

Index

- adverse selection, 66–67
agency costs, 66
Agrippa's trilemma, 223
allocation, 39–45, 224–226, 242
allocation approach, 224
as if explanation, 88
asset specificity, 69
asymmetric information, 65–68
- banking, regulation of, 131
bargaining power, 73, 174–176
behavioral assumptions, 68–70
behavioral economics, 103
Bertelsmann Transformation Index (BTI), 139
bivariate, 139
black box, 62
black market, 56, 131
black market exchange rates, 131
bureaucracy, 52, 105, 108, 126, 163, 216, 250
Business Environment Risk Intelligence (BERI), 138
- Ceteris paribus*, 57
cheap talk, 95, 200, 244
circular argument, 223
civil law, 171
civil society, 53, 146
climate, 101, 112, 214
Coase theorem, 39–45, 189
coefficient of determination, 156
cognition, 208, 257
collective action problem, 15–16, 81, 162, 168, 175–177, 183, 186–187, 190
collective decision-making, explicit process, 185
colonization, 117, 171–173, 184
commitment approach, 200
common law, 171
common pool problem, 161
common pool resources, 99
communication, 183, 200, 202, 244, 258
comparative institutional analysis, 22, 100, 250
conditional cooperation, 202
constitution, 91, 101, 103, 177
constitutional economics, 32–33, 83, 166, 227
constitutional ignorance, 233
constitutional level, 83
contestable markets, 250
contract, 16, 39, 65
 neoclassical contracts, 72
 nexus of contracts, 64
 relational contracts, 72
contract theory, 32, 166
contract-intensive money (CIM), 124
contributions of NIE, 7
convention, 17, 24, 75, 95, 256
coordination approach, 225, 232
corporate culture, 75, 264
correspondence theory of truth, 222
corruption, 126
Corruption Perceptions Index (CPI), 139
counterfactual argument, 204
creative destruction, 251
crowding out effect, 102, 245, 250
culture, 119, 148
- demand side, 184, 191
democracy, 170, 191
 credible commitment, 177
 economic growth and, 126, 153
 market economy and, 131–135
 measurement, 137
democratization, 159, 256–258
dilemma of the strong state, 86–91, 200, 239, 264
Doing Business, 151
dominant coalition, 178
- econometrics, 30, 132, 152, 154
economic analysis of law, 5, 32–33

- economic behavioral model *homo economicus*, 5
- Economic Freedom Index, 127, 135, 138
- economic freedom rights, 150
- economic growth, 132, 146
- economic growth theory, 238
 - endogenous growth theory, 108
- economic theory of politics, 170
- economies of scale, 167
- egoism, adaptive, 211
- endogenization, 21, 255
- endogenous, 21, 156
- enforcement, 13–18
 - organized private, 16
 - organized state, 16
 - self-commitment, 15
 - self-enforcing, 14–15, 244
 - spontaneous societal enforcement, 16
- equilibrium, 24, 26, 92, 95, 202–203, 209
- evolutionary approach, 199–202
 - biased transmission, 201
 - gene-culture-coevolution, 201
 - natural selection, 201
 - unbiased transmission, 201
- er post* opportunism, 75, 244
- exit, 182–184, 246
- exogenous, 20, 68
- experiment, 28–29, 46
- explanandum, 158
- explanans, 158
- exploitation theory, 165
- export regulation, 131
- external effect, 40
- externality, 40, 67, 87, 161, 197–198, 203
 - network, 188
- failed states, 170
- fallacy
 - functionalist, 13, 185
 - instrumentalist, 223
 - naturalistic, 223
- falsification, 222
- Fertile Crescent, 115
- firm, 61–65, 72–75
- fixed costs, 74
- Folk theorem, 92, 202
- Fraser Institute, 127
- Freedom House, 137
- freedom of contract, 38–39, 221
- freedom-of-information act, 239
- free-ride, 63, 187
 - free-rider problem, 98, 198
- Gallup World Poll, 145
- game theory, 23–27, 92
 - coordination game, 15, 23–24, 57, 93, 195, 209
 - dominant strategy, 15, 26, 54, 209, 244
 - information set, 24
 - mixed-motive game, 23, 25, 174
 - Nash equilibrium, 24, 91
 - payoff function, 24
 - player, 23
 - prisoner's dilemma, 25–27, 63, 81, 91–96, 202, 208–209, 244–246
 - zero-sum game, 23
- GDP, 107, 127, 132
- geography, 112, 119
- Germany, economic development in East and West, 111
- Global Attitudes Project, 146
- Global Competitiveness Report, 132, 138
- globalization, 182, 257, 263, 265, 267
- governance, 61, 163, 266
 - hybrid, 68
- governance structure, 70
- governing the commons, 100
- government failure, 225
- growth theory, 108
- Habsburg Empire, 216–217
- hidden action, 68
- hidden information, 68
- homo economicus*, 5, 7, 20, 28, 46, 207
- homo sociologicus*, 197
- honeymoon hypothesis, 253
- human action, 14
- human capital, 69, 75, 150, 238
- hypothetical consensus, 226, 231, 236

- ideology, 169
 import regulation, 41, 131
 import substitution policy, 247, 249
 income distribution, 45
 Index of Economic Freedom *see*
 Economic Freedom Index
 inductive thinking, 31
 inequity aversion, 205
 infinite regress, 199
 infinite regression, 223
 inflation rate, 86, 125, 129–130, 140
 informal sector, 56–57
 information economics, 32
 innovation, 29, 110, 168, 201
 institutions, 17–20, 109
 change of, 158, 185, 190
 external, 17, 38, 122, 158
 function of, 32, 188, 238
 institutional competition, 184
 internal, 17, 45, 75, 91, 142, 195,
 242
 relationship between external and
 internal, 19, 48, 50, 98
 spatial diffusion, 184
 interdependence cost calculus, 229
 interdependence costs, 228
 interdependent utility function, 205
 internalization, 15, 161
 International Country Risk Guide
 (ICRG), 126, 138
 Judicial Committee of the Privy
 Council, 91
 Korea, economic development in
 North and South, 112
 labor, regulation of, 131
 laboratory experiment, 28
 latitude, 113
 legal families, 171–172
 legal origin, 150, 172, 184
 legal structure, 52, 140
 legal system, 129
 limited access orders, 178
 lock-in, 69
 mandate hypothesis, 252
 market failure, 225, 242, 250
 measurement cost approach, 65
 meme 200–202
 methodological individualism, 7, 13,
 185, 227
 mobility, 131, 143, 182
 monetary policy, 89
 monitoring, 11, 15–16, 60, 82, 98,
 100, 163, 213, 245, 250,
 254
 monopolist, discriminating, 167
 moral hazard, 66–67
 moral suasion, 242
 naïve theory, 181, *see also* property
 rights, naïve theory
 Nirvana approach, 225
 non-tariff barriers, 131
 norm, 6, 197, 199–202
 justice and fairness norms, 46
 meta norm, 198
 procedural norm, 227
 solidarity, 95
 normative individualism, 227
 normative theory, 221–222, 232
 of institutions, 232
 open access orders, 178
 opportunism, 54, 68, 70, 78, 244
 ordinary least squares, 154
 organizability of interests, 183
 organization, 61, 82, 90, 98, 165, 178,
 249, 251, 264
 organization costs, 60, 72, 74
 ostracism, 97
 Pareto criterion, 228, 230
 Pareto optimum, 40, 230
 parliament, 84, 104, 158, 185, 247,
 251–252
 path dependency, 53, 186, 188
 patronage, 163
 Pigou tax, 40
 political business cycles, 86
 political economy, 5, 160, 164–165,
 192–193, 241, 256
 political entrepreneur, 191, 251
 political rights, 137
 Political Risk Services Group, 138
 Polity IV indicators, 137

- preference, 6, 183
- pretense of knowledge, 233
- price stability, 89, 248
- principal–agent theory, 65–68, 74, 87, 102, 168, 250
- private autonomy *see* freedom of contract
- problem of ultimate justification, 223
- procedural law, 39, 129
- prohibition, 39, 48
- property rights, 11, 38–45, 87, 110
 - and economic growth, 124
 - and incentives, 38
 - and legal system, 129
 - development of property rights, 160–165
 - inefficient, 165, 168
 - naïve theory, 160
 - property rights approach, 73
 - property rights theory, 31, 33, 38, 73, 255
 - security of, 124, 140–141, 239
- Protestant ethic, 121
- public choice theory, 32, 83, 170
- public good, 81–84, 91–102, 148, 175, 181, 183, 187, 198, 243, 262
 - linear public goods experiments, 93
 - non-excludability, 81
 - non-rivalry, 81
 - voluntary provision of public goods, 93
- public sector, 55
- punishment dilemma, 179
- quasi rent, 69
- QWERTY, 188
- race to the bottom, 182
- rational choice, 212
- rational choice sociology, 197
- rationality, 7
 - bounded, 8, 68, 186, 234, 237
 - satisficing behavior, 187
 - perfect, 7, 27
- reciprocity, practical, 53
- reference data, 7
- relative power, 175, 186, 190
- rent seeking, 84
- reputation, 16, 77, 101, 199, 203
 - loss of, 97, 246
 - mechanism, 245
- residual income, 64
- reversal of fortune, 118
- right
 - residual, 73
- risk, 8, 98, 126
 - risk aversion, 143
- rule, 13–18
 - choice of rules, 7, 186
 - choice within rules, 186
 - constitutional rules, 32, 228
 - ethical rule, 15, 17, 20, 96, 195, 211, 244
 - regular behaviour, 203
- rule breaking, 16, 18
- rule of law, 85, 126, 139, 158, 179, 262
 - for elites, 178
- Rule of Law Index, 139
- rule system, 227
- sanction, 13, 16, 49, 76, 96, 98, 198, 205, 246
- secondary virtues, 95–96, 144
- selective retention, 182
- self-binding mechanisms, 88
- separation of powers, 88
- shadow economy, 56
- social dilemma, 243, 246
- social market economy, 250
- social welfare function, 224, 226, 237
- solidarity, 95
- specific investment, *see* asset specificity
- standard deviation, 130
- state, 17, 20, 33, 48–50, 76, 81, 83, 165, 263
 - state control, 16
 - state representatives, 131
 - state-owned enterprises, 129
- subjective data, 126
- subsidies, 40–41, 85, 127, 176, 241, 248–249
- sunk costs, 69
- supply side, 191
- tacit knowledge, 189
- taxation, 129–130, 167

Index

293

- time-inconsistency, 89–90
- tit-for-tat, 96
- tragedy of the common, 99
- transaction cost economics, 31
- transaction costs, 8–9, 68–72
 - alternative delineations of transaction costs, 11
 - estimation, 54–57
 - political, 11, 162, 186, 189, 192, 244
 - positive, 33, 60, 232, 235, 237
- transaction industries, 55
- transaction sector, 55
- transactions, 37–47, 107
- transfer payment, 127
- transformation industries, 55
- Transparency International, 139
- trust, 142, 144, 146–148, 210, 214
- two-party system, 251
- two-stage behavioral model, 211
- ultimatum game, 45–46
- unanimity test, 231–232
- uncertainty, 238
 - institutions and, 13
 - parametric, 12
 - strategic, 12
- unicameral system, 251
- universalizability, 233
- utility, 6
- utility maximization, 8, 34, 89, 207, 259
- value, 196
- value judgment, 222
- veil of ignorance, 231
- veto player, 125
- welfare economics, 224
- Westminster model, 251
- World Bank, 91, 139, 151, 240, 256
- World Competitiveness Yearbook, 138
- World Economic Forum, 138
- World Values Survey, 145
- Worldwide Governance Indicators, 139