

Inman, Robert P. (1987) "Markets, Governments, and the New Political Economy." In Alan J. Auerbach and Martin Feldstein, eds. Handbook of Public Economics. Amsterdam: North Holland, 647-777.

Oliver, Pamela (1980) "Rewards and Punishments as Selective Incentives for Collective Action: Theoretical Investigations." American Journal of Sociology, Vol. 85, No. 6, 1,356-1,375.

Olson, Mancur (1965) The Logic of Collective Action. Cambridge: Harvard University Press.



Taylor, Michael (1987) The Possibility of Cooperation. Cambridge: Cambridge University Press.

#### **Week 5: Rules and Their Effect on Action Situations**

Rules can be expressed linguistically as the "mays," "musts," and "must nots" that affect all of the working parts of any action situation including a market. What type of variables are these? When do we know that humans are following a set of rules? How can we begin to develop a technical language to talk about rules in a careful manner? How can we know if the rules of one system are similar to or different from the rules of another system? The concept of "working rules" comes from John R. Commons and the introduction to his book gives you a brief overview of his approach. Serious students of institutional analysis will want to read the entire volume. It is now out of print, but a maxi reprint of it is available at cost. Check with Sarah Washel if you would like to obtain this volume.

The paper by Sue Crawford and E. Ostrom clarifies the underlying syntax of all rule systems.

Chapter 4 in *Rules and Games* uses the concept of a rule configuration discussed in the materials you read in Week 1 to analyze how four different rule configurations affect the structure of a game and equilibrium outcomes. The rule configurations analyzed are simplified versions of rule configurations observed in field settings. We also examine several physical domains and how they affect outcomes within each rule configuration. The chapters from the field settings in *Rules and Games* illustrate the importance of different kinds of rules in diverse situations.

#### **Essential Readings:**

Commons, John R. (1968) "Preface" and "Mechanism, Scarcity, Working Rules." In Legal Foundations of Capitalism. Madison: University of Wisconsin Press, vii-viii, 1-10.

Crawford, Sue and Elinor Ostrom (1992) "Studying Rules: Linking Individuals and Systems." Working Paper, Workshop in Political Theory.

Eggertsson, Thrainn (1990) Economic Behavior and Institutions. New York: Cambridge University Press, Chapters 3 and 4.

Ostrom, Elinor, Roy Gardner, James Walker (forthcoming) Rules and Games: Institutions and Common-Pool Resources. Ann Arbor: University of Michigan Press, Chapters 4-8.

#### **Further Readings of Relevance to this Topic:**

Brennan, Geoffrey and James M. Buchanan (1985) The Reason of Rules: Constitutional Political Economy. Cambridge: Cambridge University Press.

Nader, Laura and Barbara Yngvesson (1973) "On Studying the Ethnography of Law and Its Consequences." In John J. Honigmann, ed. Handbook of Social and Cultural Anthropology. Chicago: Rand McNally.

Shimanoff, Susan (1980) Communication Rules: Theory and Research. Beverly Hills: Sage Publications.

Toulmin, Stephen (1974) "Rules and their Relevance for Understanding Human Behavior." In Theodore Mischel, ed. Understanding Other People. Oxford: Blackwell, 185-215.

## II

**Analyses of Operational Situations****Week 6: Markets and Market Failure**

Individual actions in market situations have been the subject of the most extensive theoretical apparatus and empirical testing in modern social science. While I do not presume that the theoretical apparatus developed in neoclassical economic theory can be viewed as "the" general theory underlying the explanation of all human action, this body of theory is an impressive edifice of scientific achievement when applied correctly. Since markets are one of the major allocation mechanisms used in all societies, anyone interested in the structure and change of human orders needs to understand how markets work. That means that one needs to understand how they work well when allocating goods that can be classified as approximately private goods and how market failure occurs when used to allocate goods that cannot be classified as private goods.

**Essential Readings:**

Alchian, Armen (1950) "Uncertainty, Evolution, and Economic Theory." Journal of Political Economy, Vol. 58, 211-221.

De Alessi, Louis (1988) "How Markets Alleviate Scarcity." In Vincent Ostrom, David Feeny, and Hartmut Picht, eds. Rethinking Institutional Analysis and Development. San Francisco: ICS Press, 339-376.

Eggertsson, Thrainn (1990) Economic Behavior and Institutions. New York: Cambridge University Press.

Hayek, F. A. (1945) "The Use of Knowledge in Society." American Economic Review, Vol. 35, No. 4, 519-30.

Taylor, John F.A. (1988) "The Ethical Foundation of the Market." In Vincent Ostrom, David Feeny, and Hartmut Picht, eds. Rethinking Institutional Analysis and Development. San Francisco: ICS Press, 377-388.

**Further Readings of Relevance to this Topic:**

Barzel, Yoram (1982) "Measurement Cost and the Organization of Markets." Journal of Law and Economics, Vol XXV (April), 27-48.

Bator, Francis M. (1957) "The Simple Analytics of Welfare Maximization." American Economic Review, Vol. 47 (March), 22-59.

Burns, Tom R. and Helena Flam (1987) "The Structuring of Markets and Other Distributive Systems" and "Market Organization and Performance Properties." In The Shaping of Social Organization: Social Rule System Theory with Applications. London: Sage Publications, 123-175.

Coleman, Jules L. (1988) Markets, Morals and the Law. Cambridge: Cambridge University Press.

Commons, John R. (1968) Legal Foundations of Capitalism. Madison: University of Wisconsin Press.

Schmid, A. Allan (1988) "Law and Economics: An Institutional Perspective." To appear in Law and Economics, N. Mercuo, ed.

### **Week 7: Firms: Lessons from New Institutional Economics**

Human beings, by acting jointly with one another, can accomplish many tasks that cannot be accomplished, or cannot be accomplished as well, by individuals acting alone. This implies that organized efforts yield benefits where advantage accrues from specialization and/or jointness of efforts. At the same time, tensions and difficulties arise that become threats to jointness of effort. Given both the benefits to be gained and the tensions or difficulties that are involved, we need to be critically concerned with the degree to which we can expect organization to occur spontaneously by individuals confronting opportunities that require joint effort.

If impediments exist to spontaneous organization, we might anticipate a differentiation of positions in a society so as to assure the continuity of tasks that will not be performed spontaneously. Joint activity may also require a differentiation of roles so that some have authority over others as is inherent in the rule-ruler-ruled relationship. If roles become specialized, not everyone can perform select roles.

#### **Essential Readings:**

Eggertsson, Thrainn (1990) Economic Behavior and Institutions. New York: Cambridge University Press, Chapters 5-7.

Kreps, David M. (1990) "Corporate Culture and Economic Theory." In James Alt and Kenneth Shepsle, eds. Perspectives on Positive Political Economy. New York: Cambridge University Press, Chapter 4.

#### **Further Readings of Relevance to this Topic:**

Akerlof, George A. (1970) "The Market for 'Lemons': Quality Uncertainty and the Market Mechanisms." Quarterly Journal of Economics, Vol. 84, 488-500.

Alchian, Armen and Harold Demsetz (1972) "Production, Information Costs, and Economic Organization." American Economic Review, Vol. 62 (December), 777-795.

Alchian, Armen and Susan Woodward (1988) "The Firm is Dead; Long Live the Firm. A Review of Oliver E. Williamson's The Economic Institutions of Capitalism." Journal of Economic Literature, Vol. 26 (March), 65-79.

Coase, Ronald H. (1937) "The Nature of the Firm." Econometrica, Vol. 4, 368-405.

Marschak, Jacob (1972) Economic Theory of Teams. New Haven: Yale University Press.

Stiglitz, Joseph E. (1987) "Human Nature and Economic Organization."

Williamson, Oliver (1975) Markets and Hierarchies: Analysis and Antitrust Implications. New York: Free Press.

Williamson, Oliver (1985) The Economic Institutions of Capitalism. Firms, Markets, Relational Contracting. New York: Free Press.

Williamson, Oliver E. (1988) "The Logic of Economic Organization." Journal of Law, Economics, and Organization, Vol. 4, No. 1, 65-93.

### **Week 8: Lessons from Successful, Failed, and Fragile Self-Organized Collectivities**

#### **Essential Reading:**

Ostrom, Elinor (1990) Governing the Commons: The Evolution of Institutions for Collective Action. New York: Cambridge University Press, Chapters 3-5.

## III

## Collective-Choice Situations

**Week 9: Voting Rules**

Now we shift from operational level situations to an analysis of those situations that either directly or indirectly affect the structure of operational situations.

Several scholars have considered the effects of complex institutional rules and structure on the outcomes selected in legislative arenas with the generalization that structure can change predicted outcomes in majority rule settings. While majority rule is often the aggregation rule in use, other rules such as agenda rules, rules structuring debate, and the rules organizing the content and schedule of action are also important in creating the set of majority-selected outcomes. In this week's readings we consider the effects of different institutional rules on the outcomes selected in legislative contexts and ask how such rules alter our evaluation of the representative characteristics of the institution as a whole. Additionally, we consider how such rules are selected and what effect these selection procedures may have on the collective choice processes overall.

**Essential Readings:**

Herzberg, Roberta and Vincent Ostrom (1986) "Votes and Vetoes." In F. X. Kaufmann, G. Majone, and V. Ostrom, eds. Guidance, Control, and Evaluation in the Public Sector. Berlin and New York: Walter de Gruyter, 431-443.

Riker, William (1984) Liberalism Against Populism. Prospect Heights, IL: Waveland Press (from Bookstore).

**Further Readings of Relevance to this Topic:**

Bordley, Robert F. (1985) "System Simulation Comparing Different Decision Rules." Behavioral Science, Vol. 30, No. 4 (October), 230-239. (Compares fourteen different decision rules to expected utility rule.)

Pitkin, Hanna (1972) The Concept of Representation. Berkeley: University of California Press.

**Week 10: Politicians, Interest Groups, and Rent Seeking****Essential Readings:**

Bates, Robert (1990) "Macropolitical Economy in the Field of Development." In James Alt and Kenneth Shepsle, eds. Perspectives on Positive Political Economy. New York: Cambridge University Press, Chapter 2.

de Soto, Hernando (1988) "Constraints on People: The Origins of Underground Economies and Limits to Their Growth." In Jerry Jenkins, ed. Beyond the Informal Sector. San Francisco: ICS Press, Chapter 2, 15-49.

Tullock, Gordon (1990) "The Costs of Special Privilege." In James Alt and Kenneth Shepsle, eds. Perspectives on Positive Political Economy. New York: Cambridge University Press, Chapter 8.

**Week 11: Inside Legislatures****Essential Readings:**

Herzberg, Roberta and Rick Wilson (1990) "Committee Power Revisited: Theoretical and Experimental Results on Expertise." Working Paper. Workshop in Political Theory and Policy Analysis.

Strom, Gerald (1990) The Logic of Law Making: A Spatial Theory Approach. Baltimore: Johns Hopkins University Press, 8-113.

**Week 12: Conflict and Conflict Resolution**

Conflict is one of the most fundamental relationships between individuals involved in collective action. While conflict can escalate into dangerously destructive violence, it can also prove to be a way of illuminating features underlying problems in existing institutional arrangements. Thus, conflict is a double-edged sword. On the one side it can present the opportunity for rethinking and reworking relationships. On the other, it can destroy all semblance of that relationship. Given the potential of conflict, the institutions developed to resolve these inevitable differences become an important consideration in our analysis.

Rules of procedure are only as effective as the procedures supporting and enforcing those rules. When conflicts over interpretation or implementation of rules exist, the institutions of conflict resolution clarify and reinforce those rules. Many different mechanisms for resolving conflict exist. The effectiveness of these mechanisms depends on the level of conflict and the extent to which mutually agreeable solutions exist. Zero-sum settings are more difficult to resolve than those that allow for positive gain for all parties.

**Essential Readings:**

Boulding, Kenneth E. (1963) "Towards a Pure Theory of Threat Systems." American Economic Review, Vol. 53, 424-434.

Follette, Mary Parker (1940) "Constructive Conflict." In H. D. Metcalf and L. Urwick, eds. Dynamic Administration. New York: Harper & Row, 30-49.

Galanter, Marc (1981) "Justice in Many Rooms: Courts, Private Ordering, and Indigenous Law." Journal of Legal Pluralism, Vol. 19, 1-47.

**Further Readings of Relevance to this Topic:**

Ellickson, Robert (1987) "A Critique of Economic and Sociological Theories of Social Control." Journal of Legal Studies, Vol. XVI (January), 67-99.

Gluckman, Max (1965) "Dispute Settlement." In Politics, Law and Ritual in Tribal Society. Oxford: Basil Blackwell, 169-215.

Gulliver, P. H. (1963) Social Control in an African Society. London: Routledge & Kegan Paul, 296-302.

Raiffa, Howard (1982) The Art and Science of Negotiation. Cambridge: Harvard University Press, Parts IV and V.

## IV

## Institutional Choice

**Week 13: Choosing Operational Rules**

Brennan, Geoffrey and James M. Buchanan (1985) "Is Constitutional Revolution Possible in Democracy?" In The Reason of Rules. Constitutional Political Economy. Cambridge: Cambridge University Press, 134-150.

Feeny, David (1988) "The Demand for and Supply of Institutional Arrangements." In Vincent Ostrom, David Feeny, and Hartmut Picht, eds. Rethinking Institutional Analysis and Development. San Francisco: ICS Press, 159-209.

Heckathorn, Douglas D. and Steven M. Maser (1987) "Bargaining and Constitutional Contracts." American Journal of Political Science, Vol. 31, No. 1 (February), 142-168.

Ostrom, Vincent (1992) Constituting Order: The Uses of Language, Knowledge, and Artisanhip to Inform Choice. Bloomington: Indiana University, Workshop in Political Theory and Policy Analysis (preliminary draft), forthcoming, Parts IV and V.

**Week 14: April 20****Choosing Collective-Choice Rules**

Ostrom, Vincent (1992) Constituting Order: The Uses of Language, Knowledge, and Artisanhip to Inform Choice. Bloomington: Indiana University, Workshop in Political Theory and Policy Analysis (preliminary draft), forthcoming, Parts I-III.

**Week 15: April 27****Layers and Facets of Institutional Choice**

No assigned readings.

**MINI-CONFERENCE:**

Saturday, May 2 -- Mini-Conference -- Full Day Session

Monday, May 4 -- Mini-Conference -- Afternoon Session

**MINI-CONFERENCE AGENDA: May 2 and 4, 1992****SATURDAY, May 2****SESSION I: INSTITUTIONS AND DEVELOPMENT  
Elinor Ostrom, Chair****8:30 - 9:50**

Discussant/Presenter: Minoti Kaul

Paper author: Tjip Walker, "The Development of Repertoires and the Repertoire of Development: Some Ruminations."

Discussant/Presenter: Susan Wynne

Paper author: Louis Helling, "Governance Theory and Institutional Analysis: A Proposed Framework for Studying Public Order in Africa."

**SESSION II: ANALYSES OF COMMON-POOL PROBLEMS  
Vincent Ostrom, Chair****10:10 - 12:10**

Discussant/Presenter: Elinor Ostrom

Paper author: Minoti Kaul, "The Commons, Community and Customary Law: The Rule of Law."

Discussant/Presenter: Ganesh Shivakoti

Paper author: Gopendra Bhattarai, "Comparison of Performance Measures of Different Irrigation Systems in Nepal."

Discussant/Presenter: Gopendra Bhattarai

Paper author: George Varughese, "Understanding the Governance of Forests: The Relevance of Design Principles."

**SESSION III: INSTITUTIONS AND INTERNATIONAL ORDERS  
Sue Rhodes, Chair****1:30 - 3:30**

Discussant/Presenter: Bobbi Herzberg

Paper author: Mike McGinnis &amp; John Williams, "Domestic Coalitions and International Rivalry: An Asymmetric Game Model."

Discussant/Presenter: Paul Turner

Paper author: David Goetze &amp; Veronica Ward, "Sanctioning Mechanisms and International Agreements on Global Warming Programs."

Discussant/Presenter: John Williams

Paper author: Paul Turner, "Manifestations of Uncertainty: The Evolution of International Institutions to Safeguard Stratospheric Ozone."

**SESSION IV: INSTITUTIONS AND LANGUAGES**  
**Paul Benjamin, Chair**

**3:50 - 5:10**

Discussant/Presenter: Vincent Ostrom

Paper author: Piotr Chmielewski, "Language and the Problem of Human Order."

Discussant/Presenter: Louis Helling

Paper author: Hamidou Magassa, "Bambara-Mandingo Islamization through the Western Sudan Empires and Kingdoms (Religion and Cultures Relationships)."

**MONDAY, May 4**

**SESSION V: INSTITUTIONAL ANALYSIS OF HOUSING**  
**Myrna Mandell, Chair**

**3:00 - 4:20**

Discussant/Presenter: Tjip Walker

Paper author: Dele Gege, "Managing Common Pool Resource: Housing Finance Institutions in Nigeria."

Discussant/Presenter: Roger Parks

Paper author: Tony Matejczyk, "Dynamic Competition in Public Provision of Housing Subsidies: A Policy Proposal."

**SESSION VI: APPROACHES TO INSTITUTIONAL ANALYSIS**  
**John Williams, Chair**

**4:20 - 5:40**

Discussant/Presenter: Tony Matejczyk

Paper author: Berthold Bunse, "Systemic Analysis versus Methodological Individualism: An Examination of Two Different Approaches under the Aspect of the Use of Knowledge."

Discussant/Presenter: George Varughese

Paper author: In Kim, "Police Service Delivery Performance of American Municipal Governments: A Framework for Institutional Analysis."



## Workshop in Political Theory and Policy Analysis

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The Workshop in Political Theory and Policy Analysis combines teaching, research, and related activities where faculty, visiting scholars, and regular students have opportunities to participate in productive scholarship. The term "workshop" is used to emphasize a conviction that research skills are best acquired where students, working as apprentices and journeymen, participate with experienced scholars in the organization and conduct of research. In 1973, the Workshop was first formally organized as a distinct intellectual enterprise within the Department of Political Science on the Bloomington campus at Indiana University. In 1975, the Workshop was extended "Center" status by the Office of Research and Graduate Development.

### Basic Intellectual Orientation

The intellectual orientation of the Workshop, as its name implies, strongly emphasizes the close link between theory and the practical problems of a public-policy nature. Current Workshop research has its origins in earlier work on patterns of organization for water resource development and the organization of government in metropolitan areas which provided points of departure for a series of empirical inquiries concerned with how different patterns of organization affect the delivery of public services in metropolitan areas. Theoretical arguments from the metropolitan-reform literature and about multiple jurisdictions operating as public-service industries provided competing hypotheses driving the empirical research. Careful studies of structure and performance in the provision of police services challenged much of the conventional wisdom with respect to the study of local government and public administration.

Drawing on these early studies, inquiries were pursued about how to conceptualize patterns of interorganizational arrangements as these apply to public economies as distinguished from market economies. The critical problems requiring recourse to governmental organization concern the *consumption* or *use* of public goods and services. Once consumption or use is collectively organized, *diverse options* are available for *producing* public services. Private enterprises have a potentially important place to enhance performance in public economies. A shift to multiorganizational arrangements, as units of analysis in the public sector, opened possibilities for better understanding the performance characteristics of federal systems of governance. Coproduction came to be understood as a fundamental process in the relationships among officials, public employees, and citizens in the delivery and use of public services. Citizens are essential coproducers of many public services in the same way that students are essential coproducers of educational services.

The Workshop's empirical inquiries about the relationship of alternative patterns of organization to performance in the delivery of public services led logically to more basic constitutional issues about the terms and conditions for organizing systems of governance. It is here that political theory addresses the constitutional level of analysis where constitutions are viewed as specifying the terms and conditions of government. The constitutional level of analysis seeks to clarify what Alexander Hamilton referred to as the general theory of limited constitutions in contrast to Thomas Hobbes's theory of sovereignty. The relationship of such a theory to the study of public administration allows for conceptualizing democratic alternatives to bureaucratic administration. The normative, analytical, and epistemological assumptions underlying the constitutional level of analysis have been the subject of continuing study at the Workshop in efforts to clarify the terms on which alternative institutional arrangements are available in the organization of human societies.

Workshop inquiries of both an empirical and theoretical nature constitute a distinctive Bloomington tradition of work in the study of institutional arrangements associated with what is variously referred to as "Public-Choice," "Political-Economy," "The New Institutional-Economics" approaches. These contemporary approaches are closely related to the longer-term intellectual traditions of major political theorists in the seventeenth, eighteenth, and nineteenth centuries. Alexis de Tocqueville, in particular, provides us with the best example for doing institutional analysis. Theories of constitutional choice ranging from those expounded by Thomas Hobbes, the American "federalists," especially Alexander Hamilton and James Madison, and V. I. Lenin provide us with computational logics for understanding the design of different systems of government as experiments in constitutional choice. The constitutional level of analysis has an essential place in considering policy alternatives and in construing social reality at the operational level of analysis and can be applied to diverse problems ranging from the local to the global. The Workshop tradition emphasizes the importance of multiple foci and levels of analysis including the analysis of multiorganizational arrangements characteristic of federal and more pluralistic systems of governance subject to constitutional rule.

Program for Advanced Study in Comparative  
Institutional Analysis and Development

In 1981, the co-directors of the Workshop were invited to join a multidisciplinary and multinational research group on guidance, control, and performance evaluation in the public sector at the Center for Interdisciplinary Research, Bielefeld University in Germany. The opportunity to work on public sector problems, with approximately twenty scholars from eight countries in Europe and North America representing several academic disciplines and professions, contributed to important changes in the focus of inquiry and in the community of people participating in the Workshop. The focus has shifted to a more general concern with the nature and constitution of order in human societies. Emphasis has shifted to a program for advanced study involving scholars and professional practitioners from different areas of the world who have completed doctorates or have equivalent professional education and experience.

The study of human institutions requires diverse skills that are associated with different academic disciplines and professional fields. The requirements for doctoral programs in the social sciences and equivalent training in professional fields has increasingly emphasized technical skills and specialization. The challenge remains for bringing these diverse skills and specializations together in a way that enables us to better understand how diverse specialists from diverse disciplines can work together on problems associated with different institutional arrangements to create opportunities to realize new potentials in the development of human societies. In 1987-88, Elinor Ostrom and Roy Gardner were invited to join another multidisciplinary and multinational research group at Bielefeld's Center for Interdisciplinary Research on game theory and the behavioral sciences, opening still other approaches to the study of human institutions.

Since 1975, several visiting scholars in economics and political science have pursued post-doctoral programs at the Workshop. These programs were organized in an *ad hoc* way related to the research interests of each individual. Beginning in 1983, based in part upon the Bielefeld experience, the Workshop has shifted its instructional efforts to give primary attention to work at the post-doctoral and post-professional-degree level with opportunities for some regular faculty and students at Indiana University to join those inquiries. The core of the instructional effort is a year-long seminar that focuses upon comparative institutional analysis and development addressed at a general level that is

concerned with patterns of order and development in human societies. This seminar provides a common foundation for intellectual dialogue among scholars and professionals with diverse specializations about the way that human institutions affect developmental potentials and shape the ways of life that people live in different societies.

Given the general focus, a deliberate effort is made to include participants from Western Europe, Eastern Europe, and the Third World, in addition to North America. Visiting scholars in the last nearly ten years of this program have included six from Western Europe (the Netherlands, Germany, and Denmark), ten from Eastern Europe (Czechoslovakia, Poland, and Yugoslavia), twelve from the Third World (the Dominican Republic, Egypt, India, Korea, Liberia, Nigeria, Sudan, and Taiwan), and fourteen from North America (U.S. and Canada). These scholars have come from different academic disciplines and professional fields, including economics, law, military science, political science, public administration, anthropology, geography, and sociology. The U.S. Agency for International Development (Grant No. DAN-5433-GSS-4052) has contributed to this effort both in support of the seminar and in grants to individual participants from some Third World countries.

While the seminar provides a common intellectual core, individual scholars pursue research interests that focus on how institutions affect patterns of performance in different societies. One continuing focus is upon the comparative analysis of different ways for developing common-pool or common-property resource systems so as to avoid the tragedy of the commons. The constitutional level of analysis has come to include reference to diverse systems of governance reflecting quite different cultural traditions and design concepts. Work is also being pursued in the experimental laboratory where varying ways of constituting small deliberative groups are treated as institutional variables that can be expected to affect the choice of strategies and the way that people relate to one another in game-theoretical situations.

Scholars from different academic disciplines and professions concerned with the study of human institutions need to move to deeper levels of analysis by clarifying basic elements that are constitutive of human societies as ways of life. If specialists can learn to work together in this manner, we might reasonably expect some major advances in the social sciences and related professions over the next generation. Important advances have been made at the intersections of anthropology, economics, law, political science, public administration, and sociology during the last two or three decades. In the United States, many of these advances have been associated with what has been identified as game theory, public choice theory, political economy, law and economics, economic anthropology, the new institutional economics, and the pragmatics of language. In Europe, comparable advances have been made in public finance, theories of order (*Ordnungstheorie*), and entrepreneurial economics as these relate to much longer traditions of scholarship that have been concerned with the philosophical, moral, jurisprudential, and historical foundations of order in human societies. The challenge of drawing on these various traditions to study the nature and constitution of order in human societies sets the research agenda at the Workshop in Political Theory and Policy Analysis for the years ahead.

Other research centers in Africa, Asia, Latin America, as well as in Canada and the United States, and in Europe, are engaged in comparable efforts. We face the task of fashioning intellectual exchange and collaboration in these communities of scholarship. As we advance our understanding and come to appreciate the range of alternatives that may be available, we lay the foundations for informed choices that allow both for greater diversity and for mutual understanding. We welcome opportunities to communicate and collaborate with others who share our interests.

### Tocqueville Endowment for the Study of Human Institutions

In 1984, Elinor Ostrom and Vincent Ostrom undertook through the Indiana University Foundation the creation of the Tocqueville Endowment for the Study of Human Institutions. The Endowment was named to honor Alexis de Tocqueville, whose work offers the best point of departure for those concerned with the comparative study of human institutions. The Endowment was organized to support research efforts and assist in funding research scholars, especially those coming from Third World and Eastern European countries where access to dollar funds is severely limited. The Endowment, with current resources somewhat over \$500,000, needs to be expanded to assure essential resources that are not dependent upon the changing exigencies of governmental policies. New ventures in advanced research and educational efforts need to draw upon sources of funds willing to support and monitor the performance of such efforts.

### Publications

Most of our research efforts have been published in a wide variety of journals including the principal journals in economics, political science, public administration, sociology, and professional journals in police and resource administration and other specialized fields. A selected collection of reprints has been assembled under the title *Research Program: An Intellectual Adventure*. This collection is available to anyone wishing to become familiar with Workshop research efforts. A general statement of an alternative to bureaucratic principles of organization and management in the study of public administration is presented in Vincent Ostrom (1974) *The Intellectual Crisis in American Public Administration* (Tuscaloosa: University of Alabama Press). Robert Bish and Vincent Ostrom (1973) *Understanding Urban Government* (Washington, D.C.: American Enterprise Institute) is a reassessment of metropolitan reform and the implication of that reassessment for the study of local government. Vincent Ostrom, Robert Bish, and Elinor Ostrom prepared a study of local government in the United States for the Olivetti Foundation which is published as *Il governo locale negli Stati Uniti* (Milano, Italy: Centro Studi della Fondazione Adriano Olivetti, 1984). A revised English-language version was published by the Institute for Contemporary Studies Press as *Local Government in the United States* in August 1988. The way citizen demands are articulated and processed in public service agencies is examined in Stephen L. Percy and Eric J. Scott (1985) *Demand Processing and Performance in Public Service Agencies* (Tuscaloosa: University of Alabama Press).

Vincent Ostrom's (1987) *The Political Theory of a Compound Republic: Designing the American Experiment* (Lincoln: University of Nebraska Press) expounds the political theory used by Alexander Hamilton and James Madison in *The Federalist*. The basic work of the Bielefeld project is available in F. X. Kaufmann, G. Majone, and V. Ostrom, eds. (1986) *Guidance, Control, and Evaluation in the Public Sector* (Berlin and New York: de Gruyter). Elinor Ostrom's, ed. (1982) *Strategies of Political Inquiry* (Beverly Hills: Sage Publications) is a symposium on the use of theory in political analysis. Implications of institutional analysis and development for the Third World are pursued in Vincent Ostrom, Hartmut Picht, and David Feeny, eds. (1988) *Rethinking Institutional Analysis and Development* (San Francisco: Institute for Contemporary Studies Press). The U.S. Advisory Commission on Intergovernmental Relations has published two volumes elaborating upon approaches developed at the Workshop. *The Organization of Local Public Economies* (1987) was authored by Ronald Oakerson. *Metropolitan Organization: The St. Louis Case* (1988) was co-authored by Ronald Oakerson and Roger B. Parks with the assistance of Henry A. Bell.

Current manuscripts are issued in a Working Paper series to invite critical review and to exchange current research with the larger community of scholars pursuing similar research interests. In addition, collections of papers are assembled to serve as the basis for symposia and conferences that provide opportunities for pursuing ideas at the working frontiers among communities of scholars concerned with the study of human institutions.

### Facilities

The Workshop is located on the Bloomington campus of Indiana University at 513 North Park. The building is a former fraternity house with conference and seminar rooms, production facilities, library, and numerous individual studies for visiting scholars. An excellent staff supports the research and instructional efforts. The Workshop has computer facilities with both word processing and data processing capabilities.

Indiana University offers important support facilities through the Main Library and several specialized libraries on the campus including the Law Library and the joint library maintained by the Business School and the School for Public and Environmental Affairs. The University is also the center for several major area-study programs including those for Africa, Russia and Eastern Europe, West Europe, the Middle East, East Asia, and Latin America. This means that many faculty members associated with traditional academic departments and professional schools also have strong research interests related to other areas of the world. In addition, Indiana University has exchange agreements with particular universities in different countries. The Polish Studies Center at Indiana University, for example, is organized in an exchange arrangement with an American Studies Center at Warsaw University. All of these arrangements provide important links to facilitate the Workshop's Program for Advanced Study in Comparative Institutional Analysis and Development.

Indiana University, as a major university campus, serves a community of more than 35,000 people and has many facilities to accommodate diverse needs and interests. Housing facilities of various types are available on the campus. The least expensive living arrangements for a single person is a single room and cafeteria meals in a dormitory for graduate students and visiting scholars at a price of approximately \$3,500 for an academic year. A small family would require at least \$10,000 to cover expenses for an academic year in Bloomington.

The campus and the community offer many important cultural facilities. The Music School is outstanding and the repertoire in the performing arts is excellent. Museums are outstanding. The area is rich in the folk arts and skilled artisanship. An attractive campus and a hospitable community accompany stimulating intellectual opportunities.

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