Political Theory – Class 1

Political institutions

Elinor Ostrom’s 1986 address to the Public Choice Society

Political institutions

Ostrom begins with Plott's "fundamental equation": beginning to think about how we might explain people's behavior, especially in social situations.

damental equation of public choice theory. Using ⊕ as an unspecified abstract operator, Plott's fundamental equation is:

$$\text{preferences} \oplus \text{institutions} \oplus \text{physical possibilities} = \text{outcomes} \quad (1)$$

One of those fundamental explanatory factors is institutions. What do we mean by that?

(Lots of references to and comparisons with games. Game theory had a big influence on the social sciences in the 1970s and 1980s.)

Political institutions, cont'd

- Like Shepsle (but earlier), Ostrom proposed that we think of institutions as rules.
  - However, "No one can legislate language for a scientific community" (Ostrom 1986: 5).
  - Her proposal will catch on only if scholars find this way of describing institutions to be useful and begin using it consistently.

    It caught on.

Political institutions, cont'd

- She defines rules as "potentially linguistic entities that refer to prescriptions commonly known and used by a set of participants to order repetitive, interdependent relationships" (Ostrom 1986: 5).
  - Notice the language – very general, referring to "participants," "relationships," "entities," and so on. It isn't restricted to politics or other aspects of social behavior or to any particular kinds of people or places or times.

- Political institutions, cont'd
  - What do rules do?
    - They indicate "which actions (or states of the world) are *required, prohibited, or permitted*" (Ostrom 1986: 5; italics in original).
      - Although the specific language will vary from rule to rule, place to place, etc., *at the core of any rule is some statement of "must," "must not," or "may."*

Political institutions, cont'd

How do institutional rules work? They

1) define roles or positions,
2) state how those roles or positions are filled and vacated,
3) identify the actions that people in those roles or positions may, must, or must not take, and
4) state outcomes that are allowed, mandated, or off limits.

- Political institutions, cont'd
  - Viewing "rules as a set of variables defining a structured situation" (Ostrom 1986: 6), rather than as commands.
    - "Rules rarely prescribe one and only one action or outcome" (Ostrom 1986: 6).
      - This is a possibility – there are rules like that – but it is not how rules commonly operate.

Political institutions, cont'd

The more common types of rules are those that

a) forbid some actions or outcomes while allowing all others, or

b) identify a range of allowed actions or outcomes while forbidding the rest (Ostrom 1986: 7).

Political institutions, cont'd

- Rules typically leave us with ranges of options rather than specific determined outcomes.
- They structure situations within which *we* act. They do not necessarily (or even usually) tell us exactly what to do.
  - Human agency – choice – remains at the heart of what actually occurs in a situation, even when the situation is structured by rules.

- Political institutions, cont'd
  - Rules operate configurationally, and the effects of rules depend on their configuration.
    - Ostrom: economic models of politics (public choice models) have often emphasized the predicted effect of one rule, "as if rules operated separately rather than configurationally" (Ostrom 1986: 8).

Political institutions, cont'd

In fact, however, the effects of one rule depend on the other rules that are in place.

For example, the predicted outcome of an agency's budget negotiation depends not just on the control of information, but also on what happens if no agreement is reached, and whether alternative agencies exist (Ostrom 1986: 8-9).

Political institutions, cont'd

- Ostrom:
  - Just allowing the default condition to vary produces different predicted outcomes from a decision rule, e.g., majority rule versus a unanimity rule.
    - Likewise, the predicted effects of majority rule varied depending on the rules governing information and communication (E. Ostrom 1986: 13-14).

Political institutions, cont'd

- Ostrom: when we try to understand and explain the effects of institutions-as-rules, it is critically important to explore the "implications of the situations created by the other combinations of rules" (1986: 11-12).
  - When rules operate configurationally, the "results predicted in a situation, using one rule, are dependent upon the other rules simultaneously in force" (1986: 12).

Political institutions, cont'd

Also, the rules in effect in a situation are themselves the outcomes of decision making. Our understanding of institutions as rules needs to involve more than one level of analysis.

> "Most public choice theorists 'know' that multiple levels of analysis are involved in understanding how rules affect behavior. But this… is not self-consciously built into the way we pursue our work" (Ostrom 1986: 7).

Political institutions, cont'd

- Ostrom: economic models of politics have often failed to recognize that institutions-as-rules are themselves the outcomes of other decision-making processes, i.e., institutions-as-rules.
  - Institutions and behaviors result from action at more than one level.
  - Therefore, analyzing political institutions and their effects requires more than one level of analysis.

Political Theory – Class 2

Ostrom and the idea of an action situation

Ostrom and the idea of an action situation

The idea of an action situation grows out of the observation that rules work configurationally.

> “[I]f the way one rule operates is affected by other rules, then we cannot continue to study each rule in isolation from others” (Elinor Ostrom 1986: 16).

This will make studying institutions-as-rules harder, more complicated.

The idea of an action situation

The idea grows out of the observation that rules work configurationally.

> “Instead of studying the effect of change in one rule on outcomes, regardless of the other rules in effect, we need to carefully state which other rules are in effect which condition the relationships produced by a change in any particular rule” (Elinor Ostrom 1986: 16).

The idea of an action situation

The idea grows out of the observation that rules work configurationally.

If “combinations of rules work differently than isolated rules, we had better recognize the type of phenomena with which we are working and re-adjust our scientific agenda” (Elinor Ostrom 1986: 16).

We “need a coherent strategy for analyzing and testing the effects of combinations of rules” (Elinor Ostrom 1986: 16).

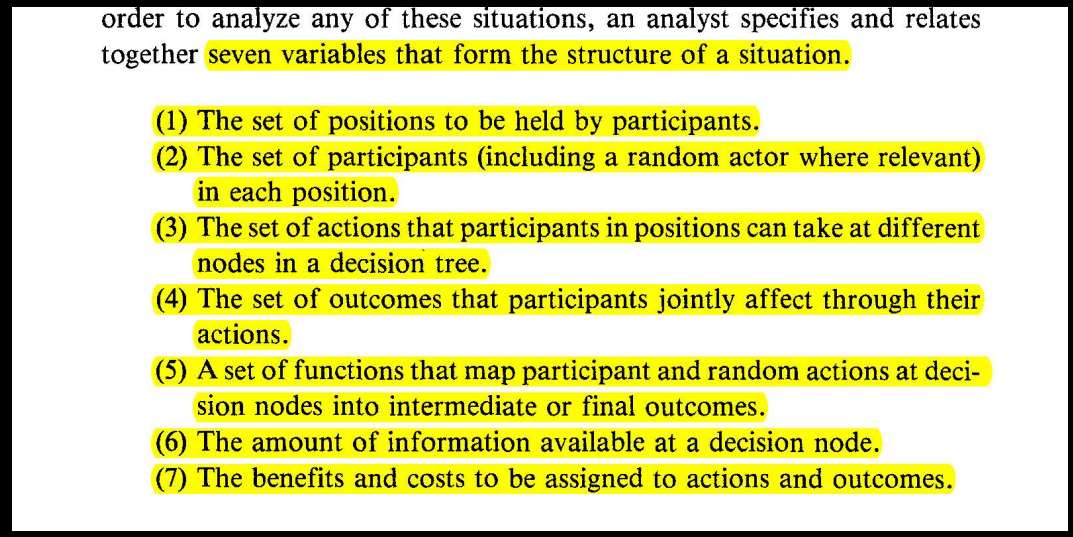
The idea of an action situation, cont'd

- Is there some basic unit, some minimal set of characteristics, that would define the kind of rule configurations we're interested in understanding and explaining?
  - When studying how a change in one rule affects outcomes in light of the other rules that are in effect, what are the characteristics we're looking for?
  - What is it that a basic configuration of rules creates or defines?

The idea of an action situation, cont'd

Ostrom (1986: 17) proposes seven basic "variables that form the structure of a situation":

1. Positions
2. Participants
3. Actions that can be taken
4. Outcomes that can be achieved or affected
5. Action-to-outcome linkages
6. Information
7. Distribution of benefits & costs



order to analyze any of these situations, an analyst specifies and relates together seven variables that form the structure of a situation.

(1) The set of positions to be held by participants.
(2) The set of participants (including a random actor where relevant) in each position.
(3) The set of actions that participants in positions can take at different nodes in a decision tree.
(4) The set of outcomes that participants jointly affect through their actions.
(5) A set of functions that map participant and random actions at decision nodes into intermediate or final outcomes.
(6) The amount of information available at a decision node.
(7) The benefits and costs to be assigned to actions and outcomes.

The idea of an action situation, cont'd

"This is a minimal set in that it is not possible to generate a prediction about behavior in an interdependent situation without having explicitly or implicitly specified something about each of these seven variables and related them together into a coherent structure" (E. Ostrom 1986: 17)

When we are thinking about how to specify the rules that are present in a situation, we can think in terms of these seven variables.

The action situation

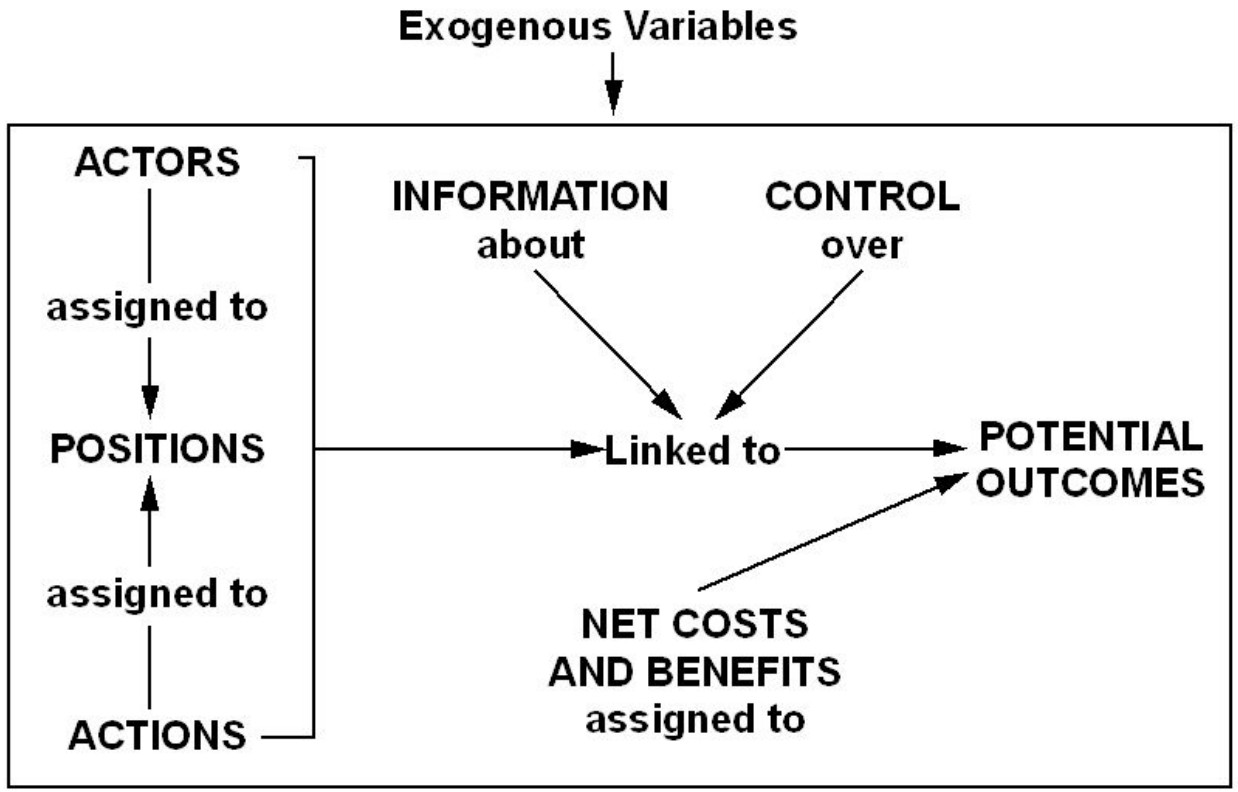
> “I call the analytical entity created when a theorist specifies these seven variables an action situation” (E. Ostrom 1986: 17).
>
> “A change in any of these variables produces a different action situation and may lead to very different outcomes” (E. Ostrom 1986: 17)

The action situation, cont'd

- Striving for a very high level of generality and wide applicability:
  - "Using these variables, the simplest possible working model of any particular type of situation whether a committee, a market, or a hierarchy can be constructed" (E. Ostrom 1986: 18).

The action situation, cont'd

The internal structure of an action situation



Source: Adapted from Ostrom (2005: 33).

The action situation, cont'd

- The seven variables may create the structure, but we need something else.
  - "These seven variables *plus a model of the decision maker* must be explicitly stated (or implicitly assumed) in order to construct any formal model of an interdependent situation" (E. Ostrom 1986: 17, italics added)

The action situation, cont'd

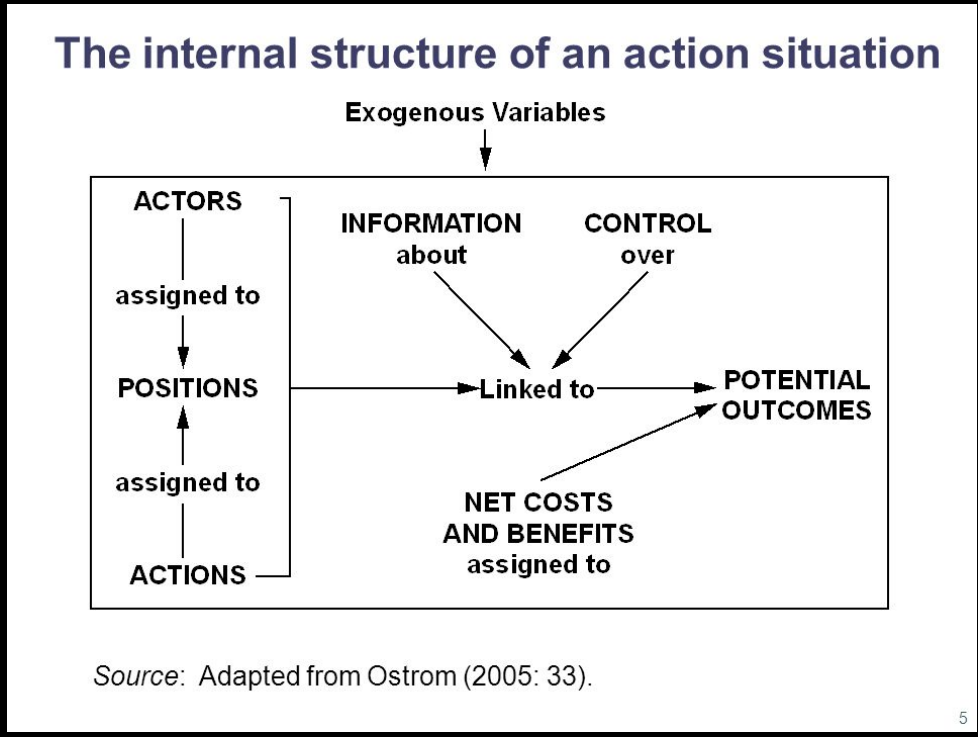
> "In addition to the seven universal variables of an action situation, an analyst must also utilize a model of the individual, which specifies how individuals process information, how they assign values to actions and outcomes, how they select an action, and what resources they have available" (E. Ostrom 1986: 18).

The action situation, cont'd

> "When a specific model of the individual is added to the action situation, I call the resulting analytical entity an 'action arena.' An action arena thus consists of a model of the situation and a model of the individual in the situation" (E. Ostrom 1986: 18).

The action situation, cont'd

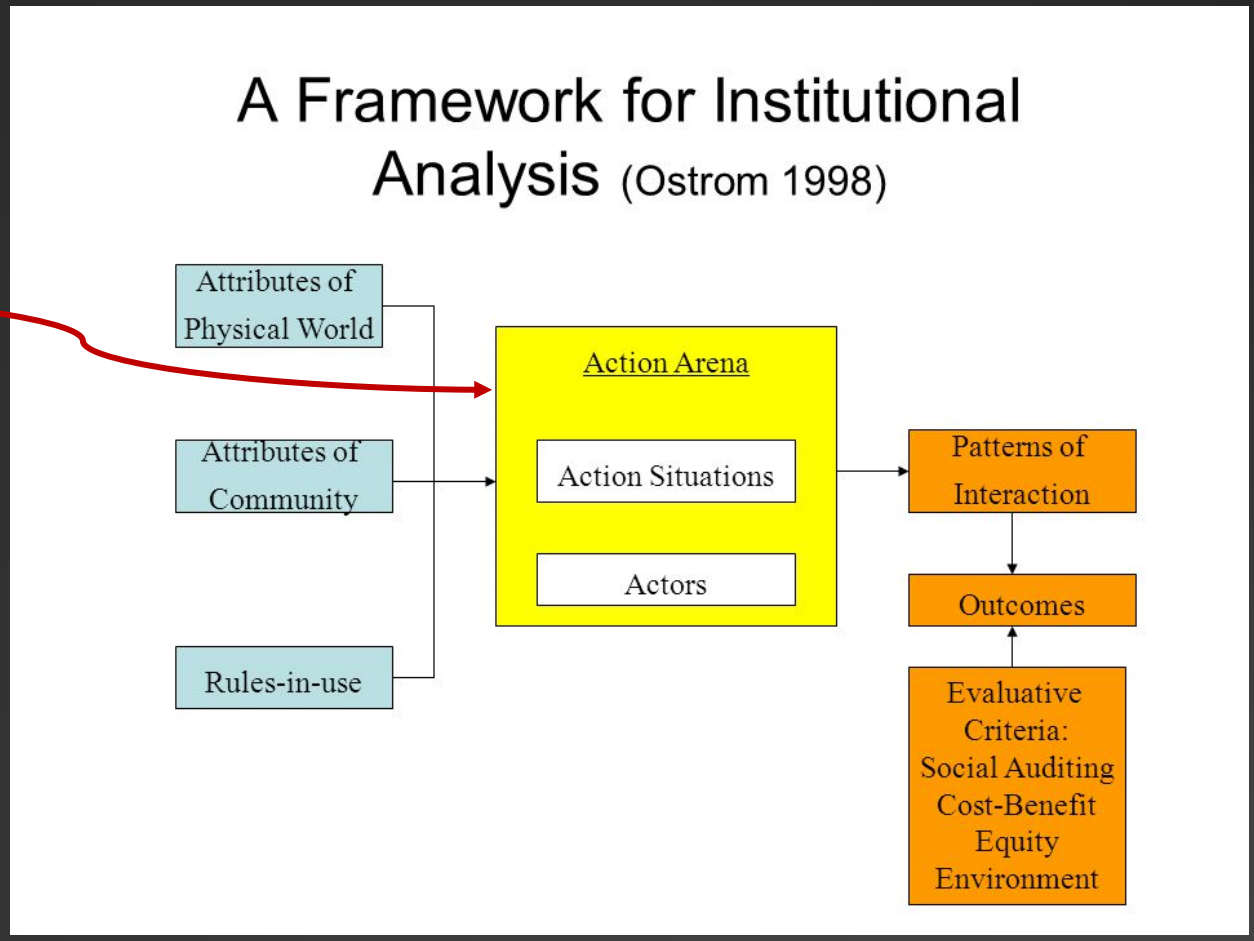
In addition to the rules, there are "other factors affecting the structure of a situation – such as the attributes of goods and the community" (E. Ostrom 1986: 9).



Political Theory – Class 3

Theorizing about rules

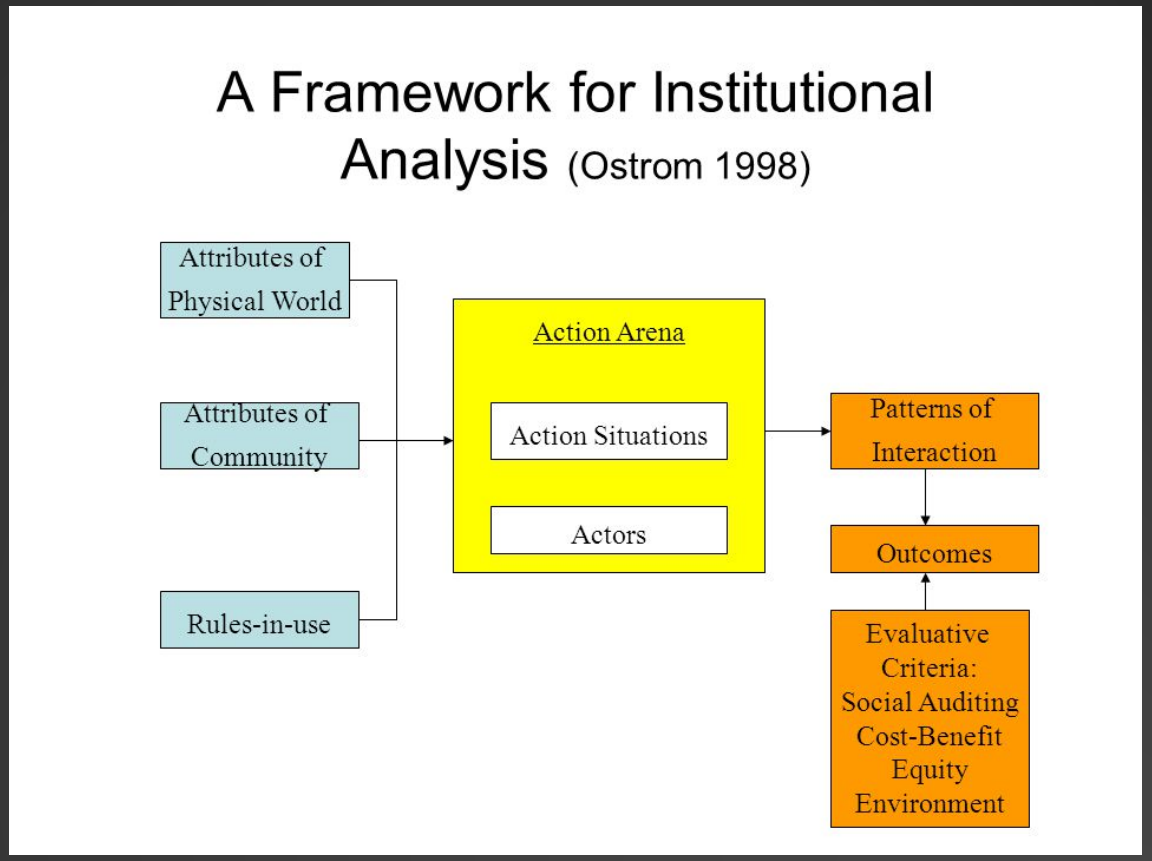
Where we left off… the action arena



Theorizing about rules

Where we left off… the action arena

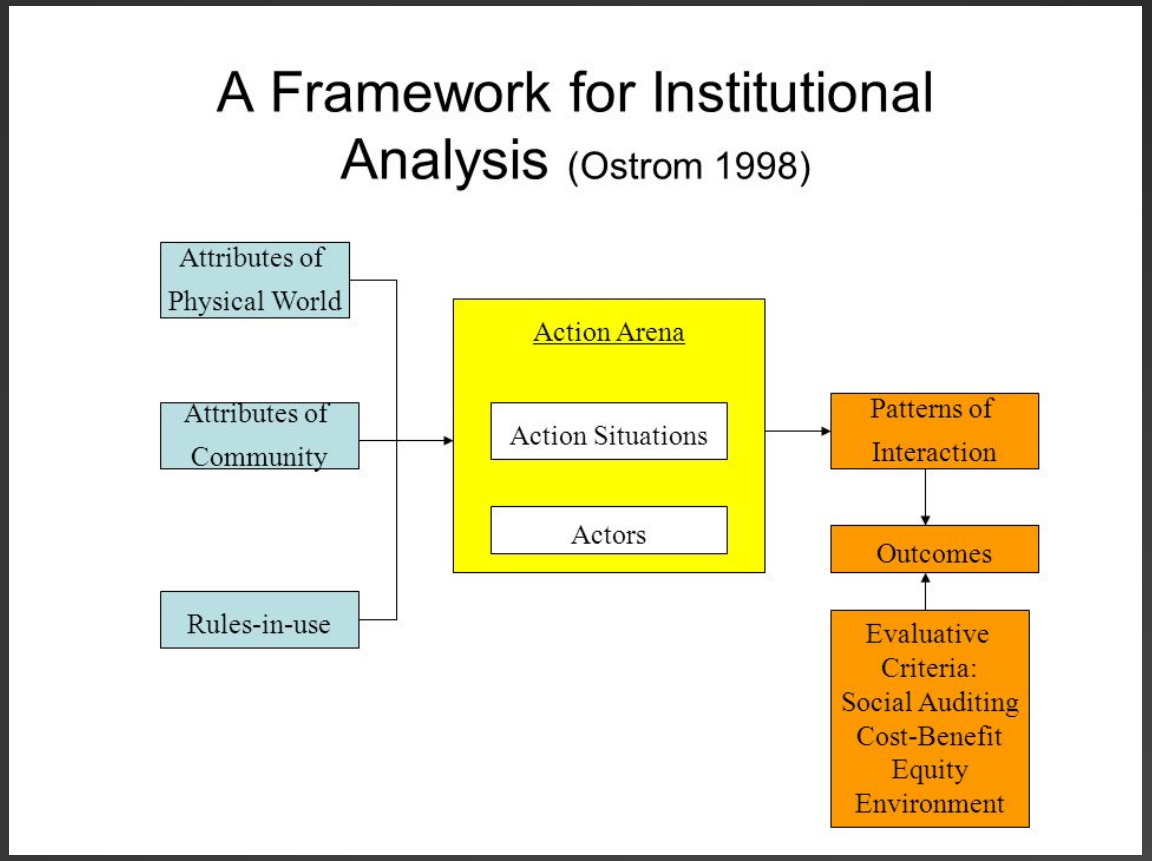
"The values of the variables in the action situation are constrained by physical and behavior [*sic*] laws, and then, further constrained by the rules in use" (E. Ostrom 1986: 19).



Theorizing about rules

Where we left off… the action arena

"From sets of physically possible actions, outcomes, decision functions, information, positions, payoffs, and participants, rules select the feasible sets of the values of these variables" (E. Ostrom 1986: 19).



Theorizing about rules

What rules should be examined when we conduct analysis at a deeper level? The approach I recommend is that we focus on those rules that can directly affect the structure of an action situation. This strategy helps us identify seven broad types of rules that operate configurationally to affect the structure of an action situation. These rules include:

(1) *Position rules* that specify a set of positions and how many participants hold each position.

(2) *Boundary rules* that specify how participants are chosen to hold these positions and how participants leave these positions.

(3) *Scope rules* that specify the set of outcomes that may be affected and the external inducements and/or costs assigned to each of these outcomes.

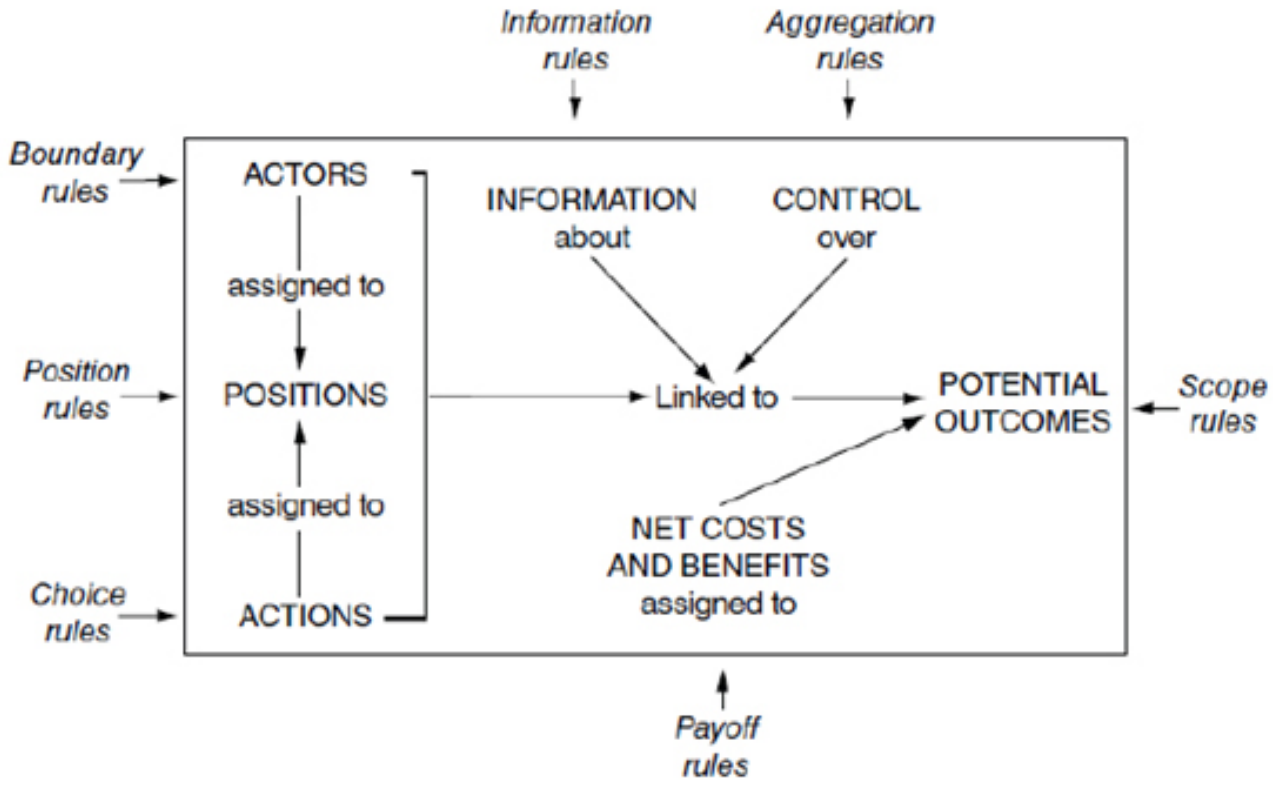
(4) *Authority rules* that specify the set of actions assigned to a position at a particular node.

(5) *Aggregation rules* that specify the decision function to be used at a particular node to map actions into intermediate or final outcomes.

(6) *Information rules* that authorize channels of communication among participants in positions and specify the language and form in which communication will take place.

(7) *Payoff rules* prescribe how benefits and costs are to be distributed to participants in positions.

Given the wide diversity of rules that are found in everyday life, social



Theorizing about rules

A model will raise at least as many questions as it answers. Models are guides for our exploration.

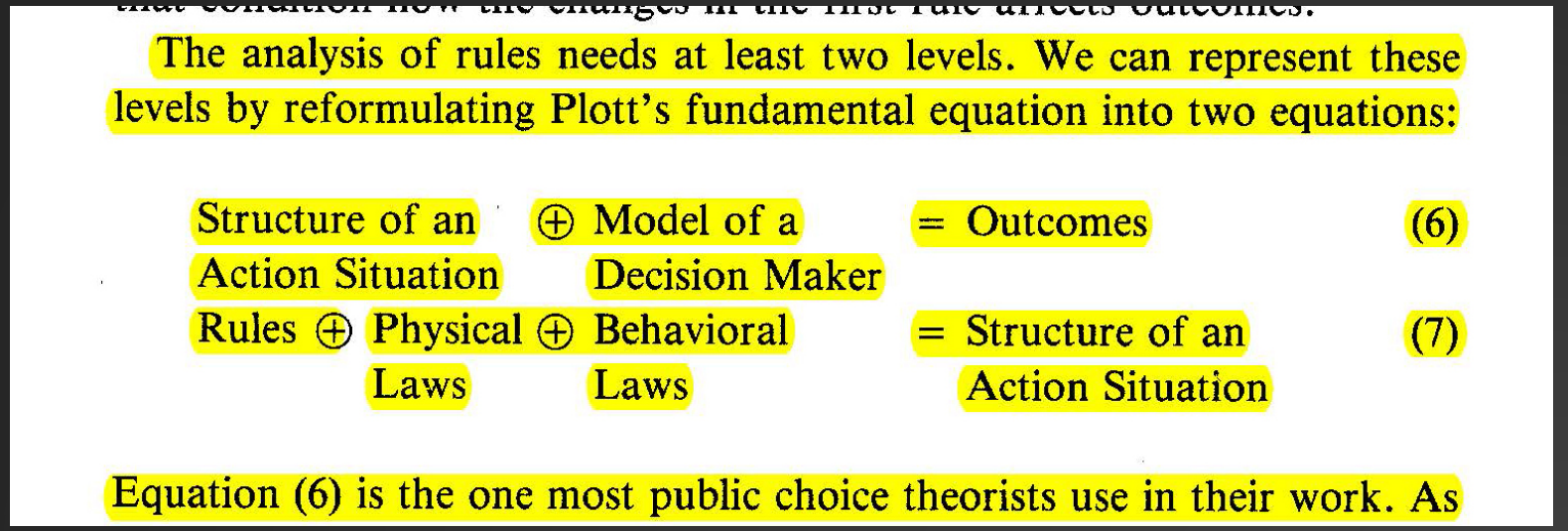
> "For each variable identified in the action situation, the theorist interested in rules needs to ask what rules produced the variable as specified in the situation. For example, in regard to the number of participants, the rule analyst would be led to ask: Why are there N participants? How did they enter? Under what conditions can they leave? Are there costs, incentives, or penalties associated with entering or exiting? Are some participants forced into entry because of their residence or occupation?" (E. Ostrom 1986: 19)

Theorizing about rules

A model will raise at least as many questions as it answers. Models are guides for our exploration.

> **"We also need to address questions concerning the origin and change of rule configurations in use. How do individuals evolve a particular rule configuration? What factors affect their likelihood of following a set of rules? What affects the enforcement of rules? How is the level of enforcement related to rule conformance? What factors affect the reproducibility and reliability of a rule system? When is it possible to develop new rules through self-conscious choice? And, when are new rules bound to fail?" (E. Ostrom 1986: 19).**

Theorizing about rules



The analysis of rules needs at least two levels. We can represent these levels by reformulating Plott's fundamental equation into two equations:

Structure of an Action Situation	⊕	Model of a Decision Maker	=	Outcomes	(6)
Rules ⊕ Physical Laws	⊕	Behavioral Laws	=	Structure of an Action Situation	(7)

Equation (6) is the one most public choice theorists use in their work. As

"The seventh equation is the one we must use when we want to analyze how rules change the structure of a situation leading, in turn, to a change in outcomes" (E. Ostrom 1986: 22).

Theorizing about rules

Rule change – institutional change – and its results will be of primary interest to many (maybe most) social scientists.

> "[O]ne can expect that multiple sets of rules may produce action situations with the same structure. This is not problematic when one focuses exclusively on predicting behavior within the situation. It poses a serious problem when the question [is] how to change that structure. To change a situation, one must know which set of rules produce the situation" (E. Ostrom 1986: 20).