

# **Between Monocentricity and Polycentricity: Approaching Romanian Constitutional and Collective Level Dynamics**

by

**Horia Terpe**

© 2007 by author

Prepared as a working paper for the Mini Conference of the Workshop in Political Theory and Policy Analysis, Indiana University, December 10, 2005.

## **Introduction**

The paper will focus on the constitutional and collective arenas, trying to explore the relationship between systemic tendencies and the constitutional and collective level institutional changes.

In the first section, it will try to show that the dynamics at the constitutional level could be understood with reference to two dyads of institutional change: the monocentric/polycentric direction of outcomes and the artifactual/spontaneous process leading to them. Its impact upon some aspects of Romanian institutional evolution will be briefly noted for purpose of illustration, constituting a secondary objective at this stage. The microeconomics of the artifactual and spontaneous institutional changes will be explored in the second section, showing the different approaches in respect to artifactual institutional change and spontaneous institutional change. In the third section, the focus will shift towards the collective arena, trying to interpret institutional changes at collective level in the light of the tendencies, which can be described at the constitutional level. The key link between the collective level and the constitutional level is considered to be the distributive impact of collective-level choices, with a special focus upon the distribution of power as authoritative value allocation capability. The value allocation capability, or power, is identified as the meta-resource traded in the collective level institutional changes. The resulting interpretative tool will be used as a theoretical source of hypothesis and as a compass for further research of Romanian institutional evolutions.

## **I. The constitutional level**

As the concept developed in the IAD framework, the constitutional arena refers to the rules according to which rules can be changed, and thus “the design of collective-choice mechanisms” (E. Ostrom in McGinnis 2000:60) while the collective arena refers to decision-making affecting individuals who are not part in the decision-making process, known as “the public” - explaining “the world of authoritative decision-making” (idem). By its constitutive character, the former arena entails the systemic characteristics and tendencies. In the following section I will try to identify the relevant dyads at this level and propose a conceptual typology. The typology will help to understand the dynamics at subsequent levels.

## 1.1. Polycentricity and Monocentricity

The meaning of polycentricity was understood, both in the original article (Ostrom, Tiebout and Warren, 1961) and in the later conceptual refinements, in opposition to monocentricity, as -in the first instance- a system with multiple centers of power. “We identified a polycentric political system as having many centers of decision making that were formally independent of each other. A "system" was viewed as a set of ordered relationships that persists through time” (V. Ostrom in McGinnis 1999, 53). While avoiding the identification of such a system with the classic market, (V. Ostrom in McGinnis 1999: 54) the concept nevertheless pointed towards market-like characteristics in the functioning of quasimarkets, and towards reciprocity –in contrast with voluntary exchange- as the key relationship of public economies.

This basic characteristic, the multiple centers of power, is the precondition for maintaining an open public realm. The open public realm, allowing for the functioning of various means of public contestation represents a second condition. The existence of multiple centers of power and an open public realm will subsequently manifest in a general system of rules. The general system of rules allowing the elements of a complex system to make mutual adjustments as acts independent from each other is the third condition of existence for polycentricity. Within a set of rules, “individual decision makers will be free to pursue their own interests subject to the constraints inherent in the enforcement of those decision rules” (V. Ostrom in McGinnis 1999, 55-56; Polanyi, 1951).

The perspective challenged the classical view of the dominant, Weberian-Wilsonian tradition in respect to the hierarchical organization of the public administration and other similar, wide-shared perspectives. In Polanyi's terms, monocentricity is the structural principle of a deliberate and designed order maintained by a supreme authority by the means of a centralized command structure. The core-principle, the unity of power, needs and shapes a compatible system of rules (the hierarchical command-structure) for exercising its authority. The efficiency conditions for such an order regards, besides hierarchy, clear and non-overlapping attributions, specialized knowledge, distinct patrimony of the bureaucrats, and others.

The monocentric/polycentric distinction is exhaustive for the logical possibilities of this dimension, but not mutually exclusive in a discrete understanding. “The possibility that a polycentric political system *can* exist does not preclude the possibility that a monocentric political system can exist. Each possibility depends upon conceptualizing the essential defining characteristics for each system and indicating the logically necessary conditions which must be met for the maintenance of a system having those defining characteristics. Furthermore, a predominantly monocentric political system need not preclude the possibility that elements of polycentricity may exist in the organization of such a system. Conversely, the existence of a predominantly polycentric political system need not preclude elements of monocentricity from existing in such a system.”(Ostrom, 1999:54-55). The coexistence of the two kinds of elements defines the monocentric/polycentric dimension as a continuum.

The monocentric/polycentric distinction is relevant at the aggregate or tendency level. From the point of view of institutional dynamics, wide social changes must lead towards one of the two directions. Furthermore, the connection between institutional arrangements in a society also consists of a relationship between their respective monocentric or polycentric characters. The mutual enforcement of markets, polycentric

justice systems and, for example, polycentric science system (Ostrom, 1999, Polanyi, 1952) is hypothetically replaced by tension and conflict in the case they are different from this point of view. A monopoly over science and research is, for example, incompatible with the functioning of markets.

To sum up, from the point of view of institutional change, the monocentric/polycentric distinction refers to the character of an outcome of change and thus constitutes a dyad of institutional change. The dyad works as a compass of institutional change, pointing towards one of the two ends of the dyad.

## 1.2. Artifactual and spontaneous change

This section will refer to a second fundamental dyad of institutional change, respectively, the character of the process leading to an institutional outcome.

They are only two possible states of the world. One is chaos, and the other one is order. "The characterization of some state of affairs as "chaotic" implies the absence of an explanatory theory to account for that state of affairs. Presumably, a truly chaotic state of affairs would not persist over time unless a grand randomizer were available to "maintain" a chaotic "order."(Ostrom in McGinnis, 1999: 53). Then, the alternative to chaos is some kind of order. Such an order can be either monocentric or polycentric. Any of the two can and in fact contains elements of the other; however, the relative proportion of the two is what differentiates them. Both types can be either spontaneous or artificial.

Developing Ludwig von Mises' argument (Mises, 1922), regarding the impossibility to allocate resources efficiently in the absence of a market for factors of production, Polanyi (1952: 111) stated the concept of the spontaneous order in polycentricity, as resulting from a large number of mutual adjustments (Polanyi 1951: 122) which cannot be matched, in absolute or relative numbers, by a hierarchical organization. The free actions of people, consisting in mutual adjustments, are the actions undetermined by anybody or anything but conditioned by the other people's actions: "an aggregate of individual initiatives can lead to the establishment of the spontaneous order only if each takes into account in its action what the others have done in the same context before" (Polanyi 1951: 159). Polanyi's argument was further developed on several other dimensions by Hayek<sup>1</sup>.

On the other side, changes resulting from individuals' purposeful actions, undertaken in order to promote the respective changes, represent the artifactual mode of change. Individuals' apply their capability to evaluate and designate values to the crafting of order in human societies and are able to balance the recourse to force and coercive capabilities for the enforcement of rule-ordered relationships (Ostrom, 2005: 3).

In his theoretical works, Vincent Ostrom approaches the creation of orders by the means of artifactual design: the action of shaping, as guided by the artisan's values, experience, insights and interpretations, constrained by the "available materials" and possibilities (Ostrom, 1980 in Kuhnert 1998:6). Apart from the limitations to the "constructability" of the future, that are inherent in human knowledge, experience, and physical environment, the major limitation of humanity is defined through the limits of imagination. What we cannot imagine we will not be able to construct, and "whatsoever

---

<sup>1</sup> With of the sharpest results being probably the demonstration of the epistemic impossibility of central planning (Hayek, 1945), as the necessary information is "dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess" (Hayek 1945:520).

we imagine is finite" (Ostrom 1997, in Kuhnert 1998:6). The artifact is the result of particular unification processes of values and facts by the human actions.

In Buchanan's similar perspective, the artifactual adjective -borrowing the usage of the word from Vincent Ostrom (Buchanan, [1979] 1999:255)-, should apply to the man as engaged in an existentialist-like process of becoming; that is, an animal which constructs its being. "We are, and will be, at least in part, that which we make ourselves to be" (idem, 247], referring to "the simple distinction between that part of man's behavior which is "programmed", and hence "predictable scientifically," and that which is not" (idem, 246). "Spontaneity implies that patterns of organization within a polycentric system will be self-generating or self-organizing in the sense that individuals will have incentives to create or institute appropriate patterns of ordered relationships. For a polycentric system to manifest "spontaneity" in the development of ordered relationships, self-organizing tendencies will have to occur at several levels of conduct."(Ostrom 1999: 59)

To sum up, the spontaneous/artifactual distinction refers to the character of the process leading to an institutional outcome, and constitutes a second core dimension. The overview provided here must be completed with the microeconomic aspects in the following section "II. The microeconomics of institutional change" (page 10).

### 1.3. A conceptual typology

The two dyads discussed above, the monocentric/polycentric direction of change and the artifactual/spontaneous type of process leading to an institutional change can provide a typology of institutional change.

Leaving aside, for the moment, the microeconomic insight, by only referring to broad institutional changes, it will be shown that all approaches dealing with institutional change find themselves on both this dyads. Thus, the matrix of the two dimensions would describe a typology.

	Artifactual	Spontaneous
Monocentric	1.3.1	1.3.3
Polycentric	1.3.2	1.3.4

A short overview of examples associated to the approaches in each category will follow in the next section. The use of the typology will indicate that these dimensions are appropriate for the interpretation of constitutional settings and dynamics.

#### 1.3.1 Artifactual monocentric evolutions

The artisanship tradition is probably better represented on the monocentric side. Platon, Machiavelli, Thomas Morus, Campanella, Hobbes or Marx offer a wide choice of monocentric arrangements, mostly designed as instrumentalities for the achievement of a higher social good (virtuous citizens, power, stability, happiness, equality etc) (Popper, 1945).

By its limited purposes, the Hobbesian solution is one of the most influential as it addresses the basic problem of the provision of public goods necessary for the avoidance of conflict (law, order and enforcement), by the means of the constitutional setting. The perspective will be outlined here, as representative for the whole category.

The biological “similitude” and the cultural heritage allow humans the use of language and logic for understanding events and relationships. Human choice consists in understanding the consequences of actions and the weighting of alternatives in relation to preferences (Ostrom, 1991:33). But people need power in the search for their happiness. “The power of a man, to take it universally, is his present means, to obtain some future apparent goods” (Hobbes, [1651] 1962: 72). The desire of power is thus the strive for individual good and the source “of all political contingencies” (Ostrom, 1991: 34). In the mental experiment of the state of nature, with no laws, authority or property and in the presumed conditions of scarcity, this leads to the unavoidable *bellum omni contra omnes* - the Nash equilibrium is the misery for everybody.

The flaw of this analysis is neglecting of the ability to communicate and thus of the possibility to address the puzzle “and develop more constructive ways of relating to each other” (Ostrom, 1991: 35). Such ways are outlined by Hobbes as his nineteen articles of peace, based upon the principle of reciprocity. As a realist, Hobbes understood that rules without enforcement are simple words and didn’t try to rely upon people’s conscience or reason. Thus, particular security “is *not to be had from the laws of nature*. For the laws of nature, as *justice, equity, modesty, mercy, and, in sum, doing to others, as we would be done to*, of themselves, without the terror of some power, to cause them to be observed, are contrary to our natural passions, that carry us to partiality, pride, revenge, and the like. And covenants, without the sword, are but word, and of no strength to secure a man at all. “(Hobbes, [1651] 1962: 129, italics in original). Instead, “The basic symmetry in the rules that are constitutive of Hobbes’s state of peace yields to basic asymmetries in rule- ruler-ruled relationships” (Ostrom, 1991:35).

In Vincent Ostrom’s reading, Hobbes basic presumption is that the unity of law is necessary for peace and concord, and the unity of law has to be based upon the unity of the ruler “For it is the unity of the representer [ruler], not the unity of the represented [ruled], that maketh the person [that is, commonwealth as a personated aggregate of individuals] one”.

The unity of the ruler, source of the unity of the rules, cannot thus be subjected to the rules that were created by it; it follows then that the power of the Leviathan must be absolute, inalienable, indivisible and unlimited (Ostrom, 1991:38). The Leviathan is only subject to God; but Hobbes identifies his laws of nature as being’s God’s laws (235-39), and in the absence of sovereign’s bounding by the laws of peace, the natural punishments - the reactive effects- will prevail.<sup>2</sup>

From the point of view of the outlined criteria of analysis, this category entails the communist period of Romania as one of its most obvious cases; however, the most interesting aspect from the point of view of institutional dynamic is the transformation of

---

<sup>2</sup> “There is no action of man in this life that is not the beginning of so long a chain of consequences as no human providence is high enough to give a man a prospect to the end. And in this chain they are linked together both pleasing and displeasing events, in such manner as he that will do anything for his pleasure must engage himself to suffer all the pains annexed to it; and these pains are the natural punishments of those actions which are the beginning of more harm than good. And hereby it comes to pass that intemperance is naturally punished with diseases, rashness with mischances, injustice with the violence of enemies, pride with ruin, cowardice with oppression, negligent government with rebellion, and rebellion with slaughter. For seeing punishments are consequent to the breach of laws, natural punishments must be naturally consequent to the breach of the laws of nature, and therefore follow them as their natural, not arbitrary, effects” (Hobbes 240-141)

the respective arrangement into different settings in the aftermath of the regime. The topic is extensive, but I will briefly draw some lines of interest here.

A key element is the evolving measure in which abilities of institutional crafting, the imagination necessary to create institutional artifacts, are based upon the experience of the centralized system. Elements like the conception regarding, for example, the role the state should play, and the whole diversity of beliefs constituting both the Weltanschauung of individuals and their operational knowledge enter in this category.

A second key element regards the actual inherited institutions. While being initially developed as components of a highly monocentric system, the old institutions divided in two: unsustainable institutions, which eventually disappeared, and institutions that were able to adapt and resist. In regard to the latter, an interesting hypothesis is that their survival was due to the existence of strong informal networks created around them. When the communist centralized setting dissolved, the informal networks became stronger and more reliable than the actual institution, which initially created them and managed to maintain it in some form or another. The networks and their actions were stimulated by benefits, arising from the informal network, and independent in regard to the actual institution.

### **1.3.2 Artifactual polycentric evolutions**

The concurrent tradition of David Hume, Adam Smith, Hamilton and Madison and others consists in the limitation of the government to a controllable size, combined with the provision of various means to ensure its exposure to the practice of citizenship by creating the opportunity of contestation. The values supporting this tradition are themselves a basic condition for the emergency of polycentricity.

In contrast to the Leviathan, the democratic alternative has to deal with two extremes: the incapacity of defense of the small, direct democracies, and the natural tendency towards oligarchy, of the representative systems. (Montesquieu, Ostrogorski in Ostrom 1991:43). Montesquieu's solution, the confederation –able to withstand foreign aggression while maintaining the advantages of a small republic (mostly, the avoidance of various forms of corruption)- was the inspiration of the Articles of Confederation (Ostrom 1991:44). Hamilton's analysis of the confederation's institutional failures referred primarily to the impossibility to enforce rules across the confederation, as their enforcement depended upon the participation of the member states; that is, because the subjects of the confederate constitution are, wrongly, the member-states (Hamilton, 1787). Instead, a federal setting has individuals as their basic units in the constitution of order in human societies – probably one of the most fundamental theorem in political science (Ostrom, 1991:45).

Such a constitution has the „bills of rights“ in its center, ensuring the maintenance of citizens' primate in all respects by the settlement of their inalienable rights - which should not be affected by any kind of governmental interference. The „bills of rights“ constitutes the most important safeguard against the authoritative tendencies of the invested representatives, containing basic rights as private property, freedom of communication, enforcement of contracts, freedom of association, rights to fair process of law, freedom of speech and press, freedom to a process with jury, right to bear arms.

Except for the safeguard, which plays the pivotal role, they are three other core sets of provisions. The first is the vertical distribution of power among federal levels of authority. As such, a federal government exercises prerogative confined to its domain.

States exercise limited prerogatives with reference to local units of government, which exercise independent powers of government with reference to local domains (Ostrom, 1991:45). The second is the horizontal distribution of power inside levels of authority; that is, between the executive, the legislative and the judicial branches. The third pertains to the instrumentalities establishing people's participation. Election rights, direct democracy provisions, jury trials are only some of them.

The essential conditions of limited government and possibilities of innovation and adaptation of rules provide the basic pre-conditions for polycentricity to emerge.

The first necessary condition regard the existence of a plurality of centers of power and of decision-making authorities, able to mutually balance their autocratic propensities. The second condition is the existence of the open public realm, as resulting from the balance of power and mutual contestation, while the third condition is the general system of rules as a working framework for structuring relationships, in general, and the key relationships between the power centers, in particular. The key feature of such a rule-system is its amenability by the actions of its constituting parts, the citizens. "If conditions were to change and a particular set of rules failed to evoke an appropriate set of responses, rules could then be altered to evoke appropriate responses" (V. Ostrom in McGinnis 1999, 60).

This constitutional arrangement allows for polycentricity to emerge in various areas, as the interaction of individuals shapes the institutions, enabling self-organizing communities. Such a system of change leaves the impression of an acting invisible hand, as observed by Tocqueville: "written laws exist in America, and one sees the daily execution of them; but although everything moves regularly, the mover can nowhere be discovered. The hand that directs the social machinery is invisible" (Tocqueville in Ostrom 1991: 14).

To sum up, the division of power and political viability are to found mostly in a highly federative system. If the respective conditions are met, polycentric tendencies at various levels are stimulated: "...surprisingly few economists have focused upon the interorganizational level with reference to public economies as distinguished from market economies. Highly federalized systems of government permit the emergence of quasi-market conditions in public economies, and these conditions have important implications for the public quality of life. Invisible-hand effects can be expected to occur in public economies concerned with the production and use of public goods and services as well as in market economies concerned with the production and distribution of private ones." (Ostrom, 1991:16).

The cases relevant to this category seem to be rather few. "The American experience, perhaps unique in history, has embodied the attitude that we create the institutions within which we interact, one with another, that we construct the rules that define the game that we all must play." (Buchanan, [1979] 1999:255).

The knowledge of the Romanian society in regard to institutional crafting in the aftermath of the communist regime relied on two main sources: the pre-war experience and the foreign models. It is important to note that both sources provide *theoretical* knowledge only: in the lack of a daily practice or routine of polycentric institutional setting, the institutional design was based upon theoretical knowledge but lacked accuracy, suffering of essential informational distortions. For example, I hypothesize that while the division of power was known and accepted as a democratic principle, the actual *importance* of the division of power and the necessity of a highly *accurate constitutional setting* of the division of power was not comprehended and resulted in serious deficiencies in the later functioning of institutions. In this respect, when comparing the

environment in which the constitutions of the USA, respectively of the post 1990 Romania were created, a striking difference is the operational experience of local self government that benefited the American elites at that time – before the constitutional creation-; while in Romania, the only available experience was that of a highly monocentric setting in which the state and the party were running everything, inclusively people’s private lives.

### 1.3.3 Spontaneous monocentric evolutions

“The old medieval conception of the relationship between the individual and civil society no longer had much application with the rise of individualism and the growth of statute law. *Leviathan* was a brilliant attempt to conceptualize the new form of association that was developing – that of the nation state.” (Richard S. Peters in the introduction to Thomas Hobbes, *Leviathan*, ed. By Michael Oakeshott, New York, Macmillan, 1962: 14).

The question of the existence of spontaneous tendencies towards monocentricity doesn’t attract much interest today. The explanation has to do with the fact that monocentric spontaneous tendencies are the default line in the conventional political thinking.

Hobbes innovation of the contractual terms tends to obscure his more comprehensive framework: “The attaining of this sovereign power, is by two ways. One by natural force; as when a man maketh his children, to submit themselves, and their children to his government, as being able to destroy them if they refuse; or by war subdueth his enemies to his will, giving them their lives on that condition. The other, is when men agree amongst themselves, to submit to some man, or assembly of men, voluntarily, on confidence to be protected by hi against all others. This latter, might be called a political commonwealth, or commonwealth by *institution*; and the former, a commonwealth by *acquisition*.” (Hobbes, [1651]1996:133). The spontaneous monocentric tendency is thus the expression of conflict: the *Realpolitik* dominance of the strongest and the result of unconstrained and high power asymmetries. The logic of conflict is perpetrated in the monocentric setting: the group controlling the center must allocate significant resources to maintain its position. Hypothetically, the roots of the international system established by the Westphalian peace might be considered an example in this respect; the long religious wars in Europe shaped the emergence of centralized nation-states as a response to conflictual environment.

Other example regards the reaction of groups and larger political communities; when under aggression or threatened, a spontaneous monocentric movement ensures the centralized, army-like cooperation for the attainment of the public good of defense.

In early 90s’ Romania the danger of widespread ethnic violence was a close possibility. The contemporary, by then, experience of evolutions in neighboring Yugoslavia, the local ethnic violences in Tg. Mures in 1991 and the widespread use of nationalism for electoral purposes maintained an atmosphere of suspicion and fear<sup>3</sup> of the possibility of escalating ethnic conflict. I hypothesize that a fairly large number of monocentric constitutional settings were highly supported by the population in response to this atmosphere. The spontaneous monocentric tendency resulting from the fear of conflict blocked several reforms for a few years. For example, for avoiding separatist

---

<sup>3</sup> The constitution was drafted in 1991.

tendencies, administrative decentralization only took place in 1999-2002. Increases in local autonomy, when combined with ethnic-based politics, still create suspicion for the same reason.

#### 1.3.4. Spontaneous polycentric evolutions

Polanyi extends the Adam Smith concept of self-cooperation to various activities in the intellectual field (progress of science, common law) and compares the economic and intellectual systems of spontaneous order, showing that “the individual action by which the former operate are purely competitive, while those of the second are in the first place consultative, i.e. adjusted with reference to an established professional opinion.” (Polanyi 1951: 166). Referring to intellectual spontaneous orders “each of these fields represents a common heritage accessible to all, to which creative individuals respond in the form of proposed innovations, which, if accepted, are assimilated to the common heritage and passed on for the guidance of generations yet to come” (Polanyi 1951: 165).

In the case of complex social systems the regulative setting appears as a result of voluntary mutual adjustments in behavior, self-determination and free action. The common cultural heritage is a sufficient basis for ensuring the necessary conservation and stability, which creates the conditions for change to bring improvements rather than to act as a chaotic factor; thus setting the basic mechanism providing the possibility of progress.

The further analysis by Hayek acknowledges the present cultural heritage as the result of an evolutionary process through which "the present order of society has largely arisen, not by design, but by the prevailing of the more effective institutions in a process of competition" (Hayek 1979, p. 155); out of these, the relevant elements guiding the human action are separable in three layers "there is, of course, in the first instance, the solid, i.e. little changing foundation of the genetically inherited, 'instinctive drives' which are determined by his physiological structure. There are then all the remains of the traditions acquired in the successive types of social structures through which he passed [...]. [Third, on top of all this, the thin layer of rules, deliberately adopted or modified to serve known purposes." (1979:159-160)

In the case of Romania's institutional evolutions, the sources of spontaneous polycentric path are to be found in two areas.

The first free markets in early 90s represented a phase of *direct experience of free interaction*, with the consumption markets being supplied starting from a near-zero point. The experience of free trade at small scale, both domestic and with the neighboring countries was the most obvious one<sup>4</sup>. The second source was the *accumulation* of experience in entrepreneurial self-governing. People were forced to govern their lives and families - which wasn't something they had to do under communism in a very large measure. The most successful extended their abilities to opening businesses and other entrepreneurial activities.

These evolutions in the institutional knowledge transferred to the political arena. The parties and various formal or informal associations and networks progressively structured the political society through a trial-and-error learning process, building on the accumulating experience.

---

<sup>4</sup> For example, it was possible to go to Hungary, sell a few things, buy consumption goods you need from there, bring back other things and sell them in Romania and cover all the costs of the trip and also win some money. Later, some people specialized in this small trade over the border, establishing supply lines, storing facilities and customer networks, keeping the pace with the increasing arbitrage between the two markets for a while.

The demand for and increasing scrutiny of public services forced progressive administrative decentralization, as centralized systems were unable to provide them. But a more interesting constitutional evolution can be noted. The undeveloped citizens – policy-makers relationships and the reduced administrative capacity of the state did not have a correlative impact on the amount and scopes of regulative outputs. Without having the means (the institutions and abilities) to influence the output, citizens answered with widespread non-compliance, and alternative institutional innovations. The half-or-less implementation of regulations is a daily and important phenomenon in the postcommunist evolution. Widespread non-compliance and innovation of alternatives represent an important polycentric constitutional institution when the right to non-comply with a regulation is informally recognized and accepted in the community. Self-governing arrangements of local or trans spatial CPRs emerged in response to this type of administrative under performance.

#### **1.4. Conclusions**

It has been shown that the two dyads, applicable to systemic institutional changes, describe four types of tendencies, from the point of view of the characters of the respective processes and outcomes.

The artifactual monocentric tendency is the best represented one, mainly in the broad collection of various political and millenary ideologies. They all suppose a centralized enforcement of order.

The artifactual polycentric tendency has to do with the historical relevant artisanship actions of individuals trying to materialize specific sets of values, transforming citizenship and individualism into organizational and institutional arrangements at the constitutional level.

The spontaneous polycentric tendency takes into consideration constitutional creation as resulting from the aggregation of both purposeful actions and unintended consequences.

The spontaneous monocentric tendency refers to “natural” monocentricity, resulting from the logic of conflict, being in accordance with the “default” view of politics. The formation of centralized European nation-states in the conflictual environment of the religious wars, as well as centripetal tendencies when communities face the possibility or imminence of conflict<sup>5</sup> are very good examples in this respect. The categories led to a set of hypothesis regarding an array of specific institutional changes in post communist Romania.

## **II. The microeconomics of institutional change**

If all information would be available, then discussions related to the polycentricity/monocentricity or spontaneous/artifactual dyads would all be reducible to the microeconomic analysis. However, it is a safe assumption that all human actions have both intended and unintended consequences. Furthermore, it seems clear that an analysis

---

<sup>5</sup> The spontaneous monocentric tendency is subject to manipulation; for example, in the 80s, Ceausescu’s propaganda exaggerated the possibility of a conflict with the Western powers in order to increase cohesion and domestic support for his regime.

of (broad) institutional change will never have all the information in regard to all human actions and their intended and unintended consequences.

The institutional changes present both an artifactual and a spontaneous aspect. The artifactual institutional change refers to “the thin layer of rules, deliberately adopted or modified to serve known purposes” (Hayek, 1979: 159). In the same time, all human actions (which are not deliberately directed to change rules) have unintended consequences by either respecting (thus enforcing) or by breaking rules. Hayek refers to this second source of institutional change as the general evolution of culture - "steps of evolution of culture were made possible by some individuals breaking some traditional rules and practicing new forms of conduct - not because they understood them to be better, but because the groups which acted on them prospered more than others and grew. [...] And the law-breakers, who were to be path-breakers, certainly did not introduce the new rules because they recognized that they were beneficial to the community, but they simply started some practices advantageous to them" (Hayek 1979: 161).

In regard to the first source – the deliberate institutional change, based upon institutional learning -, the model of institutional change developed in the IAD framework is constructed upon the bounded rational individual as an agent of change. In any institutional arrangement, the institutional change represents a second-order problem of collective action, with status quo as default alternative for all possible dynamics:

“...Under such conditions individuals will have an incentive to function as public entrepreneurs when they can conceptualize circumstances where common actions can be taken to realize a public benefit for a discrete community of people. If the projected benefits will exceed costs by a margin which is recognizable by any reasonable person, then individuals will have an incentive to risk an expenditure of some time, effort and money provided that known institutional facilities are available to bind each member of the community of beneficiaries to pay his proportion of the costs.” (Ostrom, 1972: 70)

The liberty of coalition-formation, as vehicle of institutional change, is one of the basic conditions for the public entrepreneurs to be able to transform potential conflict into opportunities by offering concurrent alternatives of change. The actual entrepreneurial activity consists in identifying exogenous induced opportunities and in satisfying them according to an economic calculus. Ruttan (Ruttan, 1978, Ruttan, 2003) proposes such a theory of induced institutional change. Institutional change is induced by a. a demand for more effective institutional performance that arises out of the shifts in relative factor and product prices and the changes in income distribution that are associated with economic growth and b. advances in the supply of knowledge about social and economic organization, behavior and change.

Such demand-induced institutional change examples are the improvement of property rights system in order to deal with ecologic externalities, or earlier institutional developments in Middle Age Europe demanded by increasing scarcity of land as result of demographic change and the increasing value of labour, finally leading to the dissolution of the three-party manorial system. (North in Ruttan 1978:335). The supply aspect has to deal with the political entrepreneurs mobilizing political resources. Supply schedule of institutional innovation is determined by the marginal cost schedule facing political entrepreneurs as they attempt to designate new institutions and resolve the conflicts among various vested interest groups (or suppress the opposition when necessary) (Ruttan, 2003:17). Institutional innovations will be supplied if the expected return from the innovation that accrues to the political entrepreneurs exceeds the marginal cost of mobilizing the resources necessary to design and introduce the innovation. If private return to the political entrepreneur is different from the social return, the institutional

innovation will not be supplied at an optimum level. (Frohlich, Oppenheimer and Young 1971 in Ruttan 2003:17). However, the reason why this doesn't happen so smoothly is the "imperfection of economic and political markets that translate the latent sources of demand and supply of institutional change into effective institutional innovation".

The various analysis undertaken to give account of technological change as induced by demand but constrained on the supply side, are extended by Feeny (1988) as a metaphor to the demand and supply for institutional change. Feeny notes that, in fact, a variety of studies of institutional change employed a "Coaseian perspective (Coase, 1960), in which institutions were seen to be altered when the benefits exceeded the costs. The approach explicitly recognized the importance of transaction costs in affecting the choice of institutional arrangements."

While in many cases, "there is the implicit assumption that fundamental arrangements afforded a broad choice set, and that a particular set of institutional arrangements was chosen on the basis of its efficiency characteristics" (Feeny 1988: 165), a large array of counterexamples of choosing sub optimal, deficient institutions is always available. Elements like ideology, elite's private interests and loose political competition reduce the demand/supply metaphor to a general account of interests and intentionality.

The demand for institutional arrangements, based upon "the recognition that existing arrangements leave potential gains uncaptured" and the logic that "agents will demand new arrangements when the net expected benefits to them of creating and utilizing the new arrangements are positive" (Feeny 1988: 176): relative product and factor prices (including demographic change), constitutional order (for example, the widening of suffrage, the modification of the electoral system), technology (e.g. transportation), the size of market (as the size of the market increases, fixed costs may be recovered on a large number of transactions rather than being focused on a relatively few).

The supply of institutional change "depends on the capability and willingness of the political order to provide new arrangements". The existing set of basic rules of political order, as well as the existing set of institutional arrangements, will have a profound effect on both the capability and the willingness of the political order to respond to shifts in the demand for particular institutional arrangements. (Feeny 1988: 182). Thus, factors shaping the supply of institutional solutions are: the constitutional order, the existing institutional arrangements, cost of institutional design, existing stock of knowledge, expected cost of implementing new arrangements, normative behavioural code, conventional wisdom, expected net benefits to elite decision makers.

Oakerson rightly circumscribes the too bold identification of institutional change processes with the market processes through the concept of reciprocity, as different from exchange. In his view (Oakerson 1988: 142) exchange "is based upon an explicit quid pro quo between two parties. It is a productive relationship in the Pareto-superior sense that both parties are left better off while no one is left worse off", while "political activity does not consist of exchanges in the market sense of the term" (idem). He is further suggesting "that productive political relationship follow a pattern of "reciprocity" and that reciprocal behavior is the activity that characterizes a productive politics" (idem, 143). From this point of view, "political development, parallel to economic development, consists of the expansion of opportunities for productive reciprocity." (idem,143)

Both exchange and reciprocity are mutually productive transfers and both increase social welfare, but "reciprocity is different from exchange, however, in its lack of discreteness. Not a series of discrete exchanges, reciprocity is more like one on-going relationship between or among persons based upon mutual expectations of behaviour, without a fully contingent quid pro quo." Reciprocity is also exposed to free rider –

shirking, when a part does less than expected in a reciprocal relationship. Such a relation is essentially based upon trust, fairness and mutual respect in what regards both two-person relationships as well as N-person relationships. In Oakerson's reading, Olson (1965) denoted N-person reciprocity as collective action.

By definition, the spontaneous source of institutional change (the unintended consequences of human actions, sanctioning or breaking rules) is somewhat less "accountable". The incentives to defect from the collective action of maintaining a rule constitute the primary line in explaining this kind of institutional change. From this perspective, actors are somehow engaged in the "creative destruction" of rules, since a rule, which cannot be maintained, is not a proper rule adapted to circumstances. Actions of the individuals continuously re-shape the set of rules "If conditions were to change and a particular set of rules failed to evoke an appropriate set of responses, rules could then be altered to evoke appropriate responses" (V. Ostrom in McGinnis 1999, 60). Thus, spontaneity is neither a result of central planning, nor a natural phenomenon, but the unintended consequence of human actions. "The simplest way of expressing the major thesis of the theory of spontaneous order is to say that it is concerned with those regularities in society, or orders of events, which are neither (1) the product of deliberate human contrivance (such as a statutory code of law or a *dirigiste* economic plan) nor (2) akin to *purely natural* phenomena (such as the weather, which exists quite independently of human intervention). While the words *conventional* and *natural* refer, respectively, to these two regularities, the 'third realm,' that of *social* regularities, consists of those institutions and practices which are the result of human action but not the result of some specific human intention."(Barry, 2004)

These microeconomic accounts of institutional change find themselves as basis of the tradition of the scholars concerned with the politics of public policies; they're insights will be briefly overviewed inside the following section.

### III. The collective level

In the previous section it has been shown that the dynamics at the constitutional level could be understood with reference to the dyads of institutional change: the monocentric/polycentric direction and the artifactual/spontaneous character of the process. The different microeconomics of the artifactual and spontaneous institutional changes were further explored.

In this section the focus will shift towards the collective arena, trying to see whether collective level changes can be interpreted in the same framework. Such a possibility would add to our capacity of understanding the meaning of incremental changes' in relation to system-level evolutions.

While the use of typologies is multifold, in this paper the two criteria of, first, the *character of a process leading to an institutional change* and, second, the *consequences of the respective change on the polycentricity/monocentricity dyad* will be used as a heuristic device to highlight the relevant theoretical dimensions of some types of collective-level changes. The tool might be further developed to help compare cases and identify their interaction effect.

While the use of typologies is multifold, in this section the two criteria of, first, *the constitutional character of an order or tendency* and, second, the *type of process leading to the respective outcome* will be used as a heuristic device to highlight the relevant theoretical dimensions of some types of collective-level changes. The tool might be

further developed to help compare cases and identify their interaction effect. “In its simplest form, classification is merely defined as the ordering of entities into groups or classes on the basis of their similarity....we generally seek to minimize within group variance, while maximizing between-group variance. This means that we arrange a set of entities into groups, but each group is internally as homogeneous as possible. By maximizing both within group homogeneity and between-group heterogeneity, we make groups that are as distinct (nonoverlapping) as possible, with all members within a group being as alike as possible.” (Bailey, 2005:1)

The key precondition of polycentricity -the existence of multiple centers of power -, is the precedent of the working system of rules. The institutional arrangements result from the interaction of the respective centers in the context of a polycentric power distribution. This section will focus on the impact of collective level institutional changes upon the distribution of power in the system. For this purpose, power is simply defined *as capability of authoritative allocation of value*. Therefore, the working assumption is that collective-level changes impact the distribution of power. Any distribution of power, and therefore, a re-distribution of power resulted from collective changes, is supposed to lead to pressure for constitutional change. The institutional changes at the collective level can be interpreted in the light of the two dyads by considering their consequences upon the structure of power in the system, on the monocentric/polycentric dyad.

### **3.1. The relevance of the monocentric/polycentric dyad at the collective level**

From the point of view of institutional dynamic, the monocentric/polycentric dyad refers to the direction of change. The dyad’s both ends (monocentricity and polycentricity) refer to the relative power relationship and the resulting set of rules.

At the collective level, the intended and unintended consequences of changes impact the power relationships, with further possible consequences at the constitutional level. The argument results from a reinterpretation of the insights first developed by Lowi (Lowi, 1964) and continued by a whole line of research (Heinelt, 2005), in regard to the connection between policies and politics. Lowi’s basic arguments were that: “(1) The types of relationships to be found among people are determined by their expectations – by what they hope to achieve or get from relating to others (2). In politics, expectations are determined by governmental outputs or politics. (3) Therefore, a political relationship is determined by the type of policy at stake, so that for every type of policy there is likely to be a distinctive type of political relationship. If power is defined as a share in the making of policy, or authoritative allocations, then the political relationship in question is a power relationship or, over time, a power structure.” (Lowi, 1964:688)

The reinterpretation consists in considering the consequences of any collective-level change, instead of a policy, upon the centers of power. It is thus considered that a collective level change increasing the centralized authoritative allocation capability is promoting a monocentric tendency, while an institutional change at the collective level, which increases the resources allocated by decentralized, market-like and reciprocity based interactions, is promoting a polycentric tendency. Thus, “‘It is not the actual outcomes but the expectations as to what the outcomes can be that shape the issues and determine their politics.’ Lowi (1964: 707) This leads to different kinds of ‘policy arenas’ which exhibit particular features of conflict or consensus. They are crucially shaped by the costs and benefits identified by those involved.” (Hubelt 2005:2)

The “politics of policies” tradition shows that are policies have more or less obvious distributive outcomes, which shape the politics around the respective changes: “a policy aimed at redistribution and an unequal allocation of costs and benefits will be found in an arena characterised by conflict. By way of contrast, a policy trying to offer universally available services or goods with unclear consequences for the distribution of costs and benefits will be found in an arena characterised by conflict-free processes of policy making” (idem). This seems a too sharp assertion of the existence of conflict-free processes of policy making; but the main idea is clear: “In all components of conventional politics – legislative, administrative, judicial and civil society – the choice of policy mechanisms imposes predictable constraints on the outcomes of public actions and is not simply derivative from either the electoral process or the configuration of interest groups” (Nicholson 2002: 165 with reference to Lowi 1972: 300 in Hubelt 2005:2).

I assume that the modification of the power relationships as resulting from collective-level changes will impact constitutional changes, as the constitutional setting will be pressure to internalize the new realities.

They are three parties in all policies: the “gainers” (the ones receiving the benefits), the “losers” (the ones paying the costs) and the enforcers. What this approach doesn’t stress enough is the resulting distribution of the meta-resource; that is, the power to authoritatively allocate resources. This aspect of distribution is the actual distribution of power, while the rest of them represent means to influence power. Furthermore, the choice of the enforcement system is constrained by the relatively reduced options, as shown in the preceding section.

Knight refers to the same problem in a more complete way. According to his logic of institutional development based on distributional conflict, “social institutions are a by-product of strategic conflict over substantive social outcomes. By this I mean that social actors produce social institutions in the process of seeking distributional advantage in the conflict over substantive benefits. In some cases they create institutional rules consciously, and in other cases the rules emerge as unintended consequences of the pursuit of strategic advantage” (Knight, 1992:126). “Institutional development is a contest among actors to establish rules that structure outcomes to those equilibria most favorable to them. The contest is determined by the parties’ relative abilities to force others to act in ways contrary to their unconstrained preferences.” (Knight, 1992:127).

The collective choices affect the distribution of power (the “power asymmetry”, in Knight’s terms), which I assume that further affects the bargaining on constitutional institutions. Bargaining success depends on the credibility of strategic commitments and the attitudes of bargainers toward risk and time. Thus “those actors with a relative bargaining advantage can force others to comply with institutional rules because compliance is the best reply to the actions of the other members of the group... social actors respect these institutional rules not because they have agreed to them and not because they evolved as Pareto improvements but simply because they cannot do better than to do so.” (Knight, 1992:127). The “initial” bargaining outcome is essential, because once an institution was established, its further change comes slowly and costly, because it supposes a change in the equilibrium outcome that was previously anticipated as solution (Knight, 1992:127). The default strategic behavior is respecting existing social institutions, unless “assuming that they have the power to change them, external events change and alter the long-run benefits produced by them, or (2) assuming that other arrangements will produce a more favorable distributional division, they can resolve the

formidable collective-action problems prerequisites to such institutional change." (Knight, 1992:127).

To sum up, a political environment shaped by the change's expected outcomes surrounds every collective-level institutional change. Except for the general distributive outcome, the distribution of a special kind of resource is visible and essential: the power to allocate value, which is distributed by the choice of the enforcement system.

### **3.2. The spontaneous/artifactual dyad**

The spontaneous/artifactual dyad deals with the character of the process leading to the collective level institutional change. It has been shown in the preceding section that, while the artifactual aspect refers to the purposeful institutional change by constitutional means, the spontaneous aspect refers to conditions for institutional change arising as unintended consequences of human actions. Lowi and his followers, as well as Knight, do not refer to collective-level institutional change as resulting from unintended consequences, treating them as given.

What Hayek called "cultural evolution" refers to outcomes arising from spontaneous evolutions, which impact at some point the collective-level arena. The status quo is enforced by unintended consequences sanctioning the rules in place, while the breakers promote institutional change. A critical mass of defections from observing a rule leads to institutional change at the collective level. Furthermore, spontaneous institutional innovation arises when new self-enforcing rules are observed.

The spontaneous/artifactual dyad enables the discussion regarding all collective-level institutional changes, by reducing the traditional focus on public policies. Spontaneous sanctioning or breaking rules is thus part of the focus.

### **3.3. The collective-level typology**

The causal relationship I assumed between collective level institutional changes and constitutional level institutional changes, drawing on the mentioned literature by Lowi and Knight, is mediated by power distribution resulted from collective level institutional change. A visible and important aspect of distribution is the attribution to distribute, respectively the choice of the enforcement system.

Extending Firmin-Sellers argument, at the constitutional level, a group would prefer a monocentric setting if it has reasons to suppose that it will be able to control the outcome as a result of its power advantage over the others. Conversely, if relative power symmetry is present, a group would prefer polycentric settings.

I have argued that the authority to allocate value should be treated separately from the other resources (including capacity to make credible commitments, attitude towards risk-taking and time preference) as representing basically the institutional expression of other resources distribution.

#### **Criteria**

The type of enforcement represents the actual distribution of allocation authority. It includes the distributional effect of a collective institutional change as the distributional effects expected from two types of enforcement: an agency-based enforcement is

providing distributional streams to known recipients, while a market-based enforcement provides a dispersed distributional effect.

The secondary dyad indicates spontaneous institutional crafting by basically sanctioning (enforcing) or breaking a collective-level rule, respectively by spontaneous institutional innovation. The spontaneous aspect is visible when rules become de facto obsolete or new rules emerge - with only informal enforcement.

The resulting typology will thus be able to group collective level institutional changes according to their effect upon the distribution of power and according to the character of the processes leading to the respective change.

Collective	Artifactual	Spontaneous
Monocentric	3.3.1. Artifactual changes (policies) providing authoritative allocation resources to a center of power.	3.3.3. Institutional changes resulted from unintended consequences (sanctioning, breaking or innovating rules) secured through monocentric enforcement.
Polycentric	3.3.2. Artifactual institutional changes (policies) increasing overall resources which are distributed according to market/quasi-market principles to dispersed and unknown individuals.	3.3.4. Spontaneous changes leading to de facto institutional change - without relying on monocentric enforcement.

### 3.3.1. Policies with monocentric enforcement

This category refers to institutional changes resulting from entrepreneurial purposeful action directed to produce or affect institutional change, which has as an implicit effect the provision of authoritative allocation resources to a center of power.

Such an institutional change at the collective level affects the constitutional level by strengthening the position of a center of power – usually the government. The category cover most distributive policies enforced by the means of a state agency: for example, the financing of cultural projects by the Romanian Ministry of Culture. The Ministry set up a financing mechanism for cultural projects, in which the Cultural Fund, an institution subordinated to the Ministry, is allocating state subsidies for cultural projects. The actual selection of financed projects is based upon commissions of experts (peer-review) but higher allocative decision-making (for example, the division of money between branches) must be coherent with Ministry’s strategy.

The process leading to this outcome is an artifactual classic policy decision. The effect is that the system is improving ministry’s central role and effective magnitude in the field of culture, distorting the market for culture and possibly creating a niche of dependants.

### **3.3.2. Market-based policies and policies of market-implementation**

This category refers to an artifactual institutional change (a policy) increasing overall resources, which are distributed according to market/quasimarket principles. Such an allocation type not only disguises the distribution of value but also does not require an individual or organization to assume the enforcement.

An example in this respect could be the implementation of the flat tax. The reforms undertaken in Romania in 2005 have the flat tax as core-accomplishment so far. Assuming a proposal previously made by some NGOs in 2003, the center-right Alliance set a 16% flat tax as the policy cornerstone of its political platform. The main argument was a simple Laffer one: while the (nominal) taxation level was 25 percent corporate profit tax and ranging in five brackets between 23% and 40% for the personal income tax, due to evasion –estimated to be up to 40% of GDP–, the effective taxation rate was in fact 16 percent. So the lowering of the nominal tax rates to match the real one, at 16 percent, would enlarge the taxation base in the seek to achieve a Laffer optimum. Except for the corporate and income tax, other various taxes were set at the uniform level of 16% and the tax collection was simplified by renouncing at the complicate global income forms in favor of a direct 16% tax, applied to the source of income, for persons having a single source of income (about 80% of taxpayers). The simplified system has lower maintenance costs and ensures a whole array of advantages, like a more uniform tax collection and a reduced probability of personal accounting mistakes.<sup>6</sup>

The introduction of flat tax starting with 2005 represented both an actual tax cut and other economies. Their market-allocation provides for unknown distribution and less centralized enforcement.

### **3.3.3. Spontaneous evolutions leading to monocentric enforcement**

This category of collective-level institutional changes comprises cases in which a monocentric collective-level rule is used to secure an existing –spontaneous- distribution of power. An example is companies' lobby for protectionism.

A spontaneous process -the increase of some companies' market share- increases their lobby capacity and reduces their desire to observe free market principles. At some point they are able to engage an institutional change at the collective level, say, to impose some kind of entry barriers to newcomers. The change results in an increase of state's power by its extended attributes and leverage against both the dependent, protected companies and the newcomers. A spontaneous evolution is enforced as status quo through monocentric enforcement.

### **3.3.4. Spontaneous removal of monocentric settings**

Refers to unintended consequences leading to de facto institutional change or maintenance. All actions have unintended consequences. Such consequences enforce or

---

<sup>6</sup> Six months after implementation, budgetary revenues increased with about 4.7% compared with the same period of the previous year. A cumulated 16% increase is estimated for 2005. 100 000 new jobs were added to the economy in the first five months (140 000 in the first eight)6. Important economies of scale are arising from the reduction in bureaucratic infrastructure necessary to manage the tax collection system, as well as the easing of people's efforts to fill out the fiscal declarations.

break rules. If they break monocentric institutional settings, they engage in some form of ‘creative destruction’ in respect to institutional evolution.

For example, the city-level centralized heating system, constructed under the communist regime is highly inefficient and supposes a minimum number of users to cover its costs. It had political use under communism (underlying the regime’s ability to control living conditions of the population by giving “more” or “less” heat, according to the policy line. The technological improvements in apartment micro centrals decreased the number of users of the centralized system. Two years ago, the government tried to pass a regulation imposing administrative exit barriers from the centralized system, in a try to save its sustainability. The regulation wasn’t passed after the whole opposing reactions, but a spontaneous evolution (induced by technology) eliminated a specific centralized system of rules.

## **Conclusions**

In the first section it has been shown that the dynamics at the constitutional level could be understood with reference to two dyads of institutional change: the monocentric/polycentric direction and the artifactual/spontaneous character of the process. The typology led to a few hypotheses regarding some constitutional-level evolutions in postcommunist Romania. It was further shown, in the second section, the different microeconomics of the artifactual and spontaneous institutional changes.

In the last section, the focus shifted towards the collective arena, trying to see whether collective level changes can be interpreted in the same framework. The key link between the collective level and the constitutional level was considered to be the impact of collective-level choices upon the distribution of authoritative allocation capability. The authoritative allocation of value capability, or power, is the meta-resource traded in the collective level institutional changes. Its allocation could be monocentric or polycentric headed. The working assumption was that the reshaping of the power relationships will lead to pressure for change at the constitutional level.

Following this reasoning, the conceptual typology described by the dyads is grouping artifactual-type collective institutional changes which act towards a monocentric decision-making capabilities, artifactual-type collective institutional changes which act towards polycentric decision-making, spontaneous changes resulting in the use of monocentric collective decision –making and spontaneous changes resulting in polycentric decision-making. Examples are provided for each category.

The paper adds to the clarity of possible types of institutional change and provides a basis for further developing a heuristic tool of exploring possible impact of collective institutional changes upon power relationships and constitutional relations. It also circumscribes cases and produces hypothesis for further research regarding certain institutional evolutions.

## References

- Bailey, David, (1994) *Typologies and Taxonomies. An Introduction to Classification Techniques*, New York: Sage
- Barry, Norman, (2005) “The Tradition of Spontaneous Order”, bibliographical essay, The Online Library of Liberty, Liberty Fund
- Binswanger, Hans P., Ruttan, Vernon W. et al, *Induced Innovation. Technology, Institutions, and Development*, Baltimore and London: John Hopkins University Press, 1978
- Buchanan, James M., (1990) *The Reason of Rules*, in *The Logical Foundations of Constitutional Liberty*, Liberty Fund, Indianapolis: 1999
- Feeny, David, (1988) “The Demand for and Supply of Institutional Arrangements”, in Vincent Ostrom, David Feeny and Hartmut Picht, *Rethinking Institutional Analysis and Development*, International Center for Economic Growth
- Firmin-Sellers, Kathryn, (1999). “The Concentration of Authority: Constitutional Creation in the Gold Coast, 1950) in Michael D. McGinnis, ed. *Polycentric Governance and Development: Readings from the Workshop in Political Theory and Policy Analysis*, Ann Arbor: University of Michigan Press, 186-208
- Hayek, Friedrich, “The Use of Knowledge in Society”, *American Economic Review*, XXXV, No. 4; September, 1945, 519-30.
- Hayek, Friedrich August von (1978a). *The Three Sources of Human Values*. London: London School of Economics and Political Science.
- Hayek, Friedrich August von (1978b). *New Studies in Philosophy, Politics, Economics and the History of Ideas*. London-Henley: Routledge & Kegan.
- Hayek, Friedrich August von (1979). *Law, Legislation and Liberty, Vol. III, The Political Order of a Free People*. Chicago: The University of Chicago Press.
- Heinelt, Huber, (2005). “Do Policies Determine Politics?”, working paper 11, School of Policy Studies, August 2005
- Hobbes, Thomas, (1651). “*Leviathan or the Matter, Forme and Power of a Commonwealth Ecclesiastical and Civil*”, ed. Michael Oakeshott, [1651], New York: Macmillan, 1962
- Kiser, Larry L. and Elinor Ostrom, (2000). “The Three Worlds of Action: A Metatheoretical Synthesis of Institutional Approaches” in Michael D. McGinnis, *Polycentric Games and Institutions*, The University of Michigan Press, Ann Arbor
- Knight, Jack, (1992). *Institutions and Social Conflict*, New York: Cambridge University Press

- Kuhnert, Stephan, (1988). "Private Initiative in Polycentric Orders", conference paper WPTPA, 1998
- Lowi, Theodore J., (1964). "American Business, Public Policy, Case-Studies, and Political Theory", *World Politics*, Vol. 16, No. 4 (Jul.,1964), 677-715
- Mises, Ludwig von, *Die Gemeinwitschaft*, 1922 trans. *Socialism*, 1936)
- Oakerson, Ronald (1988) "Reciprocity: A Bottom-Up View of Political Development." in Vincent Ostrom, David Feeny and Hartmut Picht, *Rethinking Institutional Analysis and Development*, International Center for Economic Growth
- Ostrom, Elinor. 1989. "Microconstitutional Change in Multiconstitutional Political Systems." *Rationality and Society* 1:11-50
- Ostrom, Elinor. 1996. "Institutional Rational Choice: An Assessment of the IAD Framework." Presented at the 1996 Annual Meetings of the American Political Science Association, San Francisco, August 29-September 1, 1996.
- Ostrom, Vincent, "Polycentricity"(I and II), (1972). In Michael D. McGinnis, *Polycentricity and Local Public Economies*, 1999
- Ostrom, Vincent (1980). Artisanhip and Artifact, *Public Administration Review*. Vol. 40: 309-317.
- Ostrom, Vincent (1988). Opportunity, Diversity, and Complexity, in: Vincent Ostrom, David Feeny and Hartmut Picht (eds.), *Rethinking Institutional Analysis and Development: Issues, Alternatives and Choices*. San Francisco: International Center for Economic Growth Press: 389-406.
- Ostrom, Vincent (1989a). *The Intellectual Crisis in American Public Administration*. 2<sup>nd</sup> ed., Tuscaloosa-London: The University of Alabama Press.
- Ostrom, Vincent (1989b). Executive Leadership, Authority Relationships, and Public Entrepreneurship. Working Paper, Workshop in Political Theory and Policy Analysis, Indiana University, Bloomington. January 19.
- Ostrom, Vincent (1991). *The Meaning of American Federalism*. San Francisco: Institute for Contemporary Studies Press.
- Ostrom, Vincent (1995). Where to Begin? *Publius: The Journal of Federalism*, 25: 45-60.
- Ostrom, Vincent (1997). *The Meaning of Democracy and the Vulnerability of Democracies*. Ann Arbor: The University of Michigan Press.
- Ostrom, Vincent (2005). Citizens-Sovereigns: the Source of Contestability, the Rule of Law and the Conduct of Public Entrepreneurship, Gaus lecture.

Ostrom, Vincent, Charles M. Tiebout and Robert Warren (1961). The Organization of Government in Metropolitan Areas: A Theoretical Inquiry, *The American Political Science Review*, 55: 831-842.

Polanyi, Michael (1951). *The Logic of Liberty*. Chicago: The University of Chicago Press.

Popper, Karl Raimund, (1945). *The Open Society and Its Enemies*, [1945] London: Routledge & Kegan Paul; repr. Routledge, 1993

Ruttan, Vernon W., *Social Science Knowledge and Economic Development*, Ann Arbor: University of Michigan Press, 2003