

Resource Management: INSTITUTIONS AND INSTITUTIONAL DESIGN

SOS3508

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Explanations and mechanisms

NTNU, Trondheim

Fall 2009

Actors and Systems

Actor models must generate

- Distributions of actors
- Variation in motivations and actions

Systems models must comprise

- Institutions and actors (organisations)
- Mechanisms generating meanings and identities
- Levels of analysis
- Dynamics of change
- Mechanisms of non-ergodicity
 - A non-ergodic system do not repeat itself

Explaining social behaviour

Such as

- Why do preferences sometimes change through the sheer passage of time?
- Why are people unwilling to break self-imposed rules even when it makes little sense to follow them?
- Why do military commanders sometimes burn their bridges (or their ships)?

The aim is to inculcate scepticism to

- Functional explanations, and to
- Some kinds of rational choice explanations

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Explanations (1)

- Agents perform actions
- Agents may be rational or irrational
 - If agents are irrational, one must take care in explaining the mechanisms involved in actions
 - If agents are rational, actions rely on choices informed by reasons, motives, desires, and/or interests

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Explanations (2)

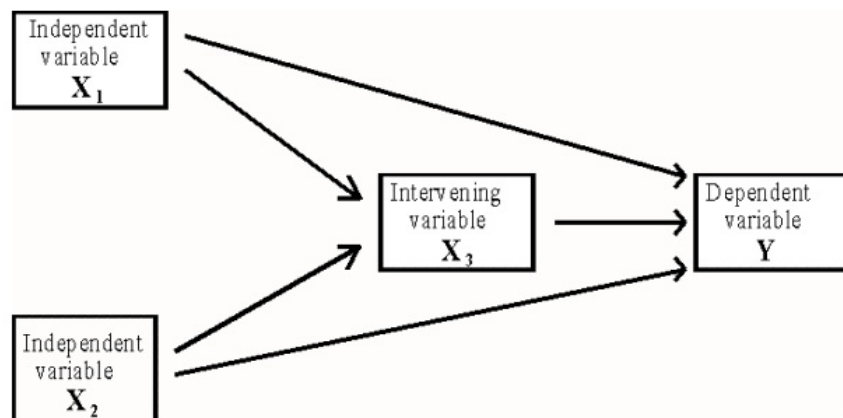
- Explanation of actions is causal
 - Intentional explanations (including rational choice of means to obtain ends)
 - Explanations by consequences, rare in social science
 - Explanations by laws, strong laws rare in social science
 - Deterministic
 - Statistical explanations rely on intuitions about mechanisms

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Illustrating causal explanations

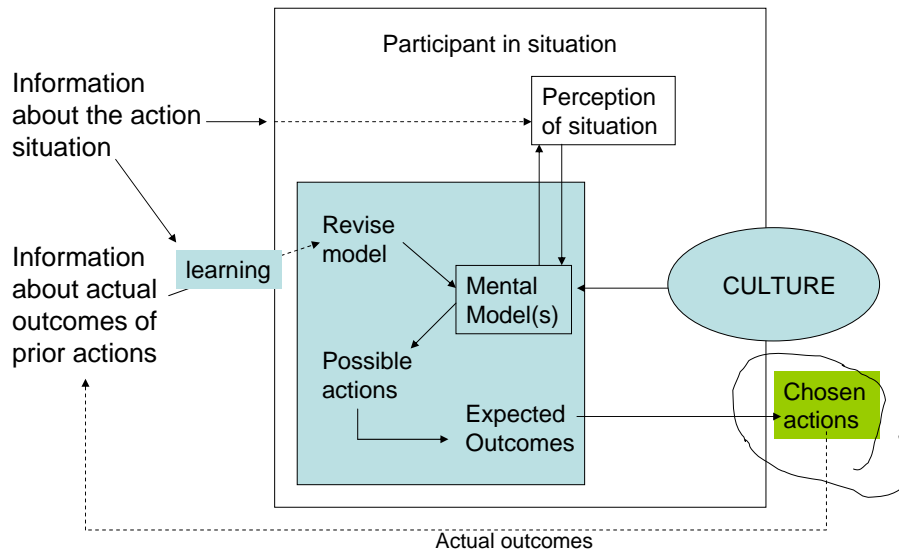


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Information, action-outcome linkages, internal mental models
(adapted from Figure 4.1 page 105 in Ostrom 2005)



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Explanations in general

- Explaining events by prior events
 - Give an account of why explanandum (event) happened by pointing to an earlier event as cause
 - Events vs facts {events – events, facts – facts, facts – events, events – facts}
 - Explaining differences and variation rather than “brute events” (absolute sizes or numbers)
 - Explaining variety
 - Explaining non-events (Kitty Genovese)

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Ideal principles

- Event – event explanations
- Methodological individualism
- In practice
 - We use facts as explanandum and as explanans
 - We explain non-events and non-facts
 - We explain differences and variation rather than sizes and variety
 - We talk about families and communities and nations as if they were similar to individuals

Structure of explanations

- Using beneficial consequences as explanans is difficult. It requires that the loop linking consequences to event is established
- The usual structure of explanations
 1. Theory
 2. Hypothesis
 3. Derive consequences and rival explanations
 4. Refute rival consequences
 5. Strengthen the explanation by deducing novel facts and demonstrating their existence

Good explanations

- Support from below if more than the explanandum is observed and explained
- Support from above if the hypothesis is derived from a more general theory
- Lateral support if alternative explanations can be refuted (be the devil's advocate!)

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Explanations are not

- True causal statements
- Correlations
- Necessitation
- Storytelling
- Statistical generalisations
- Answers to “why” questions
- Predictions

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Strong and weak Laws

- In social science there are few if any good examples of strong causal laws
- The law of the relationship between income and demand is a weak law, it tells about the direction of a change, nothing about the magnitude

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Mechanisms instead of laws

- Ideally we want to specify a causal chain
- Practically speaking we look for mechanisms:
 - Mechanisms are frequently occurring and easily recognizable causal patterns that are triggered under generally unknown conditions or with indeterminate consequences.
 - They allow us to explain but not predict
 - Mechanisms involving aggregates points to a need for methodological individualism

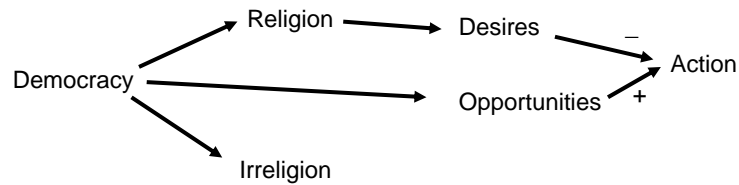
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Molecular mechanisms

- Elementary psychic reactions as atomic mechanisms to build molecular mechanisms



Case: impact of democracy on dangerous and licentious behaviour (from Tocqueville)

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Mechanisms and laws

- If we are able to specify the triggering conditions of a mechanism we may be able to specify a law, usually a weak one
- Example: Groups asked to rank music records
 - Group 1 rank 4 records, reward get one picked at random
 - Group 2 rank 4 records, reward choose one yourself
 - Next day redo it based on the unavailability of the one ranked as no 3
 - Result: G1 displays “sour grape” reaction; G2 displays “forbidden fruit” reaction
 - The control group were not told it was unavailable and did not change its ranking
 - Triggering: G2’s freedom of action encountered an impediment that G1 did not

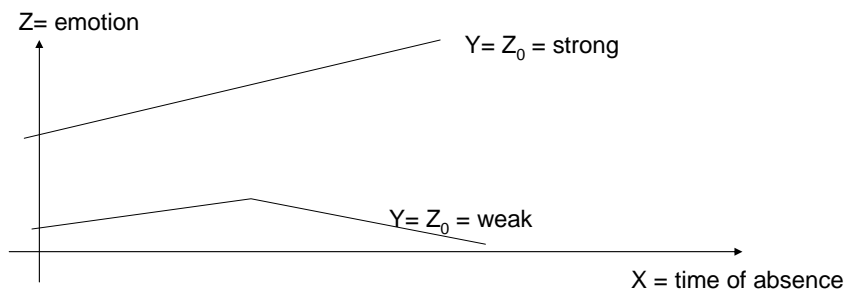
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Interaction among causes

- Default assumption: additive effects
- Interactions: low values of z at time 0 may give decreasing value of y while high values of z at time 0 might give increasing levels of y as x (=time) increase



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Interpretation (Verstehen)

- Interpretation is one kind of explanation
 - To decide among conflicting interpretations interpretative hunches or hypotheses needs to confront experience including novel facts
- Rationality and intelligibility (interpreting action)
 - What are the beliefs and desires (motivations)? Are they intelligible?
- Also irrational behaviour may be intelligible

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Understand irrational behaviour

- If rational decision making is truncated for example by strong emotions
- If rational decision making is short-circuited by the agents desires
- If rational decision making is confounded by inconsistencies in the beliefs and desires of the agent

Unintelligible are actions based on phobias and obsessions, actions like anorexia, self-mutilation

Understanding Civil Wars

- Why are young Palestinians willing to give their lives in suicide missions?
- In general obtain or defend the homeland
 - Poverty and illiteracy?
 - Relative deprivation?
 - Comparisons and interactions inducing feeling of inferiority and humiliation
 - Induced religious and ideological fervour at the right moment for triggering the bomb

A hermeneutic dilemma

- How do we establish the desires and beliefs motivating action?
 - Oral and written professions by the persons?
 - Public or private context?
 - What is the cultural hierarchy of motives?
 - Self-serving bias in professed motives
 - Objective interests
 - Religion, power, and money may be involved
 - Investigate actual consequences
 - Look for sources least likely to be biased: letters, diaries, conversations, drafts, etc.
 - Asking questions in a way that creates an artificial “veil of ignorance” to bolster the promise of anonymity
 - Do agents put their money where their moth is?
- Sometimes ‘always telling the truth’ is the greatest subtlety

A short summary of institutions seen as

- Social facts by agreement (Searle)
- Thought worlds/ subjective models (Douglas)
- Rules of the economic game (North) shaped by
 - Transaction and information costs
 - Subjective preferences and learning
 - Increasing returns and political processes

Institutions are

Humanly devised rules with some

Humans mandated to monitor and sanction rules

- Created to aide in collective actions problems to safeguard life and livelihoods
 - Avoid conflicts, create justice
 - Allocate legitimate benefits and duties, profits and costs
 - Economize on transaction costs
- **Not** created to achieve efficiency or optimise economic performance(of the neo-classical model)

Property rights institution

Tells that some person(s) have legitimate

- Rights and duties to be exercised in relation to
- Particular goods and services subject to possible
- Limitations on times and durations,
- Limitations of technology, and
- Limitations on organisation of exploitation

The construction of social institutions

For example

- Property rights regimes
 - Public property
 - Common property
 - Private property
- Regulations regimes
 - Governing externalities
 - Protecting unitary/ universal values
- Bureaucracies

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The construction of social institutions

Informal institutions

- Conventions
- Customs
- Values, Preferences
- Norms, Standards of conduct
- Beliefs, Ideologies, Morals

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The dynamic of Institutions and organisations

- Rules of the game (the law)
- Guardians of the rules (the judge)
- Players (organisations)
 - Owners,
 - Local users,
 - Workers,
 - Professional managers, and
 - Firms of resource industries

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Strategies of the players

Our theory requires by assumption that
players

- Optimise their returns from resource use activities by conforming to and **exploiting the existing institutional environment**, or to
- **Change the resource policy** in a desired direction if the expected outcome of a political effort is seen as cost effective.

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Lock-in of institutions and organisations

- Mutual interdependence institution-organisations
- Institutional changes by public initiative or revolution creates counter-forces
- Economic performance is **PATH DEPENDENT**
- Change occurs at the margins