

Resource Management: INSTITUTIONS AND INSTITUTIONAL DESIGN

SOS3508

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Introduction

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Problems in the world

- War
- Injustice
- Poverty
- Illness / Public Health
- Democracy/ Governance
- Environmental degradation
- Climate change

Why?

What can be done?

First task

- To understand why a solution to some core problems in the world require more than good will and impeccable moral rectitude
- In this class I will argue that the problems called social dilemmas in general and social traps in particular are of this kind
- So, what is a social trap?

Defining social traps

- A social trap is a situation where the private return to an optimal strategy based on the assumption that all follow their optimal strategy without regard to what others do, is less than a share from the joint product of a cooperative strategy.
- But if you are the only one following the optimal individual strategy your return is substantially larger than a share of the joint product of a cooperative strategy.

Social dilemmas

- Are a slightly broader class of collective action situations. They are similar to dilemmas in that
 - A social dilemma is a situation where the private return to an optimal strategy based on the assumption that all follow their optimal strategy without regard to what others do, is less than a share from the joint product of a cooperative strategy.
- But without the temptation of a large private gain from non-cooperative actions

Second task

- Understand why some societies avoid many serious problems of the social trap type
- In class I will argue that the key factor are social institutions
- So, what is an institution?

Elements of institutions

- Institutions comprise
 - A substantive area of operation
 - A system of legitimate rules
 - A group of actors pursuing their goals within the substantive area constrained by the system of rules
 - A group of enforcers (persons) with legitimate interest in the interpretation and application of the rules
- An institution is in principle of relevance for all members of the social system

Third task

- Understand why societies have difficulty improving their institutions
- In this class I will argue that at the core of this problem lies the self serving interests of those who profit from the current institutional structure.
- This is also called “path dependence”

Expectations

- I have now explained what I expect to spend time on in this class
- What did you expect to learn coming here?

Structure of class

- Lectures and seminar
 - Lectures 9 and 14/16 Sept not finalised
 - Last time 4 November
- Seminar discussions including one presentation based on a chapter from Elster Ch 18-26
 - Scheduled for 21-28 October
- Writing
 - Book review of either Ariely or Lynas
 - Deadline 7 October
 - Term paper - topic based on class readings
 - Deadline 18 November

Required reading

- Elster, Jon. 2007. *Explaining Social Behaviour: More Nuts and Bolts for the Social Sciences*. Cambridge: Cambridge University Press.
- Henrich, Joseph, and Natalie Henrich. 2007. *Why Humans Cooperate A Cultural and Evolutionary Explanation*. Oxford: Oxford University Press.
- North, Douglass C. 2005. *Understanding the Process of Economic Change*. Princeton: Princeton University Press.
- Ostrom, Elinor. 2005. *Understanding Institutional Diversity*. Princeton: Princeton University Press.
- Rothstein, Bo. 2005. *Social Traps and the Problem of Trust*. Cambridge: Cambridge University Press.

Advice on reading (1350 pages)

1. Henrich & Henrich Ch 10, Ostrom Ch 1-4
2. Elster Ch 1-14, Rothstein Ch 1-3
3. Elster Ch 18-26, Rothstein Ch 4-9
4. Henrich & Henrich Ch 1-3, Elster Ch 15-17
5. Henrich & Henrich Ch 4-9
6. Ostrom Ch 5-9
7. North Ch 1-13