

## Index

academic context see Institutional and individuals 44-46 Organizational Analysis institutional deepening 302-3, 304-6 institutions 278-82, 351-52 accountability, judicial system 235-38 adherent organizations 46-47 littering decline 3-4 Portugal's decline in the Sixteenth ADICO (grammar of institutions) 34-37, 41-42 Century 7-11 adverse selection 69-70, 88-91 see also norms agency theory, firms 88-91 bilateral governance 95-96 agents see principal-agent models bilateral relationships 95 Alianza País, Ecuador 336-44 bonded rationality 44-46, 68-69 Amazonian land conflict 76-79 Brazil anti-fusion laws 201-4 1985-2014 transition 332-36, 345 Argentina 1912-1955 transition Amazon land conflict 76-79 326-32, 345 constitutional documents 298-99, Articles of Confederation 297, 320-26 304 asset specificity 93-96 constitutional moments 167 assets, hybrids 102-5 land reform 4-7, 167, 168-69 authority, judicial system 241-45 multiple-party system 195, 196 presidential control of bureaucratic autopilot, development trajectories 285-88, 292 agencies 222 Buchanan, James 347-48 Becker, Gary 143-45, 151 bureaucracies 207-9, 228 behavioral beliefs 13 book overview 110 congressional dominance 207-9, behaviors enforcement vs. equilibrium 47-50 213-16 individuals 44-46 controllers of 209-13, 224-28 judiciary 246-48 and delegation in a multiple-principal littering decline 3-4 context 211, 219, 224-28 and norms 13, 43 discretion and autonomous agencies political liberalization 305-7 216-19 rules, institutions and norms 36 institutions, commitment, and transaction costs 26-27 performance 121 beliefs interest groups 157–63 behavioral 13 legal constraints on bureaucratic constitutional moments 22–23, action 222-24 296-300 presidential control of bureaucratic core 13, 20-21, 277-78 agencies 219-22 critical transitions 288-89, 301-3 US political system 18-19 development trajectories 290-91 see also executive and legislative government 21-22 government

385



386 Index

chaos, social choice theory 122-25 interest groups 167-68 Chicago School United States Constitution 320–26 public choice theory 145-48 constitutionalism 251, 296-97, public interest theory 140-43, 145 298-300 constitutional-level institutions 36-37 social choice theory 170-71 citizen groups see interest groups constitutions development trajectories 296-300 civil law, limits on judicial system power 241-45 Ecuador 1998-2017 transition Civil Rights/Voting Rights 301–3 336-44 coal mine contracts 97-98 judicial system's interaction with Coase, Ronald 250 - 56career of 347-48 Kenya 2010–2017 reforms 264–69 institutional analysis 28-29 post-constitutional politics 16–18 transaction costs 26-27, 61 rights 53 Coase Theorem 71-76, 116-17 as rules 14 colonialism, United States 1783-1789 secular vs. religious legal systems transition 319-26 244-45 common law, limits on judicial system US 1783-1789 transition 320-26 contract law 39-41 power 241-45 competition contracts among interest groups 170 abolition of slavery 91-93 bilateral relationships 95 coal mines and power plants 97-98 firms 85-88 and organizations 81-82 hybrids 102-5 principal-agent models 113-16 individuals 45-46 transaction costs 107-8 interest groups 136-37, 142-45 contractual choice, transaction costs oil production and unitization 82-85 26-27, 28, 81-82 transaction costs 61 contractual organizations 46–47 confederation of United States 297, contractual-level institutions 36-37 320 - 26contrary to nature behaviors 43 conflict, land reform in Brazil 5-7 conventions see norms congressional committees 179-90 core beliefs 13, 20-21, 277-78 see also executive and legislative corporations see firms government cost-benefit analysis, property rights congressional dominance in 64-67 bureaucracies 213-16 costs see transaction costs delegation 207-9 discretion and autonomous agencies behaviors of judiciary 246-48 216-19 civil vs. common law 241-45 presidential control of bureaucratic constitutional oversight 251-54 agencies 219-22 government constraints 254-56 constitutional documents 297, Marbury v. Madison 248-51 298-300, 304-5 role in bureaucracies 222-24 constitutional moments see also judicial system Argentina 1912-1955 331-32 Crawford, Sue E. S. 34–37 beliefs 22-23, 296-300 credible commitment 116-17 Brazil 1985-2014 transition 334-35 critical transition case studies 319, critical transitions, 288-89, 293-94 344-46 Argentina 1912–1955 326–32, 345 development trajectories 296–300 institutional deepening 308-9 Brazil 1985-2014 332-36, 345



Index 387

Ecuador 1998-2017 336-44, 346 Duverger's Law United States 1783-1789 319-26, origins of US two-party system 345 197-205 critical transitions plurality vs. proportional beliefs 288-89, 301-3 representation 190-96 potential benefits 307-16 process of 293-94, 300-3 economic development see also development trajectories book overview 19-23 cultural context contract law 39-41 institutions 278-82 efficiency 30 norms 43-44 global variability 1, 273-83 and institutions 1, 11–13, 273–83 de jure/de facto property rights 50–57, see also development trajectories 61, 76-79 economic outcomes decentralization, impact on judicial book overview 109-11 system 243 interest groups 149-52 decision rights, hybrids 102-5 economic systems book overview 2 delegation, in bureaucracies 209-10, 211, 224-28 winners and losers 18 Democrats, origins of US two-party economic theory of regulation 143-45 system 197-205 Ecuador 1998-2017 transition 336-44, development trajectories 316-18 346 autopilot 285-88, 292 education, plagiarism example 13-14 constitutions and constitutional efficiency, economic development 30 moments 293-94, 296-300 electoral system critical transitions and beliefs Argentina 1912–1955 326–32 288-89, 301-3 Duverger's Law 190-96 evolution in US 197-205 critical transitions benefits 307-16 Kenya 2010-2017 reforms 261-71 critical transitions process 293–94, 300 - 3see also executive and legislative institutional deepening 303-7 government; political systems leadership 295-96, 315-18 employment see firms; labor; workplace the Philippines and Korea 285-87 rules enforcement why trajectories do not converge 289-93 institutions 37-41 windows of opportunity 294-95 property rights 62-64 see also critical transition case rules and standards 41-42 studies; economic development enforcement behaviors 47-50 developmentalism 332-33 equality, judiciary 245-46 discretion, bureaucracies 216-19 equilibrium, structure-induced 122-25 dishonor tax 279-80 equilibrium behaviors 47-50 executive and legislative government distributive theory, executive and legislative government 179-84 book overview 110 dominant networks 281-83 distributive theory 179-84 informational theory 179-82, 184-85 Brazil 1985-2014 transition 335-36 critical transitions 288-89 institutions 173-75, 193-94, 205-6 development trajectories 289-93 judicial system oversight 254-56 Ecuador 1998-2017 transition partisan theory 179-82, 185-86 336-44 presidentialism vs. parliamentarism 175-79 due process 255-56



388 Index

| executive and legislative (cont.) theoretical analysis 179–82, 186–90 two-party system in United States 197–205 two-party vs. multiple-party 190–96 see also bureaucracies extraction rights, oil production and unitization 82–85 | government as adherent organization 46–47 beliefs 21–22 deregulation and interest groups 152–53 economic outcomes analysis 111–26 institutions, commitment, and performance 117–22 |
|--|--|
| 6.   | interest group actions 131–37  |
| fairness, norms 43   | interest group intervention 140–43   |
| federal agencies 18–19   | judicial system oversight 254–56   |
| Federal Trade Commission (FTC)   | property rights 15, 62–64  |
| 213–16   | public interest theory 137–40  |
| federalism   | see also executive and legislative   |
| impact on judicial system 243  | government; policy-making;   |
| Marbury v. Madison 248–49  | political systems  |
| Fifth Amendment 255  | grammar of institutions 34–37, 41–42   |
| firms  | Grossman, Sanford J. 98–99   |
| asset specificity and governance   | II   |
| theory 93–96<br>book overview 27–28  | Hammond, T. H. 211–12, 224–27  |
| classical and neoclassical economics   | Hart, Oliver D. 98–99<br>Helper, Susan 29–30   |
| 85–88  | Henderson, Rebecca 29–30   |
| as contractual organizations 46–47   | Hohfeld, Wesley Newcomb 50–57  |
| monitoring and agency theory 88–91   | Holmström, Bengt 90–91   |
| ownership 99–101   | honor codes 35–36  |
| First Amendment 53   | hybrids, governance of production 102  |
| fixed costs (FC), property rights 64–67  | nybrids, governance of production 102  |
| focal point equilibrium 48–50  | incentives   |
| Fourteenth Amendment 255   | judiciary 246–48   |
| franchising 102  | monitoring and agency theory 90–91   |
| frontiers, conflict in the Brazilian Amazon 76–79  | principal-agent models 114   |
| Amazon /6-/9   | inclusion in politics  |
| GDP  | Brazil 1985–2014 transition 332–36   |
|  | Ecuador 1998–2017 transition 336–44  |
| Argentina 326<br>global variability 273–74   | income, development trajectories 285–87  |
| interest groups 132–33   | independence, judicial system 231–35,  |
| the Philippines and South Korea  | 237–38, 251, 261–71  |
| 285–87   | individuals 44–46  |
| General Motors, management practices   | Industrial Revolution 280–81   |
| 29–30  | inequality, global economic  |
| GHM theory 97–98   | development 1, 273–83  |
| global context   | infinite transaction costs 75, 80  |
| book overview 2  | information  |
| development trajectories 285–87,   | interest groups 153–54, 161–63   |
| 351  | manipulating other organizations   |
| economic development 1, 273-83   | 168–69   |
| governance of production 101-7   | monitoring and agency theory 88-93   |
| governance theory 93–96  | and transaction costs 67–70  |
| •  |  |



Index 389

| informational theory, executive and legislative government 179–82, | interest groups<br>competition among 143–45, 170 |
|--|--|
| 184–85   | deregulation 152–53                              |
| Institutional and Organizational                                   | empirical tests 149–52                           |
| Analysis (IOA)   | government intervention 140–43                   |
| critical transitions 307–8   | institutions 170–72                              |
| examples of 2–11, 28–30  | marijuana legalization case 131–37               |
| executive and legislative government                               | oligarchic 121–22                                |
| 173–75   | organizational power 167                         |
| global variability in development 1 judicial system 231–48         | policy influence 131–37, 163–64, 168–69          |
| key concepts 109–11  | preferences influence 164–66                     |
| organizations 26–27, 47  | principal-agent relations 153-63                 |
| presidency 220   | public interest 137-40                           |
| purpose of this book 2, 347–52                                     | rent-seeking 145–48, 149–52                      |
| topics not addressed 349, 350-51                                   |  |
| institutional change   | judicial system 229-31, 260-61                   |
| beliefs 278–82   | accountability 235-38                            |
| cultural context 278-82  | behaviors 246–48                                 |
| dominant networks 281-83   | book overview 110–11                             |
| framework for 277–78   | constitutional oversight 250-56,                 |
| institutional deepening  | 298–300  |
| beliefs 302–3, 304–6   | courts' role in bureaucracies 222-24             |
| benefits of 308-10   | independence 231–35, 237–38, 251,                |
| dynamic during a virtuous critical                                 | 261–71   |
| transition 303–7   | Institutional and Organizational                 |
| as iterative process 283   | Analysis 231–48                                  |
| institutions   | institutional role 248-60                        |
| autopilot 287–88   | Kenya 2010–2017 reforms 261–71                   |
| beliefs 351–52   | power 241–45                                     |
| book overview 2, 349   | reputation 235, 238–41, 251,                     |
| core beliefs 20–21   | 261–71   |
| critical transitions 288–89  | US political system 19                           |
| development trajectories 289–93                                    | see also legal systems                           |
| and economic development 1, 11–13,                                 |  |
| 273–83   | Kenya 2010–2017 reforms, judicial                |
| economic outcomes analysis 111-26                                  | system 261–71                                    |
| economic outcomes impact 109-11                                    | Kibaki, Mwai 261-71                              |
| executive and legislative government                               | Knott, J. H. 211–12, 224–27                      |
| 173–75, 193–94, 205–6  | Korea, development trajectories 285-87           |
| interest groups 170–72   |  |
| judicial system's role 248-60                                      | labor  |
| vs. norms 13–18, 21  | classical and neoclassical economics             |
| property rights 26, 31–42  | 85-88  |
| and rules 1, 33–42   | contractual mix 91-93                            |
| Yucatán, Mexico 31–33  | monitoring and agency theory 90-91               |
| institutions-in-form 37-41   | norms 43   |
| institutions-in-use 37–41  | Portugal's decline in the Sixteenth              |
| insurance example 69-70  | Century 9  |
| intellectual property rights 58-60                                 | property rights 69                               |



390 Index

labor (cont.) McCloskey, Deirdre 279-80 workplace rules 50 McDonald's 104-6 Yucatán, Mexico 32–33 majority-party (partisan) theory land conflict in the Amazon 76-79 179-82, 185-86 land reform, Brazil 4-7, 167, 168-69 management practices, General Motors lawmaking 256-60 and Toyota 29-30 see also legal systems manual labor, Portugal's decline in the Sixteenth Century 9 leadership critical transitions 288-89, 293-94, Marbury v. Madison 248-51, 325 marginal private benefit (MPB) 64-67 development trajectories 295-96, marginal private cost (MPC) 64-67 315 - 18marijuana legalization case 131–37 dominant networks 282-83 megaprojects 148 institutional deepening 303-7 Mexico, Yucatán example 31–33 windows of opportunity 300-3, Milgrom, Paul 90-91 344-45 Moe, Terry 219-20 legal supremacy 256-60 Mokyr, Joel 280-81 monitoring theory, firms 88-91 legal systems bureaucratic action 222-24 monopolies, influence of interest groups Civil Rights/Voting Rights 301-3 142-43 civil vs. common law 241-45 Moore, John 97-98 constitutional moments 296-300 moral authority 296 facilitation of ideal characteristics moral hazard 70, 88-91 256 - 60Moran, Mark 159, 213-16 littering decline 3-4 multiple-party systems 190-96 Marbury v. Madison 248-51 multiple-principal bureaucracies 224–28 presidential control of bureaucratic Nash equilibrium 48–50 agencies 219-22 property rights 14-16 national security, judicial system 256 reforming bureaucracies 210-11 natural law 55-56 Sáenz Peña law 326-28 neoclassical economics, and institutions sanctions 37-41 122 - 25US 1783-1789 transition 319-26 neoclassical theory of production US political system 18-19 15 - 16see also executive and legislative networks see dominant networks government; judicial system; new property-rights theory 98-99 Norman Conquest of England 232 property rights legitimacy norms 42-44 Ecuador 1998-2017 transition 338 book overview 2, 349 judicial system 234-35 critical transitions 311 leadership 296 development trajectories 289-93 lighthouses, institutional analysis and economic development 1 28 - 29vs. institutions 13-18, 21 littering decline, United States 3-4 property rights 26 and rules 1, 33-42 lobbying changing preferences 163-64 Yucatán, Mexico 31–33 interest groups' influence 163-64, see also beliefs North, Douglass marijuana legalization case 131-37 beliefs 21 career of 347, 348 political systems 18-19



Index 391

| institutions 31                           | political systems                    |
|---|--------------------------------------|
| property rights 25–26                     | book overview 2, 19–23, 110–11       |
|   | congressional committees 179-90      |
| Odinga, Raila 261–71                      | executive and legislative government |
| oil production and unitization 82–85      | 173–75                               |
| oligarchic interest groups 121–22         | liberalization 305–7                 |
| operational-level institutions 36–37      | presidentialism vs. parliamentarism  |
| ordinary politics 16–18                   | 175–79                               |
| organizational analysis see Institutional | two-party system in United States    |
| and Organizational Analysis               | 197–205                              |
| organizational choice                     | two-party vs. multiple-party 190–96  |
| property rights 107–8                     | United States overview 18–19         |
| transaction costs 26–27, 81–82            | see also executive and legislative   |
| organizations 46–47                       | government                           |
| and contracts 81–82                       | Populists, origins of US two-party   |
| and interest groups 163–70                | system 201–4                         |
| oil production and unitization 82–85      | Portugal, decline in the Sixteenth   |
| see also firms; government                | Century 7–11                         |
| Ostrom, Elinor                            | post-constitutional politics 16–18   |
| career of 348                             | power, judicial system 241–45        |
| grammar of institutions 34–37             | power plant contracts 97–98          |
| ownership                                 | preferences                          |
| firms 99–101                              | individuals 44–46                    |
|   |                                      |
| new property-rights theory 98–99          | interest groups 153–63, 164–66       |
|   | presidential control of bureaucratic |
| parliamentarism, vs. presidentialism      | agencies 219–22                      |
| 175–79                                    | presidential control of judiciary    |
| partisan theory 179–82, 185–86            | 248–51                               |
| patent law 59-60                          | presidentialism, vs. parliamentarism |
| see also intellectual property rights     | 175–79                               |
| patrimonialism 9                          | pressure groups see interest groups  |
| payoffs, rights to 102–5                  | principal-agent models               |
| Peltzman, Sam 143–44, 151,                | bureaucracies 217–18                 |
| 152–53                                    | interest groups 153–63               |
| the Philippines, development trajectory   | multiple-principal bureaucracies 219 |
| 285–87                                    | 224–28                               |
| Pigouvian school 138                      | policy-making 113–16                 |
| plagiarism example 13–14, 35–36           | Prisoner's Dilemma 82–85, 99         |
| plurality rule 190–96                     | privileges 53                        |
| policy-making                             | see also property rights             |
| analysis of 111–13                        | procedural cartel theory 179–82,     |
| Coase Theorem 116–17                      | 185–86                               |
| congressional dominance in                | production                           |
| bureaucracies 213–16                      | abolition of slavery 91–93           |
| institutions, commitment, and             | classical and neoclassical economics |
| performance 117–22                        | 85–88                                |
| interest groups' influence 131–37,        | governance hybrids 101-7             |
| 163–64, 168–69                            | organizational and contractual forms |
| principal-agent models 113-16             | 81–82                                |
| spatial models 126-29                     | production theory 15–16              |



392 Index

property rights 14-16 laws of society 14-16 abolition of slavery 91-93 vs. standards 41-42 Brazilian Amazon land conflict Sáenz Peña law 326-28 Coase Theorem 71-76 sanctions de jure and de facto 50-57, 61, institutions 37-41 76-79 Second Amendment 53 institutions 26, 31-42 secular vs. religious legal systems intellectual 58-60 244-45 monitoring and agency theory security, judicial system 256 90 selection processes, judiciary norms 26 235 - 37organizational forms 107-8 self-interest, rationality 68-69 ownership 98-99 self-interest theories 152–53 transaction costs 25-27, shrink theory 276 60-67 simple capture theory 137–40 proportional representation see also interest groups 190-96 slavery abolition in US 91-93 public choice theory 145-48 public interest theory 137-40, 145, natural law 55-56 152 - 53Smith, Adam 85-87, 142 see also interest groups social actors 276-77 social behavior see behaviors punishment see sanctions social choice theory institutions 122-25 rationality executive and legislative government interest groups 170-72 social context individuals 44-46 property rights 62-64 transaction costs 68-69 transaction costs 61-62 redistributive populism, Argentina social inclusion, Brazil 332-36 330-32, 345 social order refuse, littering decline 3-4 book overview 25-27 religious vs. secular legal systems enforcement vs. equilibrium behavior 244-45 49-50 rent-seeking 145-48, 149-52 property rights 37 Republicans, origins of US two-party self-interest 45-46 system 197-205 Yucatán, Mexico 31-33 reputation, judicial system 235, South Korea, development trajectory 238-41, 251, 261-71 285-87 resilience and institutions 312-16 spatial models 126-29 resource allocation rules 312-16 special interests see interest groups rights 53-54 speed limits example 41-42 see also property rights spillover effects 102-5 Riker objection 125-26, 209 standards 41-42 rules see also rules book overview 25-27 Stigler, George 140-43, 150-51 constitutions 14 structure-induced equilibrium 122-25 institutions and norms 1, sumak kawsay 340-41 33 - 42sustainable development 314



Index 393

theory of production 15-16 Third Amendment 37 Thomas, Robert 25-26 titles, conflict in the Brazilian Amazon 76-79 Toyota, management practices 29-30 trade, contract law 39-41 transaction costs Coase Theorem 71-76 contracts 97-98, 107-8 contractual choice 26-27, 28, 81-82 critical transitions 309-13, 314-16 and information 67-70 intellectual property rights 58-60 new property-rights theory 99 organizational choice 26-27, 81-82 property rights 25-27, 60-67 real world operation 80 transitions see critical transitions; development trajectories trilateral governance 95-96 two-party systems multiple-party 190-96 in United States 197-205

## United States

1783–1789 transition 319–26, 345 abolition of slavery 91–93 Articles of Confederation 297 bureaucracies 18–19, 213–16 constitutional-level institutions 37 littering decline 3–4 oil production and unitization 82–85 political system 18–19

presidential control of bureaucratic agencies 219–22 two-party system origins 197–205 unitization, oil extraction 82–85 usury example 38–39

values 44–46

see also beliefs
variable costs (VC), property rights
64–67

Wallis, John 282, 305-6 waste, littering decline 3-4 Weingast, Barry 159, 213-16 Williamson, Oliver asset specificity 94-96 career of 348 GHM theory 98-99 rationality 68-69 Wilson, James 209, 216-17, 219 windows of opportunity critical transitions 288-89, 293-94 development trajectories 294-95, 316 - 17leadership 300-3, 344-45 workplace rules 50 see also labor

Yucatán, Mexico 31-33

zero transaction costs Coase Theorem 71–76, 80, 116–17 firms 107