

August 22, 2011

**POLS Y673 Fall 2011
Class #5807
INSTITUTIONAL ANALYSIS AND DEVELOPMENT: MICRO
Elinor Ostrom
Tuesdays: 3:30-5:30 p.m.**

**Workshop in Political Theory and Policy Analysis
513 North Park Avenue
IUB**

SYLLABUS

Preface

The central questions underlying this course are:

- How can *fallible* human beings achieve and sustain self-governing ways of life and self-governing entities as well as sustaining ecological systems at multiple scales?
- When we state that institutions facilitate or discourage effective problem-solving and innovations, what do we mean by institutions and what other factors affect these processes?
- How do we develop better frameworks and theories to understand behavior that has structure and outcomes at multiple scales (e.g. household use of electricity affecting household budget and health as well as community infrastructure and investments and regional, national, and global structures and outcomes)?
- How can institutional analysis be applied to the analysis of diverse policy areas including urban public goods, water and forestry resources, and healthcare?

To address these questions, we will have to learn a variety of tools to understand how fallible individuals behave within institutions as well as how they can influence the rules that structure their lives. This is a particularly challenging question in an era when global concerns have moved onto the political agenda of most international, national, and even local governing bodies without recognizing the importance of the local for the global. Instead of studying how individuals craft institutions, many scholars are focusing on how to understand national and global phenomena. It is also an era of substantial political uncertainty as well as violence, terrorism, and disruption. Many of the problems we are witnessing today are due to a lack of understanding of the micro and meso levels that are essential aspects of global processes.

In our effort to understand self-governance, we will be studying the four “I’s”: individuals, incentives, institutions, and inquiry.

To understand processes at any level of organization, one needs to understand the *individuals* who are participants and the incentives they face. When we talk about “THE” government doing X or Y, there are individuals who hold positions in a variety of situations within “THE” government. We had better understand how individuals approach making decisions in a variety of situations given the incentives they face. Those *incentives* come from a variety of sources, but a major source, particularly in the public sector, are the rules of the game they are playing. *Institutions* include the rules that specify what may, must or must not be done in situations that are linked together to make up a polity, a society, an economy, and their inter-linkages. To understand this process, we must be engaged in an *inquiry* that will never end.

The settings we study are complex, diverse, multi-scaled, and dynamic. Thus, we need to develop frameworks that provide a general language for studying these complex, multi-scaled systems. And, we can learn a variety of theories (and models of those theories) that help us understand particular settings. We cannot develop a universal theory of actions and outcomes in all settings for all time. Thus, our task of inquiry is a lifelong task. And, the task of citizens and their officials is also unending. No system of governance can survive for long without commonly understood rules and rule enforcement. Rule enforcement relies on varying degrees of force and potential use of violence. Consequently, we face a Faustian bargain in designing any system of governance.

A self-governing entity is one whose members (or their representatives) participate in the establishment, reform, and continued legitimacy of the constitutional and collective choice rules-in-use. All self-organized entities (whether in the private or public spheres) are to some extent self-governing. In modern societies, however, it is rare to find any entity whose members (or their representatives) have fashioned *all* of the constitutional and collective-choice rules that they use. Some rules are likely to have come from external sources. Many rules will have come from earlier times and are not discussed extensively among those using the rules today.

On the other hand, even in a totalitarian polity, it is difficult for central authorities to prevent all individuals from finding ways of self-organizing and creating rules of their own. Some of these may even be contrary to the formal laws of the totalitarian regime. Given that most modern societies have many different entities, let me rephrase the first question on Page 1: How can fallible individuals achieve and sustain large numbers of small, medium, and large-scale self-governing entities in the private and public spheres?

We cannot thoroughly understand all of the diverse processes of self-governance in any semester-long or year-long course of study. How humans can govern themselves is a question that has puzzled and perplexed the greatest thinkers of the last several millennia. Many have answered that self-governance is impossible. In this view, the best that human beings can do is live in a political system that is imposed on them and that creates a predictable order within which individuals may be able to achieve a high level of physical and economic well-being without much autonomy. In this view, the rules that structure the opportunities and constraints facing individuals come from outside from what is frequently referred to as “the state.”

For other thinkers, rules are best viewed as spontaneously emerging from patterns of interactions among individuals. In this view, trying to design any type of institution, whether to be imposed on individuals or self-determined, is close to impossible or potentially disastrous in its consequences. Human fallibility is too great to foretell many of the consequences that are likely to follow. Efforts to design self-governing systems, rather than making adaptive changes within what has been passed along from past generations, involves human beings in tasks that are beyond their knowledge and skills.

The thesis that we advance in this seminar is that individuals, who seriously engage one another in efforts to build mutually productive social relationships – and to understand why these are important – are capable of devising ingenious ways of relating constructively with one another. The impossible task, however, is to design *entire* social systems “from scratch” at one point in time that avoid the fate of being monumental disasters. Individuals who are willing to explore possibilities, consider new options as entrepreneurs, and to use reason as well as trial and error experimentation, can evolve and design rules, routines, and ways of life that are likely to build up to self-governing entities with a higher chance of adapting and surviving over time than top-down designs. It takes time, however, to learn from errors, to try and find the source of the error, and to improve one part of the system without generating adverse consequences elsewhere.

Successful groups of individuals may exist in simple or complex nested systems ranging from very small to very large. The problem is that in a complexly interrelated world, one needs effective organization at all levels ranging from the smallest work team all the way to international organizations. If the size of the group that is governing and reaping benefits is too small, negative externalities are likely to occur. Further, even in small face-to-face groups, some individuals may use any of a wide array of asymmetries to take advantage of others. Individuals, who are organized in many small groups nested in larger structures – a polycentric system – may find ways of exiting from some settings and joining others. Or, they may seek remedies from overlapping groups that may reduce the asymmetries within the smaller unit. If the size of the group that is governing and reaping benefits is too large, on the other hand, essential information is lost, and further, the situation may again be one of exploitation.

Scale and complex nesting are only part of the problem. Another part has to do with how individuals view their basic relationships with one another. Many individuals learn to be relatively truthful, considerate of others, trustworthy, and willing to work hard. Others are opportunistic. Some approach governance as involving basic problem-solving skills. Some approach governance as a problem of gaining dominance over others. The opportunities for dominance always exist in any system of rule-ordering, where some individuals are delegated responsibilities for devising and monitoring conformance to rules and sanctioning rule breakers. Those who devise self-governing entities that work well only when everyone is a “saint” find themselves invaded by “sinners” who take advantage of the situation and may cause what had initially worked successfully to come unglued and fail.

Thus, the initial answer to the first question on Page 1 is: Self-governance is possible in a setting, if . . .

- most individuals share a common, broad understanding of the biophysical, cultural, and political worlds they face; of the importance of trying to follow general principles of trust, reciprocity, and fairness; and of the need to use artisanship to craft their own rules;
- most individuals have significant experience in small to medium-sized settings, where they learn the skills of living with others, being responsible, gaining trust, being entrepreneurial, and holding others responsible for their actions;
- considerable autonomy exists for constituting and reconstituting relationships with one another that vary from very small to very large units (some of which will be highly specialized while others may be general purpose organizations);
- individuals learn to analyze the incentives that they face in particular situations (given the type of physical and cultural setting in which they find themselves) and to try to adjust positive and negative incentives so that those individuals who are most likely to be opportunistic are deterred or sanctioned.

The above is posed as a “possibility” not a determinate outcome. In other words, we view self-governing entities as fragile social artifacts that individuals may be able to constitute and reconstitute over time. A variety of disturbances are likely to occur over time. A key question is to what kind of disturbances is a self-organized governance system robust? We can make scientific statements about the kinds of results that are likely if individuals share particular kinds of common understandings, are responsible, have autonomy, possess analytical tools, and consciously pass both moral and analytical knowledge from one generation to the next. These are strong conditions!

With this view, small self-governing entities may exist as an enclave in the midst of highly authoritarian regimes. This may not be a stable solution, but self-governance may provide opportunities to develop

productive arrangements for those who establish trust and reciprocity backed by their own willingness to monitor and enforce interpersonal commitments. If the macro structure is not hostile or even supports and encourages self-organization, what can be accomplished by smaller private and public enclaves can be very substantial. This is initially a bottom-up view of self-governance. Productive small-scale self-organization, however, is difficult to sustain over time in a larger political system that tries to impose uniform rules, operates through patron-client networks or uses terror to sustain authoritarian rule. Having vigorous local and regional governments and many types of voluntary associations is part of the answer but not sufficient in and of itself.

Simply having national elections, choosing leaders, and asking them to pass good legislation is hardly sufficient, however, to sustain a self-governing society over the long run. Electing officials to national office and providing them with “common budgetary pools” of substantial size to spend “in the public interest” creates substantial temptations to engage in rent-seeking behavior and distributive politics. The central problem is how to embed elected officials in a set of institutions that generates information about their actions, holds them accountable, allows for rapid response in times of threat, and encourages innovation and problem solving. Solving such problems involves the design of a delicately balanced system. It requires decisions from sophisticated participants who understand the theory involved in constituting and reconstituting such systems and share a moral commitment to the maintenance of a democratic social order.

Now, what is the role of the institutional analyst in all of this? Well, for one, it is essential for those who devote their lives to studying the emergence, adaptation, design, and effects of institutional arrangements to understand a very wide array of diverse rules that exist in an equally diverse set of physical and cultural milieus. To understand how various rules may be used as part of a self-governing society, one has to examine how diverse rules affect the capacities of individuals to achieve mutually productive outcomes over time or the dominance of some participants over others. Eventually, one has to examine constellations of embedded institutional arrangements rather than isolated situations. And, one has to examine the short-run and long-run effects of many different types of rules on human actions and outcomes. Further, one has to acquire considerable humility regarding exactly how precise predictions can be made about the effects of different rules on incentives, behavior, and outcomes achieved. Design of successful institutions may indeed be feasible. Designed institutions, which tend to generate substantial information rapidly and accurately and allow for the change of rules over time in light of performance, are more likely to be successful than those resulting from “grand designs” for societies as a whole.

To be an institutional analyst, one needs to learn to use the best available theoretical and data collection tools, while at the same time trying to develop even better theories and conducting further empirical studies that contribute to our theoretical understanding of self-governing systems. All tools have capabilities and limits. The task of the skilled artisan – whether an institutional theorist or a cabinetmaker – is to learn the capabilities and limits of relevant tools and how best to use a combination of tools to address the wide diversity of puzzles that one comes across in a lifetime of work.

Relevant tools are plentiful in the sense that we do have an extensive body of political, social, and economic theory that focuses on the impact of diverse rules on the incentives, behavior, and likely outcomes within different settings. These tools are limited, however, in that many of the most rigorous theories make questionable assumptions about both the individual and about the settings within which individuals find themselves. This can be problematic for explaining behavior in many settings. These explicit and often implicit assumptions may mask some of the deeper problems of sustaining democratic systems over time. Many of the difficult problems that human beings face in trying to develop and sustain democratic organizations are assumed away when one starts with assumptions that individuals have complete and perfect information and can make error-free calculations about expected consequences

for themselves and no one else in complex, uncertain worlds.

Further, when assumptions are made that the structure of the situations facing individuals are fixed and cannot be changed by those in the situation, little effort is devoted to addressing how individuals affect their own situations. Yet, these same assumptions (full information and fixed structures) are useful when the analyst wants to examine the expected short-term outcomes of an institutional and physical setting, where the options available to individuals are narrowly constrained and where individuals have many opportunities to learn about the costs and benefits of pursuing diverse options. Learning which assumptions, theories, and models to use to analyze diverse institutional arrangements combined with diverse settings is an important aspect of the training of institutional analysts.

During this seminar, we will use a variety of theoretical tools. These will help us to understand the Institutional Analysis and Development (IAD) framework that we have been developing over many years at the Workshop as well as the more recent Program for Institutional Analysis of Social-Ecological Systems (PIASES) framework. The skilled institutional analyst uses a framework to identify the types of questions and variables to be included in any particular analysis. The artisan then selects what is perceived to be the most appropriate theory available given the particular questions to be addressed, the type of empirical evidence that is available or is to be obtained, and the purpose of the analysis. For any one theory, there are multiple models of that theory that can be used to analyze a focused set of questions. Choosing the most appropriate model (whether this is a mathematical model, a simulation, a process model or the design for an experiment) also depends on the particular puzzle that an analyst wants to examine.

Further, there are multiple tools that are used in the conduct of research ranging from individual case studies, meta-analyses, large-N studies, laboratory and field experiments, GIS and remote sensing, agent-based models, and others. Institutional analysts respect all of these methods when used to understand human behavior in diverse settings. No scholar can use all of these methods well nor are they all appropriate for the study of all institutional settings, but it is important to learn more about diverse tools and their strengths and weaknesses for examining diverse research questions.

Objectives of the Seminar

Given the above background to the substantive focus of this seminar, let us try to present the central objectives for the semester as we see them. The objectives are:

- To understand the constraints and opportunities of human artisanship and entrepreneurship.

If self-governance within any particular organizational setting is only a possibility and not a necessity, then students of self-governance need to understand the constraints on choice presented by the structure of a physical, biological, and social world at any particular point in time as well as the opportunities of using human insight, reason, persuasion, and vigilance to transform inherited structures.
- To learn how to use the IAD framework and the related SES framework for understanding the commonalities underlying entities that are often treated by diverse disciplines as fundamentally different things.

Markets and states are frequently posed as opposite types of entities. Those who study the American Presidency or the American Congress sometimes view what they study as entirely different from European Parliamentary systems or some of the national systems of Africa or of Asia. We will instead use a common set of elements to analyze repetitive relationships within and across markets, hierarchies, local communities, private associations, families, churches,

regional governments, national governments, multinational corporations, and international regimes.

- To learn some very basic elements of game theory as *one* of the theories that is consistent with the IAD framework and to gain some knowledge of simple games, but this is really a very basic introduction and not a course on game theory.

Game theory is emerging as one of the theoretical tools in heavy use across all of the social sciences (as well as in biology). Game theory is useful for the institutional analyst when trying to understand the patterns of outcomes that result from the operation of repetitive situations over time when the motivational structure of participants is clearly understood. It also provides a theoretical tool for analyzing what to expect when rules are changed. As will become obvious in the semester, there are also many perplexing issues that are not yet resolved both about the theory of games and its applications to the study of institutions. We will do some reading drawing more on an evolutionary perspective and how this perspective combined with game theory helps us understand some of the above issues.

- To recognize core problems that humans repeatedly face in a wide diversity of settings such as those involved in providing and regulating the use of public goods, common-pool resources, asymmetric information problems, adverse selection problems, moral hazard problems, aggregation of preferences problems, team coordination problems, principal-agent problems, and the problems of constituting complex orders under incomplete information.

Learning how to recognize the key symptoms of the core problems that humans repeatedly face is essential for institutional analysts. Diagnosis of the source(s) of the problems involved in a simple or complex setting is necessary prior to effective advice about the types of rules, norms, and strategies that have a chance to improve on outcomes.

- To understand how polycentric political systems, including but not limited to federal ones, operate based on principles learned from this course.

An irony exists in the contemporary world. This problem is at the heart of recent controversies about how to govern America and how to solve problems in the developing world. The recent policy focus on devolution in developing countries has emphasized shifting responsibility from national to state and local level. As this has been happening, the national governments have frequently continued to seek control but not implementation of many programs. One needs to dig into proposals for decentralization to see what is being devolved and HOW before one can even begin to evaluate these.

- To share with colleagues how to analyze diverse policy arenas.
- To understand the importance of respecting the assets and limits of diverse disciplines and core research methods that are used to undertake careful empirical studies of the institutions and their operations in diverse environments.

Many of the theoretical questions of interest to an institutional analyst can be studied using individual case studies, meta-analyses of existing case studies, large-N field studies, formal theory, experimental research, and agent-based modeling. No one person can become an expert in all of these methods, but scholars need to overcome their suspicion of methods developed by others and recognize that learning cumulates faster and better if careful research has been

undertaken with complementary research methods. One also needs to learn the limits of each method.

- To conduct an institutional analysis of an important and interesting puzzle relating to human behavior in a rule-ordered setting at a local, regional, national or international domain.

Each enrolled student and visiting scholar will write a paper to be presented at the Mini-Conference on **December 12 and 13** that is an institutional analysis of a structured situation or linked set of situations that generate outcomes that are either puzzling, deemed inefficient, inequitable, unsustainable or in need of change. It is also important to study situations that have generated productive outcomes and are worthy of emulation and to identify what aspects of the structure, and the human behavior within that structure, that has led to positive results.

Procedures and Requirements for the Fall Semester

During the fall semester, we try to provide an overview of the literature focusing on the analysis of the incentives facing individuals 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 in some other course or seminar. Thus, once you have completed this fall's work, you will have been introduced to a diversity of work. You will not yet have gained mastery and will need substantial further inquiry to gain that mastery. Fortunately, there are several other courses offered regularly in the Department of Political Science, the Department of Economics, and the School of Public and Environmental Affairs that can be taken to gain additional mastery. For some subjects, we have listed additional readings that you may wish to pursue during this semester or later in your academic career on those topics of particular interest and importance to you.

The required readings will either be available online through Oncourse under Resources (<https://oncourse.iu.edu/portal>), distributed at least one week in advance or be available for sale at the IU Bookstore.

McGinnis, Michael D., ed. 1999. *Polycentricity and Local Public Economies*. Ann Arbor: University of Michigan Press. **[IU Bookstore]**

McGinnis, Michael D., ed. 2000. *Polycentric Games and Institutions: Readings from the Workshop in Political Theory and Policy Analysis*. Ann Arbor: University of Michigan Press. **[IU Bookstore]**

Ostrom, Elinor. 2005. *Understanding Institutional Diversity*. Princeton: Princeton University Press. **[IU Bookstore]**

Poteete, Amy, Marco Janssen, and Elinor Ostrom. 2010. *Working Together: Collective Action, the Commons, and Multiple Methods in Practice*. Princeton: Princeton University Press. **[IU Bookstore]**

In addition, participants will be given on the first day of class:

CAPRI (CGIAR Systemwide Program on Collective Action and Property Rights). 2010. *Resources, Rights and Cooperation: A Sourcebook on Property Rights and Collective Action for Sustainable Development*. International Food Policy Research Institute: Washington, DC.

This booklet is relevant for our seminar in general. No specific assignments will be made for a particular week given its general relevance. The booklet can be downloaded in its entirety on the CAPRI website using this link: <http://www.capri.cgiar.org/sourcebook.asp>

Graduate students taking the course for credit have four types of assignments. First, each student is expected to write a short (1-3 pages) memo to be distributed among participants in the class every second week starting **September 6**. Students should reflect on what they are currently reading and related topics. From time to time, I might ask for comments on a particular subject. Memos should be posted to Oncourse under Messages for all class participants to read. Memos are due **Sunday evening by 5:00 p.m.** These memos are not individually graded, but 20% of the final grade will be based on class participation. The faithfulness and quality of the memos will be reflected in this part of the grade.

Second, a take-home exam will be given out during the week before finals. It will be due on the Monday afternoon of finals week. This exam is worth 30% of your grade. You will be involved in preparing the study questions for this exam.

Third, a final paper is required. 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 good or common-pool resource) or a type of decision-making arrangement (such as that of a legislature, a court or a self-organized collectivity) and undertake an 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. The student may focus on an operational, a collective choice or a constitutional-choice level, but the linkage among these levels should be addressed. Alternatively, you may want to embed an action situation or situations in the broader SES framework. Some participants are interested in large-scale phenomena and will want to examine international or national regimes. Others will focus on a smaller scale of organizations. Some may want to address the “scaling up” and “scaling down” question in institutional analysis.

This is an excellent opportunity to do a research design for a dissertation that applies institutional analysis to a particular problem. Students and visiting scholars 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 at the end of the semester. The final paper is due before class on **Tuesday, December 6** and constitutes 50% of the final grade. Students and visiting scholars should post their Mini-Conference papers in PDF format to Oncourse under Messages for all class participants. Since learning how to make deadlines is an essential skill for all academics, this deadline is taken *very seriously*.

Fourth, active participation in the Mini-Conference itself is expected. The Mini-Conference at the end of the year (**December 12 and 13**) is the occasion during which visiting scholars, students in this seminar, and other Workshop colleagues present papers summarizing their work for the semester. The final paper will be presented at the Mini-Conference by someone other than the author, who will also provide an initial critique. The author will have an opportunity for immediate response, and there will be a general discussion of each paper clustered together on relevant panels.

Y673
SCHEDULE OF TOPICS: FALL TERM 2011

Week 1: August 30	Introduction to the Seminar
Week 2: September 6	An Introduction to the Study of Institutions and the IAD Framework as an Approach to the Study of Complex Systems and Collective Action Dilemmas
Week 3: September 13	Studying Linked Social-Ecological Systems
Week 4: September 20	Rational Choice Theory and Behavioral Theories of Human Action
Week 5: September 27	Learning from Experiments
Week 6: October 4	Doing an Experiment in the Lab
Week 7: October 11	Contributions of Vincent Ostrom to Institutional Analysis
Week 8: October 18	Polycentric Approaches to Policy
Week 9: October 25	Healthcare as a Commons
Week 10: November 1	Ongoing Projects on SESs
Week 11: November 8	Applications of IAD or SES to your Puzzles
Week 12: November 15	Bureaucratic Forms of Organization and their Potential Control
Week 13: November 22	Thanksgiving Break – NO CLASS!!
Week 14: November 29	Puzzles and Challenges of Development
Week 15: December 6	Further Developments of Workshop Research

MINI-CONFERENCE: December 12 and 13

WEEKLY TOPICS, ASSIGNED READINGS, AND SUPPLEMENTAL READINGS

Week 1: August 30 – Introduction to the Seminar

Each member of the seminar will be expected to read the preface for the syllabus (and to have glanced at the rest of it) and to have begun to think about how their own work might be related to the general work to be covered during the fall semester. We will discuss the general organization of the fall semester's work. There are several key issues that we will discuss during this class. They include:

- The differences among frameworks, theories, and models - and how various theories (and models of these theories) can be used to analyze particular questions using the institutional analysis framework;
- The importance of both static and dynamic analyses when thinking about institutional questions;
- When single-level analysis is appropriate and when multiple levels of analysis should be invoked;
- Thinking about whole systems and thinking about parts;
- Understanding the difference between proximate and ultimate causes;
- Thinking about decomposable systems; and
- Thinking about impossible and possible rather than only necessary and sufficient.

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, an analyst can generate more useful information by starting to address that question at one level instead of others. The reading about an American sport – when only the surface features are discussed and “explained” – will hopefully make you think about how we can dig below what we see happening before us. We are all engaged in the craft of science as Dyson so well articulates.

I am assigning this week Michael McGinnis' “simple guide” to the IAD framework. You do not need to memorize all of the terms in this guide. Hopefully, you will keep it near you, and when you come across new terms, check it out. Mike would also like to know any terms that he needs to examine further in the next version of the guide.

Essential Readings for Week 1:

Y673 Syllabus. ***Oncourse**

“A Psycho-Cultural Interpretation of an American Sport,” from the *Chicago Maroon*, October 14, 1955.

***Oncourse**

Dyson, Freeman. 1998. “Science as a Craft Industry.” *Science* 280 (May 15): 1014-1015. ***Oncourse**

McGinnis, Michael. 2011. “An Introduction to IAD and the Language of the Ostrom Workshop: A Simple Guide to a Complex Framework.” *Policy Studies Journal* 39(1) (February): 169-183.

***Oncourse – R11-4**

Ostrom, Elinor. 2010. “Beyond Markets and States: Polycentric Governance of Complex Economic Systems.” *American Economic Review* 100(3) (June): 641-672. ***Oncourse – R10-15**

Poteete, Amy, Marco Janssen, and Elinor Ostrom. 2010. Chapter 1: “Overcoming Methodological Challenges.” In *Working Together: Collective Action, the Commons, and Multiple Methods in*

Practice, 3-27. Princeton: Princeton University Press. ***Required Text**

Week 2: September 6 – An Introduction to the Study of Institutions and the IAD Framework as an Approach to the Study of Complex Systems and Collective Action Dilemmas

Much of our training as social scientists has been to focus on the analysis of simple, static one-layer situations. This does not prepare us for analyzing complex multilevel systems that evolve over time as organisms adapt through trial and error, imitation, and other mechanisms. We need to understand more of how human institutions have evolved and how we can survive and flourish in complex adaptive systems.

In this week, we will address basic foundation at a micro level involving the recognition of systems within systems within systems.

The concept of an action situation is one way to identify the “smallest relevant unit of analysis” for comparative research. These concepts have been used to design (1) the various Workshop databases developed to study the effects of institutions on incentives to provide and appropriate from common-pool resources; (2) many of our qualitative studies; (3) game theoretical analyses; and (4) experimental studies in the laboratory. One way of modeling a theory of how a particular action situation is structured, the likely behavior of participants, the consequences that are likely to be produced, and an evaluation of those consequences is by using formal game theory. The language of game theory is being used across the social sciences to analyze a wide diversity of interesting questions.

To overcome collective action dilemmas, participants need to devise rules that reasonably cope with the temptations of the situation they face. This is not a simple task given the large number of variables involved. It frequently requires considerable entrepreneurship to bring new structure to the “games” involved. Part of the solution is designing appropriate rules.

Essential Readings for Week 2:

- Blomquist, William, Ariel Dinar, and Karin E. Kemper. 2010. “A Framework for Institutional Analysis of Decentralization Reforms in Natural Resource Management.” *Society and Natural Resources* 23(7): 620-635. ***Oncourse**
- Crawford, Sue E. S., and Elinor Ostrom. 2000. Chapter 4: “A Grammar of Institutions.” In *Polycentric Games and Institutions: Readings from the Workshop in Political Theory and Policy Analysis*, 114-155. Ann Arbor: University of Michigan Press. ***Required Text**
- Oakerson, Ronald J., and Roger B. Parks. 2011. “The Study of Local Public Economies: Multi-Organizational, Multi-Level Institutional Analysis and Development.” *Policy Studies Journal* 39(1) (February): 147-167. ***Oncourse**
- Ostrom, Elinor. 2000. Chapter 3: “An Agenda for the Study of Institutions.” In *Polycentric Games and Institutions: Readings from the Workshop in Political Theory and Policy Analysis*, 89-113. Ann Arbor: University of Michigan Press. ***Required Text**
- _____. 2005a. Chapter 1: “Understanding the Diversity of Structured Human Interactions.” In *Understanding Institutional Diversity*, 1-31. Princeton: Princeton University Press. ***Required Text**
- _____. 2005b. Chapter 2: “Zooming In and Linking Action Situations.” In *Understanding Institutional Diversity*, 32-68. Princeton: Princeton University Press. ***Required Text**
- Poteete, Amy, Marco Janssen, and Elinor Ostrom. 2010. Chapter 2: “Small-N Case Studies: Putting the Commons Under a Magnifying Glass.” In *Working Together: Collective Action, the Commons, and Multiple Methods in Practice*, 31-63. Princeton: Princeton University Press. ***Required Text**
- Siddiki, Saba, Christopher M. Weible, Xavier Basurto, and John Calanni. 2011. “Dissecting Policy Designs: An Application of the Institutional Grammar Tool.” *Policy Studies Journal* 39(1) (February): 79-103. ***Oncourse**

- Simon, Herbert A. 2000. "Public Administration in Today's World of Organizations and Markets." *PS: Political Science and Politics* 33(4) (December): 749-756. ***Oncourse**
- Weinstein, Martin S. 2000. "Pieces of the Puzzle: Solutions for Community-Based Fisheries Management from Native Canadians, Japanese Cooperatives, and Common Property Resources." *Georgetown International Environmental Law Review* 12(2):375-412. ***Oncourse**
- Wilson, James. 2002. "Scientific Uncertainty, Complex Systems, and the Design of Common-Pool Institutions." In *The Drama of the Commons*, ed. Elinor Ostrom, Thomas Dietz, Nives Dolšak, Paul C. Stern, Susan Stonich, and Elke U. Weber, 327-359. Washington, DC: National Academy Press. ***Oncourse**

Supplemental Readings for Week 2:

Aligica, Paul, and Peter Boettke. 2009. *Challenging Institutional Analysis and Development. The Bloomington School*. New York: Routledge. *This is a very useful overview of the work we have been doing here at the Workshop.

Here is a link to a short YouTube video on an effort called "Intersection Repair Projects" in Portland sent to EO by Greg Raisman. **Online:** <http://www.youtube.com/watch?v=XATgIO73bak>

Supplementary Readings on the IAD Framework:

The IAD framework has been described by many Workshop colleagues. Developments include:

- Kiser, Larry, and Elinor Ostrom. 1982. "The Three Worlds of Action: A Metatheoretical Synthesis of Institutional Approaches." In *Strategies of Political Inquiry*, ed. Elinor Ostrom, 179-222. Beverly Hills, CA: Sage. Reprinted in McGinnis (2000), Chapter 2.
- Oakerson, Ronald. 1992. "Analyzing the Commons: A Framework." In *Making the Commons Work: Theory, Practice, and Policy*, ed. Daniel W. Bromley, et al., 41-62. San Francisco, CA: ICS Press.
- Ostrom, Elinor. 1987. "An Agenda for the Study of Institutions." *Public Choice* 48:3-25. Reprinted in McGinnis (2000), Chapter 3.
- _____. 2007. "Institutional Rational Choice: An Assessment of the Institutional Analysis and Development Framework." In *Theories of the Policy Process*, 2nd ed., ed. Paul A. Sabatier, 21-64. Boulder, CO: Westview Press.
- Ostrom, Elinor, Roy Gardner, and James Walker. 1994. *Rules, Games, and Common-Pool Resources*, Chapter 2. Ann Arbor: University of Michigan.
- Sproule-Jones, Mark. 1993. *Governments at Work: Canadian Parliamentary Federalism and Its Public Policy Effects*. Toronto: University of Toronto Press.
- Thomson, James. 1992. *A Framework for Analyzing Institutional Incentives in Community Forestry*. Rome: Food and Agriculture Organization of the United Nations.

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* 64:3-30.

Events:

Appleyard, Roger. 1987. "Events and Acts: The Structure of their Effects." *Behavioral Science* 32:92-105.

Heise, David R. 1979. *Understanding Events: Affect and the Construction of Social Action*. New York: Cambridge University Press.

Frames:

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

Logic of the Situation:

Farr, James. 1985. "Situational Analysis: Explanation in Political Science." *Journal of Politics* 47(4) (November): 1085-1107.

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

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

Problematic Social Situations:

Raub, Werner, and Thomas Voss. 1986. "Conditions for Cooperation in Problematic Social Situations." In *Paradoxical Effects of Social Behavior: Essays in Honor of Anatol Rapoport*, ed. A. Diekmann and P. Mitter, 85-104. Heidelberg: Physical.

Scripts:

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

Transactions:

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

Units of Meaning:

Barwise, Jon, and John Perry. 1983. *Situations and Attitudes*. Cambridge, MA: MIT Press.

For a book that is informed by formal game theory but is devoted to teaching future negotiators the logic of situations, see:

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

Further Supplemental Readings for Week 2:

Akerloff, George A., and Janet L. Yellen. 1993. "Gang Behavior, Law Enforcement, and Community Values." In *Values and Public Policy*, ed. Henry J. Aaron, Thomas E. Mann and Timothy Taylor. Washington, D.C.: Brookings Institutions.

Albert, Hans. 1989. "Law as an Instrument of Rational Practice." In *Contract and Organization: Legal Analysis in the Light of Economic and Social Theory*, ed. Terence Daintith and Gunther Teubner, 25-51 Berlin: de Gruyter.

Aumann, Robert J. 1976. "Agreeing to Disagree." *Annals of Statistics* 4:1236-1239.

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

Campbell, Jeremy. 1982. *Grammatical Man: Information, Entropy, Language, and Life*. New York: Simon and Schuster.

Comaroff, John L., and Simon Roberts. 1981. *Rules and Processes: The Cultural Logic of Dispute in an African Context*. Chicago: University of Chicago Press.

- Commons, John R. 1968. "Preface" and "Mechanism, Scarcity, Working Rules." In *Legal Foundations of Capitalism*, vii-viii, 1-10. Madison: University of Wisconsin Press.
- Dasgupta, Partha. 1993. *An Inquiry into Well-Being and Destitution*, 208-217. Oxford: Clarendon Press.
- Ellickson, Robert. 1991. *Order without Law: How Neighbors Settle Disputes*. Cambridge, MA: Harvard University Press.
- Follette, Mary Parker. 1940. "Constructive Conflict." In *Dynamic Administration*, ed. H. D. Metcalf and L. Urwick, 30-49. New York: Harper & Row.
- Frohlich, Norman, and Joe A. Oppenheimer. 1992. *Choosing Justice. An Experimental Approach to Ethical Theory*. Berkeley: University of California Press.
- Galanter, Marc. 1981. "Justice in Many Rooms: Courts, Private Ordering, and Indigenous Law." *Journal of Legal Pluralism* 19:1-47.
- Gambetta, Diego. 1988. *Trust: Making and Breaking Cooperative Relations*. Cambridge: Basil Blackwell.
- Garrett, Geoffrey, and Barry R. Weingast. 1993. "Ideas, Interests, and Institutions: Constructing the European Community's Internal Market." In *Ideas & Foreign Policy. Beliefs, Institutions, and Political Change*, ed. Judith Goldstein and Robert A. Keohane, 173-207. Ithaca, NY: Cornell University Press.
- Gluckman, Max. 1965. "Dispute Settlement." In *Politics, Law and Ritual in Tribal Society*, 169-215. Oxford: Basil Blackwell.
- Heiner, Ronald A. 1990. "Rule-Governed Behavior in Evolution and Human Society." *Constitutional Political Economy* 1:19-46.
- Libecap, Gary D. 1995. "The Conditions for Successful Collective Action." In *Local Commons and Global Interdependence. Heterogeneity and Cooperations in Two Domains*, ed. Robert O. Keohane and Elinor Ostrom, 161-190. London: Sage Publications.
- _____. 1996. "Economic Variables and the Development of the Law: The Case of Western Mineral Rights." In *Empirical Studies of Institutional Change*, ed. Lee Alston, Thráinn Eggertsson, and Douglass C. North, 34-58. Cambridge: Cambridge University Press.
- Moon, Donald J. 1993. *Constructing Community. Moral Pluralism and Tragic Conflicts*. Princeton: Princeton University Press.
- Nader, Laura, and Barbara Yngvesson. 1973. "On Studying the Ethnography of Law and Its Consequences." In *Handbook of Social and Cultural Anthropology*, ed. John J. Honigmann. Chicago: Rand McNally.
- North, Douglass. 1990. "Institutions and Their Consequences for Economic Performance." In *The Limits of Rationality*, ed. Karen Cook and Margaret Levi. Chicago: University of Chicago Press.
- _____. 2005. *Understanding the Process of Economic Change*. Princeton: Princeton University Press.
- Oliver, Pamela. 1980. "Rewards and Punishments as Selective Incentives for Collective Action: Theoretical Investigations." *American Journal of Sociology* 85(6):1356-1375.
- Ostrom, Vincent, and Elinor Ostrom. 1999. "Public Goods and Public Choices." In *Polycentricity and Local Public Economies*, ed. Michael McGinnis, Chapter 3. Ann Arbor: University of Michigan Press.
- Rowe, Nicholas. 1989. *Rules and Institutions*. Ann Arbor: University of Michigan Press.
- Schauer, Frederick. 1991. *Playing by the Rules. A Philosophical Examination of Rule-Based Decision Making in Law and in Life*. Oxford: Clarendon Press.
- Schlager, Edella, and Elinor Ostrom. 1993. "Property-Rights Regimes and Coastal Fisheries: An Empirical Analysis." In *The Political Economy of Customs and Culture: Informal Solutions to the Commons Problem*, ed. Terry L. Anderson and Randy T. Simmons, 13-41. Lanham, MD: Rowman & Littlefield.
- Sen, Amartya. 1999. "The Possibility of Social Choice." *American Economic Review* 89(3):349-378.
- Shimanoff, Susan. 1980. *Communication Rules: Theory and Research*. Beverly Hills: Sage.
- Taylor, John F.A. 1993. "The Ethical Foundations of the Market." In *Rethinking Institutional Analysis*,

ed. Vincent Ostrom, David Feeny, and Hartmut Picht, 377-388. San Francisco, CA: ICS Press.
Toulmin, Stephen. 1974. "Rules and Their Relevance for Understanding Human Behavior." In
Understanding Other People, ed. Theodore Mischel, 185-215. Oxford: Blackwell.
Wilson, James Q. 1993. *The Moral Sense*. New York: The Free Press.

Week 3: September 13 – Studying Linked Social-Ecological Systems

Workshop colleagues have been asked ever more frequently to address broad questions related to the sustainability of social *and* ecological systems over time. The National Academy of Science, for example, has added a section on "Sustainability Science" to its regular divisions of the *Proceedings of the National Academy of Sciences (PNAS)* and asked EO to be on the Editorial Board for *PNAS* to work on this new multidisciplinary field. As a result, she organized a Special Feature with Marty Anderies and Marco Janssen of *PNAS* on "Beyond Panaceas: Crafting Diverse Institutional Arrangements for Governing Diverse Social-Ecological Systems."

Scholars in Europe and the U.S. have become very interested in the SES framework that will be discussed in Week 3. The original intention of presenting that framework was to stimulate further thinking and discussion so that the new framework would evolve to be a useful language to link research undertaken across ecological and social disciplines. I had abbreviated the concept of an Action Situation in the *PNAS* and *Science* articles and used only "Interactions and Outcomes." Many colleagues urged that we reintroduce the concept of an Action Situation into the SES framework. Mike McGinnis has developed a concept paper that provides a very good way of thinking about linked action situations within a SES. Michael Cox has dealt with how to apply these ideas to a very interesting field location – the Taos Valley of New Mexico, where there are over 50 acequias (irrigation systems based on earlier Spanish system designs) that have faced challenging environmental and then social problems over time.

We will discuss a class project for the rest of the semester related to filling out levels 2, 3, and 4.

Essential Readings for Week 3:

- Agrawal, Arun. 2007. "Forests, Governance, and Sustainability: Common Property Theory and Its Contributions." *International Journal of the Commons* 1(1) (October): 111-136. ***Oncourse**
- Basurto, Xavier, and Elinor Ostrom. 2009. "Beyond the Tragedy of the Commons." *Economia delle fonti di energia e dell'ambiente* 52(1) (October): 35-60. ***Oncourse – R09-29**
- Bellantuono, Giuseppe. 2011. "Comparative Legal Diagnostics." Working paper. Trento, Italy: University of Trento. ***Oncourse**
- Clark, William C., and Nancy M. Dickson. 2003. "Sustainability Science: The Emerging Research Program." *Proceedings of the National Academy of Sciences* 100(14) (July 8): 8059-8061. ***Oncourse**
- Cox, Michael. 2011. "Applying a Social-Ecological System Framework to the Study of the Taos Valley Irrigation System." Working paper. Bloomington: Indiana University, Workshop in Political Theory and Policy Analysis. ***Oncourse – W11-21**
- McGinnis, Michael. 2011. "Networks of Adjacent Action Situations in Polycentric Governance." *Policy Studies Journal* 39(1) (February): 51-78. ***Oncourse – R11-3**
- McGinnis, Michael D., and John T. Williams. 2000. Chapter 7: "Policy Uncertainty in Two-Level Games: Examples of Correlated Equilibria." In *Polycentric Games and Institutions: Readings from the Workshop in Political Theory and Policy Analysis*, 202-236. Ann Arbor: University of Michigan Press. ***Required Text**
- Ostrom, Elinor. 2007. "A Diagnostic Approach for Going Beyond Panaceas." *PNAS* 104(39) (September 25): 15181-15187. ***Oncourse – R07-17**
- _____. 2009. "A General Framework for Analyzing Sustainability of Social-Ecological Systems." *Science* 325(5939) (24 July): 419-422. ***Oncourse – R09-26**

- Ostrom, Elinor, Marco A. Janssen, and John M. Anderies. 2007. "Going Beyond Panaceas." *PNAS* 104(39) (September 25): 15176-15178. ***Oncourse – R07-18**
- Polasky, Stephen, Stephen R. Carpenter, Carl Folke, and Bonnie Keeler. 2011. "Decision-Making Under Great Uncertainty: Environmental Management in an Era of Global Change." *Trends in Ecology and Evolution* 26(8) (August): 398-404. ***Oncourse**

Supplemental Readings for Week 3:

- Chabwela, Harry Nixon, and Tobias Haller. 2010. "Governance Issues, Potentials and Failures of Participatory Collective Action in the Kafue Flats, Zambia." *International Journal of the Commons* 4(2) (August): 621-642. ***Oncourse**
- Folke, Carl, Lowell Pritchard, Jr., Fikret Berkes, Johan Colding, and Uno Svedin. 2007. "The Problem of Fit Between Ecosystems and Institutions: Ten Years Later." *Ecology and Society* 12(1):30. **Online:** <http://www.ecologyandsociety.org/vol12/iss1/art30/>
- Marshall, Graham. 2005. Chapters 5-8: *Economics for Collaborative Environmental Management: Renegotiating the Commons*. London: Earthscan.
- Munasinghe, Mohan. 2010a. "Environmental and Social Systems." In *Making Development More Sustainable: Sustainomics Framework and Practical Applications*, 117-140. Sri Lanka: MIND Press. ***Oncourse**
- _____. 2010b. "Sustainomics Framework." In *Making Development More Sustainable: Sustainomics Framework and Practical Applications*, 32-75. Sri Lanka: MIND Press. ***Oncourse**
- Ostrom, Elinor, and Harini Nagendra. 2006. "Insights on Linking Forests, Trees, and People from the Air, on the Ground, and in the Laboratory." *PNAS* 103(51): 19224–19231. ***Oncourse – R06I-33**

Week 4: September 20 - Rational Choice Theory and Behavioral Theories of Human Action

The neoclassical model of the individual used by economists in theoretical and empirical studies of market behavior has proved to be a robust and powerful model both for its usefulness in explaining choices in market situations and also as the foundation for explaining choices in other well-structured situations including many collective action situations. Most game theoretic analyses of market and collective action settings use a very clearly specified model of the individual and of the situation in which the modeled individuals find themselves.

The assumptions of rational choice theory have been criticized on a number of fronts, primarily for their lack of reality. There is an extensive supplemental bibliography for this week for those who wish to read widely on the subject of rational choice. 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 we 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 naïve 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.

Many game theorists view game theory as a “theory of advice” for how to be rational in diverse situations. In light of many of our readings this semester, one might recast this normative view of game theory so that it is viewed as a theory of advice for individuals facing situations of relating to strangers, where no trust and reciprocity has been developed. The same theory might not offer good advice for how to behave rationally in settings where individuals know each other’s identity, have established a real sense of community and reciprocity, and expect to relate to one another over a very long time. It is these latter problems that are causing a considerable amount of ferment and reconsideration among thoughtful scholars.

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 re-election 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 particular kinds of settings? Thinking of human behavior as adaptive is the approach that is discussed by Vincent Ostrom and Brian Jones. Herbert Simon retains the fundamental presumption that individuals compare benefits against costs but relax 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, heuristics, 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.

Recent work on evolutionary theory applied to language, culture, and social relations is also providing useful insights into the central questions we will be addressing. We do need to develop an integrated approach in the social sciences that does not see our approach as totally apart from the biological foundations of human behavior. In an institutional milieu that is highly competitive, the external structure may be so selective that those who survive can be thought of as having maximized whatever value is needed for survival. But, many environments do not have such strong selection pressures. 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 as much of your analysis on the structure of the situation rather than on the model of the individual.

Essential Readings for Week 4:

- Bravo, Giangiacomo. 2011. “Agents’ Beliefs and the Evolution of Institutions for Common-Pool Resource Management.” *Rationality and Society* 23(1):117-152. ***Oncourse**
- McElreath, Richard, Robert Boyd, and Peter J. Richerson. 2003. “Shared Norms and the Evolution of Ethnic Markers.” *Current Anthropology* 44(1):122-129. ***Oncourse**
- North, Douglass C. 2005a. Chapter 7: “The Evolving Human Environment.” In *Understanding the*

- Process of Economic Change*, 87-102. Princeton: Princeton University Press. ***Oncourse**
- _____. 2005b. Chapter 9: "Getting it Right and Getting it Wrong." In *Understanding the Process of Economic Change*, 116-126. Princeton: Princeton University Press. ***Oncourse**
- Ostrom, Elinor. 2005. Chapter 4: "Animating Institutional Analysis." In *Understanding Institutional Diversity*, 99-133. Princeton: Princeton University Press. ***Required Text**
- Paganelli, Maria Pia. 2011. "The Same Face of the Two Smiths: Adam Smith and Vernon Smith." *Journal of Economics Behavior & Organization* 78:246-255. ***Oncourse**
- Poteete, Amy, Elinor Ostrom, and Marco Janssen. 2010. Chapter 9: "Pushing the Frontiers of the Theory of Collective Action and the Commons." In *Working Together: Collective Action, the Commons, and Multiple Methods in Practice*, 215-247. Princeton: Princeton University Press. ***Required Text**
- Schelling, Thomas C. 2010. "Game Theory: A Practitioner's Approach." *Economics and Philosophy* 26(1) (17 March): 27-46. ***Oncourse**
- Weissing, Franz J., and Elinor Ostrom. 2000. Chapter 13: "Irrigation Institutions and the Games Irrigators Play: Rule Enforcement on Government- and Farmer-Managed Systems." In *Polycentric Games and Institutions: Readings from the Workshop in Political Theory and Policy Analysis*, 366-398. Ann Arbor, MI: University of Michigan Press. ***Required Text**

Supplemental Readings for Week 4:

- Alchian, Armen. 1950. "Uncertainty, Evolution and Economic Theory." *Journal of Political Economy* 63:211-221.
- Anderson, John R. 1980. *Cognitive Psychology and Its Implications*. San Francisco, CA: W.H. Freeman.
- Ashby, W. Ross. 1960. *Design for a Brain: The Origin of Adaptive Behavior*. 2d ed. New York: Wiley.
- Bowles, Samuel. 1998. "Endogenous Preferences: The Cultural Consequences of Markets and Other Institutions." *Journal of Economic Literature* 36 (March): 75-111.
- Buchanan, James. 1979. "Natural and Artifactual Man." In *What Should Economists Do?*, ed. H. Geoffrey Brennan and Robert D. Tollison, 93-111. Indianapolis, IN: Liberty Press.
- Brooks, David. 2011. "The Unexamined Society." from *The New York Times*, July 7, 2011. **Online:** <http://www.nytimes.com/2011/07/08/opinion/08brooks.html>
- Camerer, Colin F., and George Lowenstein. 2003. "Behavioral Economics: Past, Present, Future." In *Advances in Behavioral Economics*, ed. Colin F. Camerer, George Lowenstein, and Matthew Rabin, 3-51. New York: Princeton University Press.
- Clark, Andy, and Annette Karmiloff-Smith. 1993. "The Cognizer's Innards: A Psychological and Philosophical Perspective on the Development of Thought." *Mind & Language* 8(4) (Winter): 487-519.
- Cook, Karen, and Margaret Levi. 1990. *The Limits of Rationality*. Chicago: University of Chicago Press.
- Dawes, Robyn M. 1988. *Rational Choice in an Uncertain World*. New York: Harcourt Brace Jovanovich.
- Day, Richard H. 1968. "How to Co-operate in Business without Really Trying: A Learning Model of Decentralized Decision Making." *Journal of Political Economy* 76 (July/August): 583-600.
- Edwards, Ward, ed. 1992. *Utility Theories: Measurements and Applications*. Boston: Kluwer.
- Elster, Jon. 1979. *Ulysses and the Sirens: Studies in Rationality and Irrationality*. Cambridge: Cambridge University Press.
- _____. ed. 1986. *Rational Choice*. New York: New York University Press.
- Faysse, Nicolas. 2005. "Coping with the Tragedy of the Commons: Game Structure and Design of Rules." *Journal of Economic Surveys* 19(2) (April): 239-261.
- Fishburn, Peter C. 1989. "Foundations of Decision Analysis: Along the Way." *Management Science* 35(4) (April): 387-405.
- Frank, Robert H. 1985. *Choosing the Right Pond: Human Behavior and the Question for Status*. Oxford: Oxford University Press.

- _____. 1988. *Passions Within Reason: The Strategic Role of the Emotions*. New York: Norton.
- Frey, Bruno S., and Alois Stutzer., eds. 2007. *Economics and Psychology: A Promising New Cross-Disciplinary Field*. MIT Press.
- Gelfand, Michele J., et al. 2011. "Differences Between Tight and Loose Cultures: A 33-Nation Study." *Science* 332 (27 May): 1100-1104.
- Gigerenzer, Gerd. 2004. "Striking a Blow for Sanity in Theories of Rationality." In *Models of a Man: Essays in Memory of Herbert A. Simon*, ed. M. Augier and J. G. March. Cambridge, MA: MIT Press.
- Gigerenzer, Gerd, and Reinhard Selten, eds. 2001. *Bounded Rationality. The Adaptive Tool Box*. Cambridge, MA: MIT Press.
- Harsanyi, John C. 1986. "Advances in Understanding Rational Behavior." In *Rational Choice*, ed. Jon Elster, 82-107. New York: New York University Press.
- Heiner, Ronald A. 1983. "The Origin of Predictable Behavior." *American Economic Review* 73(4) (September): 560-595.
- Hogarth, Robin M., and Melvin W. Reder, eds. 1987. *Rational Choice: The Contrast between Economics and Psychology*. Chicago: University of Chicago Press.
- Jones, Bryan D. 2001. *Politics and the Architecture of Choice: Bounded Rationality and Governance*, Chapters 1-5. Chicago: University of Chicago Press.
- Kahneman, Daniel. 1994. "New Challenges to the Rationality Assumption" and "Comments" by Christian Kirchner and Reinhard Selten. *Journal of Institutional and Theoretical Economics* 150(1) (March): 18-44.
- Kleindorfer, Paul R., Howard C. Kunreuther, and Paul H. H. Schoemaker. 1993. *Decision Sciences: An Integrative Perspective*. New York: Cambridge University Press.
- Koford, Kenneth J., and Jeffrey B. Miller. 1991. *Social Norms and Economic Institutions*. Ann Arbor: University of Michigan Press.
- Margolis, Howard. 1988. *Patterns, Thinking, and Cognition: A Theory of Judgment*. Chicago: University of Chicago Press.
- Marshall, Graham. 2005. *Economics for Collaborative Environmental Management: Renegotiating the Commons*, Chapters 1-4. London: Earthscan.
- Norenzayan, Ara. 2011. "Explaining Human Behavioral Diversity." *Science* 332 (27 May): 1041-1042.
- North, Douglass C. 1990. "A Transaction Cost Theory of Politics." *Journal of Theoretical Politics* (October): 355-368.
- Orbell, John et al., 2004. "'Machiavellian' Intelligence as a Basis for the Evolution of Cooperative Dispositions." *American Political Science Review* 98(1):1-15.
- Popper, Karl R. 1985. "The Rationality Principle." In *Popper Selections*, ed. David Miller, 357-365. Princeton: Princeton University Press.
- Richerson, Peter J., Robert Boyd, and Brian Paciotti. 2002. "An Evolutionary Theory of Common Management." In NRC 2002 *The Drama of the Commons*, 403-443. Washington, D.C.: National Academies Press.
- Satz, Debra, and John Ferejohn. 1994. "Rational Choice and Social Theory." *The Journal of Philosophy* 91(1):71-87.
- Schelling, Thomas C. 1978. *Micromotives and Macrobehavior*. New York: W.W. Norton.
- Searle, John R. 2005. "Social Ontology: Some Basic Principles." Working Paper.
- Selten, Reinhard. 1991. "Evolution, Learning, and Economic Behavior." *Games and Economic Behavior* 3:3-24.
- Sen, Amartya K. 1977. "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory." *Philosophy and Public Affairs* 6(4) (Summer): 317-344.
- Shepsle, Kenneth A. 1989. "Studying Institutions: Some Lessons from the Rational Choice Approach." *Journal of Theoretical Politics* (July): 131-149.
- Simon, Herbert A. 1987. "Rationality in Psychology and Economics." In *Rational Choice: The Contrast between Economics and Psychology*, ed. Robin M. Hogarth and Melvin W. Reder, 25-40. Chicago:

University of Chicago Press.

Tversky, Amos, and Daniel Kahneman. 1986. "Rational Choice and the Framing of Decisions." *Journal of Business* 59(4):S251-278.

Week 5: September 27 – Learning from Experiments

One method of studying collective action dilemmas is by designing and running experiments, where one is able to change underlying structural aspects one by one. We will discuss some of the key aspects of experimental research this week and then do an experiment in the Experimental Lab in Woodburn Hall next week.

Essential Readings for Week 5:

Cardenas, Juan-Camilo. 2003. "Real Wealth and Experimental Cooperation: Experiments in the Field Lab." *Journal of Development Economics* 70:263-89. ***Oncourse**

Cox, James, Elinor Ostrom, and James Walker. 2011. "Provision Versus Appropriation in Symmetric and Asymmetric Social Dilemmas." Working paper. Bloomington: Indiana University, Workshop in Political Theory and Policy Analysis. ***Oncourse**

Cox, James, Elinor Ostrom, James Walker, Antonio Jamie Castillo, Eric Coleman, Robert Holahan, Michael Schoon, and Brian Steed. 2009. "Trust in Private and Common Property Experiments." *Southern Economic Journal* 75(4) (April): 957-975. ***Oncourse – R09-15**

Gächter, Simon, and Christian Thöni. 2011. "Micromotives, Microstructure, and Macrobias: The Case of Voluntary Cooperation." *Journal of Mathematical Sociology* 35(1):26-65. ***Oncourse**

Guala, Francesco. 2011. "Reciprocity: Weak or Strong? What Punishment Experiments Do (and Do Not) Demonstrate." Forthcoming in *Behavioral and Brain Sciences*. ***Oncourse**

Güth, Werner, and Hartmut Kliemt. 1998. "The Indirect Evolutionary Approach: Bridging the Gap Between Rationality and Adaptation." *Rationality and Society* 10(3):377-399. ***Oncourse**

Holt, Charles A., Cathleen Johnson, Courtney A. Mallow, and Sean P. Sullivan. 2011. "Water Externalities: Tragedy of the Common Canal." Forthcoming in *Southern Economic Journal*. ***Oncourse**

Janssen, Marco, Robert Holahan, Allen Lee, and Elinor Ostrom. 2010. "Lab Experiments for the Study of Social-Ecological Systems." *Science* 328(5978) (April 30): 613-617. ***Oncourse – R10-9**

Lopez, Maria Claudia, John Stranlund, Jim Murphy, and John Spraggon. "Internal Punishment Systems and External Regulation: Complementarities in the Field." Working Paper. Amherst: University of Massachusetts-Amherst, Department of Resource Economics. ***Oncourse**

Poteete, Amy, Marco Janssen, and Elinor Ostrom. 2010. Chapter 6: "Experiments in the Laboratory and the Field." In *Working Together: Collective Action, the Commons, and Multiple Methods in Practice*, 141-170. Princeton: Princeton University Press. ***Required Text**

Rustagi, Devesh, Stefanie Engel, and Michael Kosfeld. 2010. "Conditional Cooperation and Costly Monitoring Explain Success in Forest Commons Management." *Science* 330(6006) (12 November): 961-965. ***Oncourse**

Vollan, Björn, and Elinor Ostrom. 2010. "Cooperation and the Commons." *Science* 330(6006) (November 12): 923-924. ***Oncourse – R10-28**

Supplemental Readings for Week 5

The following are research methods handbooks, which Daniel DeCaro believes students will find very useful as references when evaluating experimental research articles and when thinking of their own experimental research designs for their Mini-Conference papers. These are from a psychological science perspective so they can help students in thinking about how to frame and evaluate research questions particularly regarding the psychology of human behavior in institutional settings. The first two chapters of Fairweather and Tornatzky may be especially useful as introductory readings on the scope and "proper" aims of using social science to design and manage social policy. These chapters also outline

some practical steps.

- Druckman, James N., Donald P. Green, James H. Kuklinski, and Arthur Lupia. 2011. *Cambridge Handbook of Experimental Political Science*. Cambridge: Cambridge University Press.
- Fairweather, G. W., and L. G. Tornatzky. 1977. *Experimental Methods for Social Policy Research*. Pergamon Press.
- Chapter 1. "The Basic Ingredients of an Adequate Social Policy."
- Chapter 2. "Integrating Science into Social Policy Decisions: Experimental Social Innovation."
- Falk, Armin, and James J. Heckman. 2009. "Lab Experiments Are a Major Source of Knowledge in the Social Sciences." *Science* 326:535-538. ***Oncourse**
- Stapel, Diederik A., and Siegwart Lindenberg. 2011. "Coping with Chaos: How Disordered Contexts Promote Stereotyping and Discrimination." *Science* 332 (8 April): 251-253. ***Oncourse**
- Reis, H.T., and C. M. Judd. 2000. *Handbook of Research Methods in Social and Personality Psychology*. Cambridge University Press.
- http://www.cambridge.org/gb/knowledge/isbn/item1152774/?site_locale=en_GB

Week 6: October 4 – Doing an Experiment in the Lab

There are no additional essential readings for this week – an opportunity for you to catch up and begin thinking about your seminar paper.

Week 7: October 11 - Contributions of Vincent Ostrom to Institutional Analysis

In earlier years, Y673 was always a two semester seminar. The fall semester continues to focus on institutional analysis from a micro perspective. Vincent Ostrom taught the spring semester on institutional analysis from a macro perspective. Mike McGinnis joined Vincent in teaching the spring semester for a number of years. Mike suggested this summer that we devote a week to learning about some of Vincent Ostrom's contributions both by reading some of his writings and those of colleagues who know his work well.

Essential Readings for Week 7:

- Aligica, Paul Dragos, and Peter J. Boettke. 2009. "Part II. The "Human Condition" and the Foundation of Social Order: Elements of a Social Philosophy of Institutionalism." In *Challenging Institutional Analysis and Development. The Bloomington School*, 53-98. New York: Routledge. ***Oncourse**
- McGinnis, Michael, and Elinor Ostrom. 2011. "Reflections on Vincent Ostrom, Public Administration, and Polycentric Governance." Forthcoming in *Public Administration Review*, Jan/Feb 2012.
- *Oncourse – W11-17**
- Ostrom, Vincent. 1999a. Chapter 2: "Polycentricity (Part 1)." In *Polycentricity and Local Public Economies: Readings from the Workshop in Political Theory and Policy Analysis*, ed. Michael D. McGinnis, 52-74. Ann Arbor, MI: University of Michigan Press. ***Required Text**
- _____. 1999b. Chapter 5: "Polycentricity (Part 2)." In *Polycentricity and Local Public Economies: Readings from the Workshop in Political Theory and Policy Analysis*, ed. Michael D. McGinnis, 119-138. Ann Arbor, MI: University of Michigan Press. ***Required Text**
- _____. 2006. "Citizen-Sovereigns: The Source of Contestability, the Rule of Law, and the Conduct of Public Entrepreneurship." *PS: Political Science & Politics* 39(1) (January): 13-17.
- *Oncourse – R06-5**
- Ostrom, Vincent, Charles M. Tiebout, and Robert Warren. 1999. Chapter 1: "The Organization of Government in Metropolitan Areas: A Theoretical Inquiry." In *Polycentricity and Local Public Economies*, ed. Michael McGinnis, 31-51. Ann Arbor, MI: University of Michigan Press. ***Required Text**
- Toonen, Theo. 2010. "Resilience in Public Administration: The Work of Elinor and Vincent Ostrom from a Public Administration Perspective." *Public Administration Review* 70(2) (March/April): 193-202.

***Oncourse – R10-6**

Week 8: October 18 – Polycentric Approaches to Policy

After an intro to the background literature on institutional analysis, we will now turn to research based on field studies. I would recommend reading the chapters from the Poteete et al. volume first as they discuss an extensive body of studies and some of the real challenges involved in doing field research on collective action.

Essential Readings for Week 8:

- Auer, Matthew. 2006. "Contexts, Multiple Methods, and Values in the Study of Common-Pool Resources." *Journal of Policy Analysis and Management* 25(1):215-227. ***Oncourse**
- Birner, Regina, Heidi Wittmer, and Augustin Berghöfer. 2011. "Who Should be in Charge of Conservation? A Framework for Biodiversity Governance and a Case Study from Guatemala." Working paper. Washington, DC: International Food Policy Research Institute (IFPRI). ***Oncourse**
- Boyte, Harry C. "Constructive Politics as Public Work: Organizing the Literature." Forthcoming in *Political Theory*. ***Oncourse**
- Ostrom, Elinor. 1999. Chapters 7-10: Part III. "Empirical Research on Police Services." In *Polycentricity and Local Public Economies: Readings from the Workshop in Political Theory and Policy Analysis*, ed. Michael D. McGinnis. Ann Arbor, MI: University of Michigan Press. ***Required Text**
- _____. 2005. Chapter 8: "Using Rules as Tools to Cope with the Commons." In *Understanding Institutional Diversity*, 219-254. Princeton: Princeton University Press. ***Required Text**
- _____. 2010. "Polycentric Systems for Coping with Collective Action and Global Environmental Change." *Global Environmental Change* 20(4) (October): 550-557. ***Oncourse – R10-16**
- Pahl-Wostl, Claudia, Louis Lebel, Christian Knieper, and Elena Nikitina. 2011. "From Applying Panaceas to Mastering Complexity: Towards Adaptive Water Governance in River Basins." Working paper. Osnabrück, Germany: University of Osnabrück, Institute of Environmental Systems Research. ***Oncourse**
- Poteete, Amy, Marco Janssen, and Elinor Ostrom. 2010. Chapters 3-5. In *Working Together: Collective Action, the Commons, and Multiple Methods in Practice*. Princeton: Princeton University Press. ***Required Text**

Supplemental Readings for Week 8:

- Bendor, Jonathan, and Dilip Mookherjee. 1987. "Institutional Structure and the Logic of Ongoing Collective Action." *American Political Science Review* 81(1) (March): 129-154. ***Oncourse**
- Cohen, Michael D. 1981. "The Power of Parallel Thinking." *Journal of Economic Behavior and Organization* 2:285-306. ***Oncourse**
- Ostrom, Vincent. 1991. *The Meaning of American Federalism: Constituting a Self-Governing Society*. San Francisco, CA: ICS Press.
- _____. 2007. *The Political Theory of a Compound Republic: Designing the American Experiment*. 3rd ed. Lanham, MD: Lexington Books.
- Ostrom, Vincent, and Elinor Ostrom. 1999. Chapter 4: "A Behavioral Approach to the Study of Intergovernmental Relations." In *Polycentricity and Local Public Economies: Readings from the Workshop in Political Theory and Policy Analysis*, ed. Michael D. McGinnis, Chapter 4. Ann Arbor: University of Michigan Press. ***Required Text**
- Painter, Martin. 1991. "Intergovernmental Relations in Canada: An Institutional Analysis." *Canadian Journal of Political Science* 24(2) (June): 269-288.
- Sproule-Jones, Mark. 1991. "Evaluation." In *Governments at Work: Canadian Parliamentary Federalism and Its Public Policy Effects*, ed. Mark Sproule-Jones, 263-274. Toronto: University of Toronto Press. ***Oncourse**

- Tiebout, Charles. 1956. "A Pure Theory of Local Expenditures." *Journal of Political Economy* 64: 416-424.
- Weingast, Barry R. 2006. "Second Generation Fiscal Federalism: Implications for Decentralized, Democratic Governance, and Economic Development." Working Paper. Stanford: Stanford University, Department of Political Science. ***Oncourse**

Week 9: October 25 - Policy Application: Healthcare as a Commons

During the spring of 2010, several colleagues involved in healthcare in Bloomington as well as other locations inquired as to whether we could consider healthcare as a commons. We had some very good face-to-face discussions as well as some working group meetings via the web. As a result of our discussions, it became apparent that some of the theoretical and methodological breakthroughs we had reached in relation to studying the police industry in metropolitan areas as well as our work on common-pool resources would broadly speak to puzzles related to healthcare in diverse communities. As of January 1, 2011, we now have a new grant from the Fannie E. Rippel Foundation to study the relationships between healthcare organization and outcomes. Mike McGinnis prepared a short overview of our initial findings in early June of 2011. McGinnis reflected that:

1. Policy debates on health policy reform have focused at the national level, but **healthcare is an intrinsically local affair.**
2. Healthcare researchers have found a surprisingly **wide range of regional variation** in many measures of healthcare input measures and overall health outcomes.
3. We hope to **learn from close examination of a few regions.** Each region follows a different path, but we hope to identify general patterns behind their diverse arrangements.
4. This regional, inductive approach fits well with **previous research** (on police services and common-pool resource management) conducted at the Workshop in Political Theory and Policy Analysis, Indiana University.
5. We argue that important aspects of healthcare services can be understood as a **commons**, by which we mean resources that are commonly available to and/or used by a group of people, who may share responsibility for its management or who may ignore their shared common responsibility and instead exploit these resources for their own benefit.
6. Workshop analyses of the **management of biophysical commons** suggest that positive and sustainable outcomes are more likely to be observed if 8 **design principles** are satisfied. We began this project thinking that we would focus on the question of whether similar problems and principles apply to the health commons and to health policy more generally.
7. Two especially critical conditions are: (1) **extensive collaboration in rule-making and other policy decisions** and (2) **local stakeholders participate directly in implementation.**
8. Our **working hypothesis** is that **communities where the full array of relevant stakeholder groups manage to coordinate on a regular basis will tend to experience better health outcomes and a higher quality of care delivered to all at a lower cost.**
9. Note: We **define a stakeholder group** as including actors with similar economic interests, similar modes of thought and value systems as inculcated by professional training and experience, and similar capabilities to affect outcomes in that policy area.
10. Our **initial list** of critical stakeholder groups in the Health Commons includes:
 - a. **Individual Patients and Households**
 - b. **Physicians and Other Healthcare Professionals**
 - c. **Facility Administrators**
 - d. **Insurers**
 - e. **Employers** (as purchasers of insurance)
 - f. **Program Administrators**
 - g. **Public Health Officials**

- h. **Regulators** (government agencies and professional associations)
- i. **HIEs** (and other information services)
- j. **Community Organizations**

KEY RESEARCH QUESTION: What factors determine the dynamic pattern of expansion and/or contraction in the range of stakeholder coordination on health and healthcare?

Essential Readings for Week 9:

- Berwick, Donald M. 2009. "Squirrel." Plenary Address, 21st IHI Annual National Forum on Quality Improvement in Health Care, Orlando, FL: December 8, 2009. ***Oncourse**
- Boyer, Carol A., and Karen E. Lutfey. 2010. "Examining Critical Health Policy Issues Within and Beyond the Clinical Encounter: Patient-Provider Relationships and Help-Seeking Behaviors." *Journal of Health and Social Behavior* 51(S):S80-S93. ***Oncourse**
- Ford, Eric W., Rebecca Wells, and Barbara Bailey. 2004. "Sustainable Network Advantages: A Game Theoretic Approach to Community-Based Health Care Coalitions." *Health Care Management Review* 29(2):159-169. ***Oncourse**
- Gawande, Atul. 2009. "The Cost Conundrum." from *The New Yorker*, June 1, 2009. **Online:** http://www.newyorker.com/reporting/2009/06/01/090601fa_fact_gawande
- Lammers, John C., Joshua B. Barbour, and Ashley P. Duggan. 2003. "Organizational Forms of the Provision of Health Care: An Institutional Perspective." In *Handbook of Health Communication*, ed. T. Thompson, A. Dorsey, K. Miller, and R. Parrot, 319-346. Hillsdale, NJ: Lawrence Erlbaum Associates. ***Oncourse**
- McGinnis, Michael D. 2011. "A Regional Approach to Managing the Health Commons: Multi-Stakeholder Coordination in the Healthcare Services Industry." Working paper. Draft presentation available online at: <http://php.indiana.edu/%7Emcginnis/healthcommons/longeroverviewv2.pptx>
- McKethan, Aaron, and Craig Brammer. 2010. "Uniting the Tribes of Health System Improvement." *The American Journal of Managed Care* 16(12, special issue):SP13-18. ***Oncourse**
- Nichols, Len M., Micah Weinberg, and Julie Barnes. 2009. *Grand Junction, Colorado: A Health Community That Works*. Washington, DC: New America Foundation, August 2009. **Online:** <http://newamerica.net/files/GrandJunctionCOHealthCommunityWorks.pdf>

Supplemental Readings for Week 9:

- Fisher, Elliott S., Julie P. Bynum, and Jonathan S. Skinner. 2009. "Slowing the Growth of Health Care Costs: Lessons from Regional Variation." *New England Journal of Medicine* 360(9) (February 26): 849-852. ***Oncourse**
- Hiatt, Howard H. 1975. "Protecting the Medical Commons: Who is Responsible?" *New England Journal of Medicine* 293(5):235-241. ***Oncourse**
- Lynn, Joanne, and Jane Brock. 2010. "Applying Ostrom's Model of Sustained Voluntary Institutions Managing Common Pool Resources to the Challenges of Health Care." Working Paper. ***Oncourse**
- Thorson, Marsha, Jane Brock, Jason Mitchell, and Joanne Lynn. 2010. "Grand Junction, Colorado: How a Community Drew on Its Values to Shape a Superior Health System." *Health Affairs* 29(9):1678-1686. ***Oncourse**

Week 10: November 1 – Ongoing Projects on SESs

There are several ongoing projects that colleagues at the Workshop have initiated. It is somewhat difficult in August of 2011, when I am working on the syllabus for Y673, to know which of these projects will be in the best stage of development to focus on in early November of 2011. Several of the projects do relate to the effort of Michael Cox, Gwen Arnold, and Sergio Villamayor Tomás to code a large number of cases of small to medium-sized CPRs to assess the strength of the "design principles" that I developed in *Governing the Commons* published in 1990 to over 90 studies published since that book.

Thus, I do want everyone to read their published article based on their study (listed below).

Michael Cox, Graham Epstein, and Ursula Kreitmair are developing a database of key definitions of second and third tier concepts in the SES framework. We will discuss that project for sure with Michael Cox and Graham Epstein and potentially Ursula Kreitmair, if she is available to join. I will wait until mid-September to place more structure on Week 10 and will distribute a supplement describing further what we will be discussing at that time.

Essential Readings for Week 10

- Cinner, J.E., Xavier Basurto, Pedro Fidelman, John Kuange, Rachael Lahari, and Ahmad Mukminin. 2012. "Institutional Designs of Customary Fisheries Management Arrangements in Indonesia, Papua New Guinea, and Mexico." *Marine Policy* 36(1) (January): 278-285. ***Oncourse**
- Cox, Michael, Gwen Arnold, and Sergio Villamayor Tomás. 2010. "A Review of Design Principles for Community-Based Natural Resource Management." *Ecology and Society* 15(4):38. ***Oncourse – R10-35**

Week 11: November 8 – Applications of IAD or SES to your Puzzles

There are no new readings for this week to give you time to catch up with past weeks and to begin serious consideration of the puzzle that you intend to discuss in your own Mini-Conference paper. Everyone will be asked to write a one-page memo on the topic they have chosen for their seminar paper. In class, we will break into smaller groups and discuss the puzzles you have regarding key concepts and their applications in class.

Week 12: November 15 - Bureaucratic Forms of Organization and their Potential Control

Hierarchy has been viewed within public administration theory as one of the "ideal" forms of organization in which considerable control over subordinates is exercised by superiors. Recent work on institutional analysis has raised serious questions about this image. The key issue is how control is exercised both within bureaus and among bureaus.

Essential Readings for Week 12:

- Bianco, William T., and Robert H. Bates. 1990. "Cooperation by Design: Leadership, Structure, and Collective Dilemmas." *American Political Science Review* 84(1) (March): 133-147. ***Oncourse**
- Gamm, Gerald, and John Huber. 2002. "Legislatures as Political Institutions: Beyond the Contemporary Congress." In *Political Science: State of the Discipline* (Centennial Edition), 313-341. New York: W.W. Norton. ***Oncourse**
- Miller, Gary J. 1990. "Managerial Dilemmas: Political Leadership in Hierarchies." In *The Limits of Rationality*, ed. Karen Cook and Margaret Levi, 324-357. Chicago: University of Chicago Press. ***Oncourse**
- Moe, Terry M. 2005. "Power and Political Institutions." *Perspectives on Politics* 3(2) (June): 215-233. ***Oncourse**

Supplemental Readings for Week 12:

- Alchian, Armen, and Harold Demsetz. 1972. "Production, Information Costs, and Economic Organization." *American Economic Review* 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* 26 (March): 65-79.
- Aoki, Masahiko, Bo Gustafsson, and Oliver E. Williamson. 1990. *The Firm as a Nexus of Treaties*. Newbury Park, CA: Sage.
- Auster, Richard, and Morris Silver. 1979. *The State as a Firm: Economic Forces in Political*

- Development*. The Hague: Martinus Nijhoff.
- Barzelay, Michael. 1992. *Breaking through Bureaucracy. A New Vision for Managing in Government*. Berkeley: University of California Press.
- Borcherding, Thomas E. 1977. *Budgets and Bureaucrats: The Sources of Government Growth*. Durham, NC: Duke University Press.
- Breton, Albert, and Ronald Wintrobe. 1982. *The Logic of Bureaucratic Conduct: An Economic Analysis of Competition, Exchange, and Efficiency in Private and Public Organizations*. Cambridge: Cambridge University Press.
- Crozier, Michael. 1963. "The Social System at the Shop Level: The Plant Subculture and the Formal Authority System." In *The Bureaucratic Phenomenon*, 61-88. Chicago: University of Chicago Press.
- Downs, Anthony. 1967. *Inside Bureaucracy*. Boston: Little, Brown & Company.
- Fallers, Lloyd A. 1965. "A Century of Political Evolution." In *Bantu Bureaucracy: A Century of Political Evolution Among the Basoga of Uganda*, 126-154. Chicago: University of Chicago Press.
- Jensen, Michael, and William Meckling. 1976. "Theory of the Firm, Managerial Behavior, Agency Costs, and Ownership Structure." *Journal of Financial Economics* 3 (October): 305-359.
- Johnson, Ronald N., and Gary D. Libecap. 1994. *The Federal Civil Service System and the Problem of Bureaucracy*. Chicago: University of Chicago Press.
- Kay, Neil M. 1979. *The Innovating Firm: A Behavioral Theory of Corporate R & D*. New York: St. Martin's Press.
- Leibenstein, Harvey. 1981. "Microeconomics and X-Efficiency Theory: If There is No Crisis, There Ought to Be." In *The Crisis in Economic Theory*, ed. Daniel Bell and Irving Kristal, 97-110. New York: Basic Books.
- Marschak, Jacob. 1972. *Economic Theory of Teams*. New Haven: Yale University Press.
- McCubbins, Matthew D., Roger G. Noll, and Barry R. Weingast. 1989. "Structure and Process, Politics and Policy: Administrative Arrangements and the Political Control of Agencies." *Virginia Law Review* 75:431-482.
- Ouchi, William G. 1977. "The Relationship between Organizational Structure and Organizational Control." *Administrative Science Quarterly* 22 (March): 95-113.
- Putterman, Louis. 1995. "Markets, Hierarchies, and Information: On a Paradox in the Economics of Organization." *Journal of Economic Behavior and Organization* 26:373-390.
- Shleifer, Andrei, and Robert W. Vishny. 1993. "Corruption." *The Quarterly Journal of Economics* (August): 601-617.

Week 13: November 22 - Thanksgiving Break – NO CLASS!!

Happy Thanksgiving!

Week 14: November 29 - Puzzles and Challenges of Development

For the last half century, International Development Agencies (IDAs) have poured substantial sums into efforts to assist the developing world to achieve a higher economic and political level of development. Many of these efforts have led to very disappointing results. Several years ago, the Swedish International Development Agency (Sida) asked colleagues at the Workshop to undertake a study of Aid, Incentives, and Sustainability. We were recently asked to do a one chapter overview of the book we published from the Sida study, *The Samaritan's Dilemma*. We hope you find our chapter stimulating as well as Ed Araral's excellent article on the bureaucratic incentives compounded by international aid.

Essential Readings for Week 14:

Andersen, Kirsten Ewers. 2011. "Communal Tenure and the Governance of Common Property Resources in Asia: Lessons of Experiences in Selected Countries." Land Tenure Working Paper 20. Food and Agriculture Organization of the United Nations. ***Oncourse**

- Araral, Eduardo. 2005. "Bureaucratic Incentives, Path Dependence, and Foreign Aid: An Empirical Institutional Analysis of Irrigation in the Philippines." *Policy Sciences* 38(2-3) (September): 131-157. ***Oncourse**
- Evans, Peter. 2004. "Development as Institutional Change: The Pitfalls of Monocropping and the Potentials of Deliberation." *Studies in Comparative International Development* 38(4) (Winter): 30-52. ***Oncourse**
- Falk, Thomas, Björn Vollan, and Michael Kirk. 2010. "Analysis of Material, Social, and Moral Enforcement in Natural Resource Management in Southern Namibia." Paper presented at the 14th Annual Conference of the International Society for New Institutional Economics, University of Stirling, Scotland, UK, June 17-19. ***Oncourse**
- Gibson, Clark, Krister Andersson, Elinor Ostrom, and Sujai Shivakumar. 2010. Chapter for a Festschrift in honor of Partha Dasgupta drawing on findings from the *The Samaritan's Dilemma: The Political Economy of Development Aid*. ***Oncourse – W10-13**
- Madrigal, Róger, Francisco Alpízar, and Achim Schlüter. 2011. "Determinants of Performance of Community-Based Drinking Water Organizations." Forthcoming in *World Development*. ***Oncourse**
- Ramalingam, Ben, and Harry Jones with Toussaint Reba and John Young. 2008. "Exploring the Science of Complexity: Ideas and Implications for Development and Humanitarian Efforts." Working Paper 285. London: Overseas Development Institute. ***Oncourse**
- Ray, Biswajit, and Rabindra N. Bhattacharya. 2011. "Transaction Costs, Collective Action and Survival of Heterogeneous Co-Management Institutions: Case Study of Forest Management Organisations in West Bengal, India." *Journal of Development Studies* 47(2) (February): 253-273. ***Oncourse**

Supplemental Readings for Week 14:

- Lansing, J. Stephen. 2006. *Perfect Order. Recognizing Complexity in Bali*, Chapters 1 and 7. Princeton: Princeton University Press. ***Oncourse**
- Sawyer, Amos. 2005. *Beyond Plunder: Toward Democratic Governance in Liberia*, Chapters 1, 3, and 9. Boulder, CO: Lynne Rienner Publishers. ***Oncourse**

Week 15: December 6 – Further Developments of Workshop Research

As mentioned above related to Week 10, there are several ongoing projects at the Workshop that will be of interest to participants in Y673 this fall. I will update participants during the semester on which ones we will report on during the last week of the semester and what readings would be essential to cover for this week.

December 12 and 13: Mini-Conference