

Power and Political Institutions

Terry M. Moe

Rational choice theory tends to view political institutions as structures of voluntary cooperation that resolve collective action problems and benefit all concerned. Yet the political process often gives rise to institutions that are good for some people and bad for others, depending on who has the power to impose their will. Political institutions may be structures of cooperation, but they may also be structures of power—and the theory does not tell us much about this. As a result, it gives us a one-sided and overly benign view of what political institutions are and do. This problem is not well understood, and indeed is not typically seen as a problem at all. For there is a widespread sense in the rational choice literature that, because power is frequently discussed, it *is* an integral part of the theory and just as fundamental as cooperation. Confusion on this score has undermined efforts to right the imbalance. My purpose here is to clarify the analytic roles that power and cooperation actually play in this literature, and to argue that a more balanced theory—one that brings power from its periphery to its very core—is both necessary and entirely possible.

More than a decade ago, I attended a conference at Yale on the rational choice theory of political institutions, where I presented a paper that took issue with the way the theory was then developing.¹ The problem, as I saw it, was that the theory tended to view political institutions as structures of voluntary cooperation that resolve collective action problems and benefit all concerned, when in fact the political process often gives rise to institutions that are good for some people and bad for others depending on who has the power to impose their will. Institutions may be structures of cooperation, I argued, but they may also be structures of power. And the theory should recognize as much.

I didn't get a standing ovation at the conference. But in the broader community of scholars I was hardly alone in thinking that power is essential to an understanding of political institutions. Jack Knight soon published a book-length analysis arguing that institutions are mainly explained by distributional conflicts—and power—rather than collective benefits.² Even by then, major studies relying on rational choice reasoning had already made power central to their analyses of political institutions,³ and in the years since this kind of work has continued to

grow and reach a broad audience.⁴ Indeed, power is so commonly featured in this literature that it is now easy to believe—as I suspect most scholars in the field do—that power is an integral part of the theory, on a par with cooperation in explaining political institutions.

But it really isn't. However much power might be discussed, the fundamentals of the theory have not changed. They take their orientation from the same framework that guides all economic theory: voluntary exchange among rational individuals. They identify the key challenge as one of understanding whether rational individuals will cooperate in the face of collective action problems. And their explanations are built around mutual gains, credible commitments, self-enforcing equilibria, and other concepts that flow from the logic of voluntary choice. This is the analytic core of the theory, the root source of its logic, language, and formalization.

There are two problems here. The first is that power is a peripheral component of the theory. The rational choice theory of political institutions is really a theory of cooperation that, with elaboration, can be used to say something about power. As Mancur Olson rightly notes, "We need to understand the logic of power"—and the current theory of voluntary exchange is not designed to do that.⁵

The second problem reinforces the first. It is that, because power is so obviously important to politics and so commonly a part of institutional analysis, the literature gives the sense that power *is* being given equal (or at least appropriate) weight in the overall theory. There is a good deal of confusion about the relative analytic roles of power and cooperation, and this confusion undermines efforts to right the imbalance.

Of course, maybe there is just one problem here: that I am confused. And I expect that more than one rational choice theorist will tell me so. But I have participated in

Terry M. Moe is the William Bennett Munro Professor of Political Science at Stanford University and a senior fellow at the Hoover Institution (moe@hoover.stanford.edu). An earlier version of this article was presented at the Yale Conference on Crafting and Operating Institutions, April 11–13, 2003. The author would like to thank Sven Feldmann, Lloyd Gruber, James Fearon, Peter Hall, Jennifer Hochschild, Stephen Krasner, Chris Mantzavinos, Gary Miller, Paul Pierson, Theda Skocpol, Barry Weingast, and anonymous reviewers for their helpful comments.

this field for a long time now, and I think it's fair to say that, if I am confused, I'm not alone. There is much to be gained, therefore, in clarifying how power and cooperation are dealt with in this literature, and in encouraging an appropriate balance between the two.

Institutions as Structures of Cooperation

Prior to the 1980s, social choice theory had shown that collective decisions are prone to instabilities, and that voting can easily lead to chaos in which virtually any alternative can beat any other given the right manipulation of the agenda.⁶ A puzzle remained, however, because voting processes in the real world of government are usually quite stable. Why so much stability? The answer, as Kenneth Shepsle and Barry Weingast so elegantly showed, is that voting typically occurs within a structure of rules that limit the agenda and bring about stability.⁷

Thus began the positive theory of political institutions. The early focus on agenda control was only natural given the dilemmas of social choice. Yet agenda control was regarded as important not simply because it brings stability to chaos, but also because of its clear connection to political power: whoever controls the agenda can engineer voting outcomes to his or her own advantage, and thus gain power over policy. Indeed, the classic works on agenda control by William Niskanen and by Thomas Romer and Howard Rosenthal were not centrally about chaos and stability.⁸ They were studies of institutionally based power that showed how particular actors—bureaus in the former case, school boards in the latter—used agenda control to get their way in politics.

By the early 1980s the rudiments of a power-based theory seemed to be in place. The public choice literature was already well developed; and in addition to its work on agenda control, its work on rent-seeking also put the spotlight on power. Rent-seeking focused on the power of interest groups over public policy, and on the social inefficiencies that arise from lobbying and special-interest policies.⁹ While the subject of this work was policy rather than institutions, the overlap was substantial and unavoidable. Policies that create tariffs and quotas in international trade, for example, are essentially just creating institutions—rules, agreements, organizations. Thus, while the rent-seeking literature is often portrayed as an interest-group theory of public policy, it also offers a (nascent) theory of political institutions—arguing that they are beneficial to some, harmful to others, and socially inefficient.

Prior to the new institutionalism, then, rational choice theory was already providing power-based explanations for governmental structure. Its analytic center of gravity, however, was about to change. The stimulus was the rise of a new body of theory within economics that sought to explain the existence and properties of economic organi-

zation.¹⁰ Once economists trained their sights on issues of organization, their new analytic tools—among them transaction cost economics, agency theory, and theories of repeated games—transformed the intellectual terrain of their discipline. Political scientists soon began applying these tools to political institutions, and the new institutionalism was off and running.¹¹

As in economics generally, the basic framework in this literature is one of voluntary exchange among autonomous actors. But its distinctive focus is on cooperation. How can individuals who are self-interested and opportunistic overcome their collective action problems to cooperate for mutual gain? The answers take the form of institutions—usually involving rules and other formal structures, but sometimes consisting solely of informal arrangements (rooted in norms, for instance)—which allow participants to mitigate obstacles to collective action, commit to cooperative agreements, and realize gains from trade. As such, institutions emerge as good things, and it is their goodness that ultimately explains them. They exist and take the forms they do because they make people better off.¹²

Consider the familiar principal-agent relationship between an employer and a potential employee. The principal has limited time and knowledge, and he can gain by hiring someone with expertise to do the work. The agent can gain by getting paid. But despite the prospect of mutual gain, it is not easy for them to cooperate. The agent has interests of his own—for example, in leisure or professionalism—that give him incentives not to do what is best for the principal. He also has an informational advantage that makes such shirking possible: for he has expertise the principal does not have, takes actions the principal cannot observe, and has personal qualities—his levels of honesty, diligence, and the like—that are largely hidden. A bad worker has incentives to use the information asymmetry to pass himself off as a good worker, while a good worker may have a hard time convincing the principal of his true type. As a result, the principal has reason to distrust his agent, to pay him less than a good agent is worth, and perhaps not to hire anyone at all.

These actors face a collective action problem. The principal and a good worker could both benefit from cooperation, but the information asymmetry prevents them from fully realizing gains from trade. The way around the problem is for the principal to devise an efficient set of rules, incentive structures, and monitoring mechanisms that—by mitigating the information asymmetry and bringing the agent's interests into alignment with the principal's—represents a mutually beneficial arrangement to which both parties can credibly commit, and is either self-enforcing or enforceable by a third party such as the courts. This arrangement is an institutional solution (a simplified version of the business firm) that makes cooperation possible. The actors choose it and stick with it because they

both benefit, and this is what explains the institution's emergence, its specific form, and its ultimate stability.¹³

I have used the principal-agent framework for illustration, but the logic is characteristic of the new economics of organization more generally. Transaction cost economics, for example, leads to the same basic conclusions. Efforts by both actors to strike a beneficial deal are confounded by the same information asymmetry, creating high transaction costs. And efforts to minimize these costs lead to the same sorts of institutional solutions that help them cooperate for mutual gain. All roads lead to Rome.

Given this perspective on institutions, how does power fit in? The literature offers no clear answer. In our principal-agent example, it might seem obvious that the employer exercises power over the employee. But the institutional solution to their cooperation problem has to be mutually beneficial, and could just as well be designed by the agent. This is true even of whatever formal authority the employer gains under the new institution; for authority is endogenous to their agreement and beneficial to the agent as well as the principal. The principal, by this logic, has no special power just because he is on top.

An alternative view is that the agent actually wields power in this relationship, using his informational advantage to circumvent the principal's control and pursue his own ends. Such information-based power is well recognized in the study of bureaucracy, going back to Max Weber.¹⁴ But if we turn to the basics of the theory, the real import of asymmetric information is not that it somehow empowers the agent, but that it creates problems for the principal *and* the agent and is *bad for both of them*. Yes, the agent's expertise gives him leverage and allows him to shirk. But this is why the principal distrusts him and may not want to deal with him at all. The source of his power is the source of his undoing. His challenge is to find a way—an institutional solution—to overcome the handicap of his power and get the principal to cooperate with him for mutual gain. This is what the analysis is really about. Not agent power, but cooperation for mutual gain.

In political science, the new economics of organization has been applied to a broad range of political institutions, from legislatures to bureaucracies to international organizations to the basic framework of democracy.¹⁵ Power is often part of these analyses. But with a few exceptions, which I discuss below, it is included because it is obviously relevant to institutional politics and can't be ignored, not because the theories are designed to explore its exercise and consequences. The most basic arguments are about how self-interested actors can make voluntary choices to overcome collective action problems and cooperate for mutual gain. Often the focus is specifically on credible commitments and self-enforcing agreements, two major ingredients that can make cooperation possible.

A good example is Barry Weingast and William Marshall's analysis of the internal organization of Con-

gress.¹⁶ In effect, their logic begins with a stylized state of nature in which legislators make decisions by majority rule. These actors face a collective action problem. All want policies beneficial to their own districts, but they can't get them without the support of colleagues whose interests are often very different. Efforts to construct the coalitions needed for countless bills over time are threatened by endless haggling, frequent renegeing, complexity, uncertainty, and other sources of heavy transaction costs. Most coalitions never form, and the gains from trade are foregone—to the disadvantage of all.

The solution, Weingast and Marshall argue, is to reduce transaction costs dramatically through a set of internal structures—committees with strict jurisdictions and gate-keeping powers, for example—that facilitate credible commitments and promote regular cooperation. This institutional solution, they claim, is the structure that has emerged to govern the modern Congress, and it is stable because it is self-enforcing—that is to say, because legislators find it beneficial and have no incentive to defect.

The rational choice literature is more diverse than this one illustration can suggest. But the theme is a general one, and it has put its distinctive stamp on the way institutions are studied and understood. This is succinctly revealed in the observations of scholars who have sought to provide perspective on the literature as a whole. Consider, for example, Shepsle's summary remarks in an influential early article on the nature of political institutions:

The argument developed only briefly here is that cooperation that is chancy and costly to transact at the level of individual agents is facilitated at the level of institutions. Practices, arrangements, and structures at the institutional level economize on transaction costs, reduce opportunism and other forms of agency "slippage," and thereby enhance the prospects of gains through cooperation, in a manner generally less available at the individual level. Institutions, then, look like *ex ante* agreements about the structure of cooperation.¹⁷

Thematically, things have not changed over the years. In a recent compendium on the discipline of political science, Weingast offers the following overview of the literature on why institutions exist and take the forms they do:

In brief, the answer is [that individuals] often need institutions to help capture gains from cooperation. In the absence of institutions, individuals often face a social dilemma, that is, a situation where their behavior makes all worse off. . . .

Appropriately configured institutions restructure incentives so that individuals have an incentive to cooperate. . . . The essence of institutions is to enforce mutually beneficial exchange and cooperation.¹⁸

Power and Domestic Institutions

It might seem easiest to argue the importance of power when political institutions are the creations of predatory rulers or international hegemony. So let's begin at the other

end of the spectrum, with political institutions that are created through democratic politics under constitutional rules of the game. On the surface, these contexts would appear to give cooperationist theories the greatest possible advantage and a power critique its greatest challenge.

What kinds of institutions do democracies normally create? Political scientists tend to rivet their attention on the key authoritative institutions—legislative, executive, and judicial—set up by the constitution, or on the framework of democratic rules themselves. The great bulk of government, however, is composed of bureaucratic agencies—unexciting as this may sound—and they are designed and adopted by public officials who make decisions under prevailing rules of the game. To simplify the discussion, these are the institutions I’ll be focusing on here.¹⁹

It is easy to see that these most common of democratic institutions are often *not* cooperative or mutually beneficial for many of the people affected by them. They involve the exercise of power. This is so even if the democratic rules of the game are assiduously followed in their creation and design. A prime reason is that the public authority employed to create and design them can be exercised by whatever coalitions gain the necessary support in the legislature (often a majority). Whoever wins has the right to make decisions on behalf of everyone, and whoever loses is required by law—backed by the police powers of the state—to accept the winners’ decisions. This means that any groups that prevail under the formal rules can legitimately use public authority to impose bureaucratic institutions that are structurally stacked in their own favor, and that may make the losers worse off, perhaps by a lot.²⁰

In the voluntaristic framework of the new economics, which often makes good sense in competitive contexts of economic choice, people who expect to lose from any proposed institutional arrangement *can simply walk away*. This is what guarantees (in theory) that such structures will be mutually beneficial. The losers don’t have to participate. But in democratic politics, *they can’t leave*, at least not unless they are prepared to leave the country, which is typically not a practical option. So when they lose under the democratic rules of the game, they have to suffer the consequences—and the winners are well aware of this. The latter can impose the institutions they want. There is nothing to stop them. They don’t need to cooperate.²¹

Alternative views

There are other ways of looking at institutional politics that put a more positive, cooperationist spin on these issues, and they are worth considering—in part because they represent familiar lines of reasoning, and in part because they are sources of confusion that need to be clarified. Two stand out.

The first is rooted in Coasian models of economic exchange, in which freely bargaining actors can arrive at a point on the Pareto frontier that is efficient and beneficial to all concerned. In a political context, the idea is that, when public policies (and institutions) help some interests and hurt others but expand the size of the pie, the winners can compensate the losers through some form of bargain and both can be better off. When policies are inefficient and don’t expand the size of the pie, bargaining will lead to their rejection. The vision is one of cooperation and mutual gain.

This argument doesn’t wash, however. Consider the best-case scenario in which a policy (such as free trade) stands to make both sides better off once compensation payments are made, and the support of both sides is needed for passage. The problem is that such bargains tend to involve enormous transaction costs and are difficult if not impossible to arrange. The transaction costs arise not

These most common of democratic institutions are often *not* cooperative or mutually beneficial for many of the people affected by them. They involve the exercise of power. This is so even if the democratic rules of the game are assiduously followed in their creation and design.

only from difficulties in identifying the relevant actors, amounts, and conditions, but also from difficulties in arriving at agreements that are mutually credible and enforceable despite the uncertainties of democratic politics. As Thrainn Eggertsson notes, “[I]n the real world, high costs of negotiating and enforcing such agreements prohibit them: seldom do winners voluntarily compensate the losers.”²² If the losers’ support is not necessary for passage of the policy, things are of course brighter for the winners, who do not need to bargain at all. Society is allegedly better off with the new policy and the bigger pie. But the winners now have no incentive to compensate the losers—who are worse off, and stay worse off.²³

Now consider the flipside of the above scenario. Let’s assume that a powerful group is in a position to impose a special-interest policy that is inefficient for society, making the size of the pie smaller but the winning group itself better off. According to the Coasian argument, the losers would prevent this inefficient policy from being adopted by paying off the winners. But here too, for the same reasons as in the first case, the transaction costs will

typically be prohibitively high, and most bargains will not actually happen. The inefficient policy will be enacted, the winners will win, and society as a whole will be worse off. (Even if the bargain does happen, the losers still wind up worse off than under the original status quo, and the winners get a bundle for simply threatening to use the power of public authority.)

Note the logic at work here. The argument that bargaining will somehow save institutions from social inefficiency, an argument that essentially defends the cooperationist theme of the new economics, runs smack into the logic of the new economics itself. A political bargain to produce an efficient policy—or prevent an inefficient one—is only likely to succeed in a Coasian world in which transaction costs are small and unimportant. But the defining claim of the new economics is that transaction costs tend to be large and important.²⁴ Indeed, this is the foundation of its analysis of institutions. If transaction costs in politics are large and important, however, then many political bargains are likely to be untenable, compensations are likely to go unpaid, political outcomes are likely to be inefficient, and there are likely to be losers as well as winners.

Now consider a second line of reasoning that also puts a positive spin on democratically created institutions. This one arises from the familiar notion that government is based on a social contract. The idea here is that, while certain groups may be losers when new institutions are created within democratic politics, they are not really losers (or do not expect to be) in the grander scheme of things. They accept the overarching framework of democratic rules; and although they know they may lose on particular decisions, they expect to be better off than they would be outside the framework—under some other constitution, say, or no constitution at all. Thus, particular domestic institutions may not be to their liking, but this is part of the larger deal, and the system as a whole is good and beneficial.

This argument might carry some weight if a political system were analogous to what Oliver Williamson calls a “governance structure” in the economic realm.²⁵ Governance structures are relational contracts in which actors agree to procedures that allow them to adjudicate disputes, adjust to new developments, and otherwise ensure that their original agreement is maintained over time in a changing environment. The actors know that particular decisions may not go their way, but they participate because they see the entire arrangement and its stream of decisions as beneficial.

What makes such stylized governance structures different from political systems, however, is that they are voluntary. People agree to participate, and they can walk away if they believe they are not better off. Political systems are different. Centuries of political philosophy notwithstanding, there is no social contract in any meaningful sense that can account for the foundations of government.²⁶ In

all modern societies, people are typically born into the formal structure of their political systems, do not agree to it from the outset, and cannot leave if they find it disadvantageous (unless they leave the country). This being so, the fact that some groups lose in domestic politics—and have new institutions thrust upon them that they do not want—cannot be glossed over by saying that they have agreed to the larger system. They haven’t.

Another problem with the social contract argument is that it substitutes oranges for apples. A theory of institutions should be able to explain how bureaucratic agencies emerge from the political process and why they take the forms they do. If the theory implies that institutions are cooperative and mutually beneficial, then surely this conclusion should apply to bureaucratic organizations (where it fails). But the social contract argument shifts attention to the democratic framework itself. While it recognizes that bureaucratic organizations may not be cooperative and mutually beneficial, it implicitly contends that the *framework* is the institution we ought to be focusing on, and that this institution *is* cooperative and mutually beneficial. Even if this claim were true (and it isn’t), it does nothing to address the original challenge to the theory—that bureaucracies often violate the theory’s expectations—and nothing to move us toward a theory that accounts for the kinds of institutions that arise out of democratic politics. Instead, it confuses the issue by creating ambiguity around what we mean by “institution” and what we are trying to explain.

Theories of bureaucracy

These sorts of ambiguities are not unique to the social contract argument. They pervade virtually all aspects of what the new economics has to say about political institutions. Consider the rational choice theory of public bureaucracy, which attempts to explain precisely the kinds of domestic institutions that we have been discussing thus far.

Here the seminal work is by Matthew McCubbins, Roger Noll, and Barry Weingast, who use a principal-agent approach to explain the structure of American bureaucracy.²⁷ How, they ask, can an “enacting coalition” of legislators and interest groups ensure that its favored policies are faithfully carried out by its bureaucratic agents? The solution takes the form of structure: a rational coalition will impose rules, decision procedures, and reporting requirements that are strategically designed to constrain the bureaucracy to do what it wants. Their explanation of bureaucratic structure, then, arises from the efforts of legislators and their allies to control the bureaucracy.

In another major work, Murray Horn wants to explain the same things that McCubbins, Noll, and Weingast do.²⁸ But he focuses less on the principal-agent problem facing the enacting coalition than on the exchange relationship

between legislators and interest groups, and thus on the agreement that gives rise to the enacting coalition itself. Actors on both sides of the exchange have something to trade. Interest groups have campaign contributions and other resources to offer legislators; legislators have the authority to create policies and agencies beneficial to the groups. Attempts to cooperate for mutual gain, however, are undermined by transaction costs. Most important, the legislators have a hard time guaranteeing that any benefits provided today will endure over time because they can't commit future legislatures (possibly controlled by opponents) to uphold the deal. And the less credibly legislators can promise future benefits, the less the groups will want to pay in the current period. To overcome this commitment problem, legislators create agencies that—by structural design—are not only constrained to pursue the groups' interests, but also insulated from unwanted future influences.

These two theories are self-conscious applications of the new economics, but neither does much to clarify how bureaucratic institutions are cooperative and mutually beneficial. There is much to be gained from exploring this, so let me offer a reconstruction of their arguments that I think is consistent with the logic of their work.

In both analyses there are inevitably losers in the politics by which bureaucratic agencies are created. The authors make nothing of this. Nevertheless, the enacting coalition is only one faction of legislators and interest groups. Other factions are losers and may be worse off because of the coalition's choices. The same is true for portions of the larger population, who must live with the institutions being thrust upon them. In this fundamental sense, the bureaucracy can not be viewed as a structure of cooperation.

This is only half the story, however. Even if the bureaucracy is coercive, in the sense that it is imposed by winners on losers, these analyses correctly point to two cooperative elements that explain how structural choices emerge out of politics. The first is that legislators and groups in the enacting coalition must arrive at an agreement that overcomes their collective action problems. This agreement, which is largely about the structural contours of the agency, is cooperative and mutually beneficial. The second element is the principal-agent relationship between legislators and the bureaucratic agency. If the legislators are to get the performance they want from the agency, they must solve the "principal's problem" by designing an efficient structure that is acceptable to the bureaucrats. Because of the acceptability criterion, which is fundamental to any principal-agent relationship, this agreement too can be viewed as cooperative and mutually beneficial.²⁹ The bureaucracy thus arises out of two founding agreements, a coalitional agreement among legislators and interest groups and a principal-agent agreement among legislators and bureaucrats. These agreements are interrelated—each presupposes the other—and can jointly be viewed as a nexus of contracts that create the new institution.

Both power and cooperation are essential, therefore, to any effort to understand public agencies. Bureaucracies are institutions that are imposed by winners on losers. But they are also cooperative and mutually beneficial for the subset of actors who agree to their creation. Each property, in fact, is fundamental to the other. It is precisely because they cooperate that the winners are able to use public authority to impose their will on the rest of society. And it is the prospect of exercising this power that motivates the winners to cooperate.³⁰

With this as background, let's step back and consider two basic ambiguities that plague the new economics, at least as it applies to political institutions. First, what are the institutions being explained? Second, who are the actors for whom these institutions are cooperative and mutually beneficial?

When attention is confined to private firms, the situation being analyzed is self-contained: all the action is "internal." The firm is a nexus of contracts among owners, managers, and workers, who enter into voluntary agreements about the organization and its structure that apply *to them* and govern *their own* behavior. In effect, the institution is their agreement, and they are creating the institution *for themselves*. It only makes sense, then, that they—the "insiders"—are the relevant population by which we determine whether the institution is cooperative and mutually beneficial.

Suppose we apply this same line of reasoning to public agencies. On the surface, what we are trying to explain is exactly the same: the organization and its structure. But the underlying agreement that creates an agency does not consist of the people we would at first blush think are its insiders, namely, the bureaucrats who make up the agency. The agreement includes the bureaucrats plus all the legislators and interest groups in the enacting coalition. It is this much larger and very different "institution" that is the political analogue to the business firm. And all these political players—bureaucrats, winning legislators, winning interest groups—are its insiders. They are the ones who have cooperated in creating an agency that is beneficial *for them*. If we view them as the relevant population, then, the institution can be said to be cooperative and mutually beneficial.

This perspective identifies an important sense in which bureaucracies *are* structures of cooperation. Yet it fails to recognize what is truly fundamental about them: that they are created through a process of collective choice in which the victorious insiders get to impose their institutional creations on society as a whole. The cooperative agreement that they reach among themselves is not just an agreement that applies to them and governs their own behavior. It is an agreement that applies to *everyone* and governs *everyone's* behavior. This being so, defining the institution in terms of the agreement among insiders ignores the fact that, once the agreement becomes law, everyone must follow its rules. They can't walk away.

There are other confusions as well. Consider what happens when we try to explain a public agency's stability. The new economics would have us focus on the overarching agreement among the firm's insiders and on whether they have incentives not to defect from the deal. But in politics this doesn't make much sense. Once an agency is created, it becomes a legal entity in its own right, and its survival and structure are protected by democratic rules of the game. In the American system, for instance, the policy-making process is filled with veto points, making new legislation difficult to achieve and blocking relatively easy. The upshot is that, while a strong coalition may have been necessary to create the agency, protecting it from formal change is much easier—and can be carried out by a weaker coalition, a different coalition, or by ad hoc voting partners who come to the agency's aid in time of need. Thus the stability of the agency itself is *not* contingent upon maintaining the original agreement or preventing members from defecting from the enacting coalition. The only part of the agreement that needs to live on is the agency, which can live forever as long as no new legislation is passed.

In the end, whether a political institution is considered cooperative and mutually beneficial, as well as how we want to think about its stability, depends on what we mean by "institution" and which actors we count as the relevant population. These are not matters of objective truth, but matters of analytical choice. The argument I presented earlier, that domestically created political institutions are inherently coercive, is also not a straightforward matter of truth. It was founded on a conceptual choice, which I left ambiguous: I was looking at institutions and their relevant populations in the broader sense just outlined, not in the narrower sense that a business-based application of the new economics seems to imply. The claims I made were correct, given my implicit definitions. But a new economics claim that political institutions are cooperative and mutually beneficial is also correct, based on alternative interpretations of those same terms.

While there can be no right way to define our concepts, we do need to be clear about them, and thus clear about what we are saying. When we are, it turns out that both power and cooperation play essential roles in explaining how public agencies emerge from democratic politics, how they get designed, and what their consequences are.

I want to close by returning to the ambiguity at the heart of all principal-agent relationships: the question of whether, in a relationship of cooperation and mutual benefit, principals and agents might still be thought of as exercising power over one another. In the discussion above, I ignored this ambiguity to avoid complicating a basic point that needed to be clarified: that cooperation occurs among insiders, who use their cooperation to exercise power over others. This point is relatively easy to drive home, because the kind of power involved makes someone worse

off. When we talk about power within a principal-agent relationship, however, we no longer have this advantage, because both the principal and the agent come out ahead. If power is being exercised, it is more difficult to recognize and more difficult to distinguish from cooperation.

The usual interpretation of the bureaucratic theories we just considered is that they are theories of political control—theories, that is, of how the legislature controls the bureaucracy. Indeed, the McCubbins, Noll, and Weingast argument is a major component of what is often called the congressional dominance theory.³¹ It would be easy to infer, based on the language employed, that these must be theories of power. Yet this is true only in a superficial sense. For if we take their analytic frameworks seriously, the power presumed to be exercised by the legislature over the bureaucracy is embedded in relationships that are cooperative and mutually beneficial, and the explanation of bureaucratic structure is rooted in cooperationist theory. These are theories of cooperation that talk the language of power, but without recognizing or dealing with the key ambiguity involved.³²

I will revisit this principal-agent ambiguity in a later section. For now, I simply want to observe that if we can find a way to think clearly about power within principal-agent relationships, and if we decide that power *is* being exercised, then cooperation *among the insiders* actually has a power dimension to it. This being so, a theory of institutions would need to recognize a key role for power not simply in the efforts of insiders to impose their institutional creations on everyone else, but also in their efforts to arrive at agreements among themselves.

Power and Institutions in the State of Nature

If power is essential to an understanding of institutions in orderly, rule-governed contexts, what about contexts that lack an overarching set of constitutional rules—because the rules do not exist, say, or because they are vague or in transition or the subject of struggle?

In these sorts of anarchic settings, public authority and government do not exist, and they cannot be used by some groups to impose their will on others. On the surface, this might seem to brighten the prospects for cooperation, and it is tempting to make parallels to the state of nature that economists often assume: a marketplace in which autonomous actors are free to make choices and enter into agreements as they see fit. Given such a scenario, it might seem that any agreements would be cooperative and mutually beneficial.

But the economists' state of nature implicitly assumes an overarching system of law that guarantees property rights and enforces contracts. The existence of such a system obviously reduces the likelihood of theft and violence, promotes social order, and enhances cooperation and

exchange. It also violates what we mean by a state of nature, for its actors are playing by rules imposed and enforced from above.

What happens when there aren't any rules? The answer is that social actors are plunged into a Hobbesian world in which people are nominally free to make their own decisions and enter into cooperative arrangements—but everyone is also vulnerable to predation by everyone else, and the weak are particularly vulnerable to predation by the powerful. They are free to be robbed, free to be murdered, free to be enslaved.

The absence of government cuts both ways, then. It removes public authority from the political equation, and thus eliminates the immediate means by which the winners impose new institutions on the losers in domestic politics. Yet it also removes the framework of rules that can guarantee order in society, protect property rights and contracts, and promote trade and cooperation. And in eliminating such rules, it creates opportunities for the exercise of other types of power that do not depend on public authority for their force.

The rise and development of national institutions

In their attempts to explain the origin of political institutions, rational choice theorists often begin with a state of nature—which is sometimes Hobbesian and sometimes not—and ask about the prospects for cooperation. How can self-interested individuals overcome their collective action problems and all the dangers of the state of nature to arrive at basic rules for the conduct of their affairs?³³ Until the new economics burst on the scene, the accepted answers were essentially negative. Hobbes, of course, had argued that the solution was an all-powerful Leviathan. And Olson had argued that rational individuals would usually not cooperate in pursuit of common interests, and that selective incentives or coercion would typically be required to get them to organize.³⁴ (Even then, they would not really be cooperating.)

With the new economics, the pendulum swung hard the other way. Theories of repeated games, whose technology was just becoming available, showed that the prospects for cooperation are much brighter when people interact with one another again and again over time, and pointed toward a variety of factors—the strategies of the players, the “shadow of the future,” reputations, the ability to commit, and so on—that determined whether cooperation would occur.³⁵ The rise of transaction cost economics and agency theory, which linked cooperation to formal institutions, was an integral part of all this. Both took advantage of the same technology, and their cooperationist logic reinforced the same themes. Before long, cooperation was the basis for a new theory of political institutions.

As the theory has grown over the years and been applied to a range of institutional topics, some of the most influ-

ential work has dealt with how the fundamentals of democracy emerge out of state-of-nature-like contexts in which rules of governance are absent, problematic, or in flux. A notable example is a widely cited article by Douglass North and Barry Weingast on the rise of democracy in seventeenth-century England.³⁶

Their account takes the following form. The English kings needed money for their military campaigns (and other things) but had difficulty raising funds. The problem was that, however solemn their promises to repay loans from financial elites, their own sovereignty allowed them to renege on any deals—so their promises were not credible, and fund-raising deals that could have been mutually beneficial often did not materialize. In effect, the kings were too powerful for their own good, and they were suffering the consequences. As were financial elites. There was, however, an institutional solution to their dilemma. The solution was to “tie the king’s hands” by devising a new system of governance that transferred significant legal powers to parliament and an independent judiciary. This dilution of monarchical power was good for kings because they could now raise money by making credible promises to repay loans. And it was good for the moneyed interests (represented in parliament) because they could now make loans, be repaid, and have their property rights protected. The institutional solution—the basic framework of democracy—was thus cooperative and mutually beneficial, and it was stable because neither side had an incentive to defect.³⁷

The notion that democratic institutions arise as cooperative solutions to collective action problems can be found in other influential works as well. In his study of transitions to democracy in Eastern Europe and Latin America, for example, Adam Przeworski argues that democracies emerge when opposing groups see elections as giving them a fair chance of competing for office, and when they believe that—even if they stand to lose on occasion—they can still advance their own interests over time.³⁸ When these conditions are met, the groups can agree to abide by a set of democratic rules. Democracies are thus self-enforcing structures of cooperation and mutual benefit.

But this begs an important question: who are the insiders for whom the agreement is cooperative and mutually beneficial? In Przeworski’s case, the insiders are the two opposing groups, and his analysis shows that, under certain circumstances, they can arrive at a solution that involves elections. Yet in any real-world context, these two groups would not represent the preferences of all citizens, and there is no guarantee that the unrepresented would be better off as a result of the deal. They never agreed to it. What we do know is that two groups powerful enough to be threats to one another, and probably to national peace and stability, have forged an agreement that is imposed on everyone else. It is cooperative and mutually beneficial *for them*, but not necessarily for others.

In North and Weingast's argument, the situation is more involved. As I have told their story—consistent with the theoretical lesson usually associated with it—the insiders would appear to be a select group of elites, namely, the king and the moneyed class. If so, it would be *their* agreement. The new democratic institutions would be cooperative and mutually beneficial for them, but not necessarily for ordinary people, who were not part of the deal. But the story that North and Weingast actually tell is more complicated. For although tying the king's hands proves to be a good thing for monarchs over the long haul, the monarchs themselves did not see it that way *ex ante*. They fervently *resisted* having their hands tied, and only violence and revolution settled the issue. Democratic institutions had to be *forced* on the monarchy. The rise of British democracy had at least as much to do with power as with cooperation—but this is nowhere reflected in the theoretical lesson we are supposed to take away from the analysis.

This same literature on the rise of the state also advances an important companion theme. The idea is that democratic institutions promote economic growth, that economic growth is good for everyone, and that this makes democracy attractive to those who choose institutions.

The connection between institutions and economic growth has been explored most influentially by North.³⁹ In a series of publications that won him a Nobel Prize, North's institutional theory departs significantly from neo-classical economics in explaining why some economies succeed and other do not. The argument is multifaceted, but its main lesson is simply this: that political institutions have profound effects on economic growth, and if rulers are able to adopt the *right* institutions—if they are able to get property rights right—then the economy will grow and everyone in society can benefit, including the ruler.

North recognizes that rulers usually do not choose this productive path—in part because it can threaten their hold on political power—and that they often create institutions that are predatory and socially inefficient instead. The coercive power of the state, he says, is necessary in order to impose a good framework of rules that encourage productive cooperation, but the conundrum is that “if the state has coercive force, then those who run the state will use that force in their own interest at the expense of the rest of the society.”⁴⁰ This problem might be mitigated when the circumstances are right—for example, when leaders have long time horizons and expect to gain from economic growth. Yet history shows that circumstances are often otherwise.

But while North is unflinching about the downside of political institutions, this is not what his analysis is really about. His aim is to understand the connection between institutions and economic growth, and “the central focus is on the problem of human cooperation—specifically the cooperation that permits economies to capture the

gains from trade that were the key to Adam Smith's *Wealth of Nations*.”⁴¹ The theory he seeks to displace is neo-classical economics, and “what has been missing is an understanding of the nature of human coordination and cooperation.”⁴²

Power and predation are not irrelevant to North's way of thinking, then, but they are not in the same league with cooperation. They may not even be of secondary importance. For when arguing how neo-classical economics can best be modified once cooperation is taken into account, he points not to issues of power and predation but to issues of incomplete information and subjective perceptions. “There is nothing the matter with the rational actor paradigm,” he maintains, “that could not be cured by a healthy awareness of the complexity of human motivation and the problems that arise from information processing. Social scientists would then understand not only why institutions exist, but also how they influence outcomes.”⁴³ Indeed, in later articles distilling his theoretical views on the development of institutions, the arguments he lays out—and the research agenda he goes on to develop—have nothing to do (directly) with power and predation, but a lot to do with perceptions, attitudes, culture, and knowledge, and with bringing cognitive science to bear on the study of institutions.⁴⁴

Most of the rational choice literature shows a similar ambivalence toward power, recognizing its relevance yet pushing it to the analytic periphery. In particular, there seems to be widespread agreement among rational choice theorists that

- the coercive power of the state is often necessary for enforcing cooperative agreements and creating institutions (contract law, property rights) that promote them;
- a state powerful enough to use coercion toward such positive ends can also use it predatorily; and
- this dilemma of state power must somehow be resolved—for example, by tying the king's hands—if cooperative, mutually beneficial outcomes for society are to be realized.

The role of these insights, however, is typically to provide a better understanding of cooperation and mutual gain (and democracy and economic growth), not to shed light on the pervasive and often troubling ways that power can shape political institutions, and not to promote a broader theory that brings cooperation and power into balance.⁴⁵

A relatively small number of rational choice scholars have given power much more serious attention. They have done so in different ways, however, and their separate attempts—while often laudable in themselves—have not produced much coherence in the aggregate. Some have emphasized power in the context of empirical work, where attention centers mainly on the details of particular cases.⁴⁶ Others have offered theoretical arguments about

particular aspects of power, but without launching a more generalized attack on mainstream theory.⁴⁷

A few, however, have attempted to develop broader arguments about the need for integrating power into the theory of institutions. I put myself in this category,⁴⁸ but here I want to focus on a small group of scholars—Robert Bates, Margaret Levi, Jack Knight, and Mancur Olson—who write about how the state and its institutions develop from more primitive beginnings.⁴⁹

Bates has the most in common with North. He devotes considerable attention to power and its often destructive effects, but his ultimate concern is with how power is used to promote cooperation, mutual gain, and the institutions that make them possible. This is the thrust of his seminal work on Africa, in which he shows how Kenya's leaders used their power to get property rights right, with beneficial results.⁵⁰ It is also the theme of his more recent *Prosperity and Violence*, which shows how “violence becomes domesticated . . . and is used not to predate or to destroy but rather to strengthen the productive forces of society.”⁵¹ Even so, his larger theme is that power and cooperation are inextricably intertwined, and that institutions can not be understood unless this is recognized.

Levi's departure from North is more striking. Her focus is not on the positive, but rather on the broader consequences that power can have for political institutions and citizens. From the beginning of the new institutionalism, she has been the strongest proponent of a power-based theory, arguing that political institutions are shaped by power asymmetries and that they protect and promote the interests of the powerful.⁵² Cooperation is essential too, she makes clear, but it is bound up with the exercise of power. In *Of Rule and Revenue*, for example, a central theme is that rulers are typically predatory but can extract resources from their citizens most efficiently when the latter engage in “quasi-voluntary compliance,” which may require rulers to adopt institutions with a degree of public legitimacy.⁵³ Another theme is that cooperation is a key means by which rulers ally themselves with other elites so that all can extract resources most efficiently from the larger population. The insiders, in other words, cooperate to plunder those who are not part of the deal.

Levi and Bates push the envelope by bringing power to center stage. But neither takes on the more fundamental task of challenging the analytics of rational choice. Knight was the first to do this in a systematic way.⁵⁴ Beginning with the basics of individual choice and strategic interaction, he argues that institutions are “not best explained as a Pareto-superior response to collective goals or benefits, but, rather, as a by-product of conflicts over distributional gains,”⁵⁵ and he aims to show how a theory of institutions can be rooted in bargaining relationships and the power asymmetries that shape their outcomes.

Knight's analysis is admirably ambitious, and it succeeds in calling attention to fundamentals. But it does not

readily serve as a springboard for change. One reason is that it focuses on informal social institutions and doesn't devote much attention to the formal political institutions that make up the state. More important, its bargaining analysis almost always turns out to be an analysis of how rational individuals struggle to distribute *gains*—with no one losing—rather than an analysis of redistribution (or coercion or violence) in which some individuals gain and others lose. Particularly for this latter reason, it remains ambiguous what kinds of analytic changes Knight is really proposing, and whether a bargaining framework—which rational choice theorists use to understand the voluntary division of gains, not the imposition of losses on involuntary victims—is appropriate for the job.

Knight, Levi, and Bates are all political scientists, and this should come as little surprise. Power has long been central to the way political scientists think about politics, and it is only natural that, when rational choice rose to prominence, some of them would try to fit power into a rational choice framework. It is not at all natural for economists to do such a thing. Their theory and research are tightly constrained by the analytics of voluntary exchange, and even when they turn their attention toward politics they tend to either avoid the subject of power entirely or to explore it in a limited way that fits their framework of voluntarism.⁵⁶

This being so, it is significant that perhaps the most provocative argument for a power-based theory of the state—Olson's *Power and Prosperity*—comes from one of the world's most prominent economists and is clearly intended to influence the thinking of other economists.⁵⁷ Published two years after Olson's untimely death, this is a work he had been developing for years and had yet to perfect. Partly for this reason, I suspect, it is not as tightly argued as it might have been.⁵⁸ Even so, Olson was a creative and iconoclastic thinker, and this work is a bold attempt to make power a central concern of economic theory.

For our purposes, Olson makes two noteworthy contributions here. The first is his power-based theory of the state, which elaborates ideas developed in his earlier work.⁵⁹ A major theme is that even autocratic leaders sometimes have incentives to use their power for social good. But Olson puts the spotlight on coercion, corruption, inefficiency, and predation—viewing them as the norm and rightly at the center of theory. He stands out, moreover, because he builds his theory on simple and insightful conceptual distinctions—between encompassing and special interests, between roving and stationary bandits—that allow for a logical analysis that is focused, simple, and potentially far-reaching. Unfortunately, he also stands out by making little constructive use of the new economics, aside from his own work on collective action; and as a result, the concerns that play key roles in the rest of the literature—about credible commitments, the tying of hands, and the

like—are not well integrated into his analysis, which is almost purely his own. He compounds the problem by ignoring Bates, Levi, Knight, and others, and indeed dismissing all work on power but his own as “only a jumble of ad hoc arguments and some fancy jargon.”⁶⁰

His second contribution, at any rate, is potentially more important than the theory he develops: he launches an attack on voluntarism itself, arguing that an adequate theory of the state must get beyond the usual bargaining framework and develop a logic of coercion and force. He devotes an entire chapter—destined, he thinks, to be the “most interesting part of the book” to economists⁶¹—to a critique of voluntarist theories of government. The content of his critique leaves much to be desired, for it focuses on the Coasian claims of the Chicago School,⁶² and it speaks with confusion about—but mainly ignores—the new economics and its cooperationist theories of institutions, which are his real competition here. So this part of his analysis is an opportunity missed. Even so, what he tries to do is exactly what the field needs.

The international system

The international system is the paradigmatic state of nature, an anarchy in which there is no overarching authority, property rights are ultimately unprotected, and every nation is out for itself. While various schools of thought organize debate within the field, there is widespread agreement on the importance of power; and it is the realist school, which portrays the international system in stark terms of power and self-interest, that is the benchmark theory against which all others try to establish their validity and earn attention and support.

The rise of the new economics has presented realism with a major challenge. The pioneering work comes from Robert Keohane, who argues that international institutions are cooperative means by which nation-states can overcome their collective action problems to realize gains from trade.⁶³ He agrees that powerful nations like the United States create institutions to promote their own interests. But he also argues that other nations only join these institutions because they benefit from them, and he emphasizes that the structural means by which institutions bring about cooperation—chiefly by providing information, rules, and principles that reduce transaction costs, enhance decentralized enforcement, and increase interaction—make it easier for members to pursue shared interests and reap mutual gains.

Keohane’s work has stimulated a flood of scholarship on the prospects for international cooperation, and in the process the new economics has profoundly shaped the intellectual perspective of the field. Whether the subject is international trade or war and peace, and however much power enters the equation, the language of institutional analysis is one of credible commitments, self-enforcing agreements, and cooperation for mutual benefit.

A mainstream example is Milner’s *Interests, Institutions, and Information*, which explores the impacts of domestic politics on international cooperation.⁶⁴ A less obvious (but more telling) example is Martin’s influential study of economic sanctions, *Coercive Cooperation*. Martin clearly acknowledges the coercive role of sanctions and threats, but the purpose of her book is to “examine the conditions under which states cooperate to impose economic sanctions,”⁶⁵ and its “major finding . . . is that considerations of credibility provide the most explanatory leverage.”⁶⁶ International institutions enter the picture as “useful commitment mechanisms” and are “positively associated with the level of cooperation achieved.”⁶⁷

Even realists, who tend to discount institutions as epiphenomena of power, often find themselves speaking the same language—and singing the same tune. In a widely cited article, for instance, Stephen Krasner argues that the institutional system is driven by power; and he points the way toward a broader theory rooted in the new economics that can explain how power is used to promote national interests.⁶⁸ His accompanying analysis, however, shows how nations faced with coordination problems (in the area of telecommunications policy) can move from inefficient outcomes to the Pareto frontier, and how the more powerful nations have disproportionate influence over which point on the frontier is chosen. The role of power, then, simply determines how the gains from cooperation are divided up. All of the cooperating nations are made better off in the process. There are no losers.

Krasner is not alone in arguing the importance of power, but then relying on a theory of cooperation that directs attention away from all the bad things that power can do (at least to the nations being victimized by it). For example, a recent consortium of researchers involved in what they call the Rational Design Project is concerned with mapping out and explaining the institutional structure of the international system, and they explicitly acknowledge the need for an expanded theoretical framework that takes power into account. But even for them, power mainly has to do with distribution problems, coordination problems, and choices among multiple equilibria, not with nations being forced to do things that are against their interests. Indeed, it is one of their premises that “over the long haul states gain by participating in specific institutions—or else they will abandon them.”⁶⁹

The logic of voluntarism is also central to the literature on international bargaining. Even though this work is often about war and about how aspects of power can affect bargaining outcomes, the basic framework is one of cooperation and mutual gain. In a prominent summary of the bargaining literature, Robert Powell puts it this way:

Bargaining is about deciding how to divide the gains from joint action. That is, coordinated action frequently increases the size of the “pie”—for example, the exchange of goods often creates gains from trade; revising the territorial status quo peacefully

rather than through the costly use of force means that the resources that would have been destroyed by fighting can now be divided. The existence of potential gains from acting jointly creates an incentive to cooperate.⁷⁰

A recent book by Lloyd Gruber stands apart from the rest. Gruber takes the mainstream to task for building a cooperationist theory of international institutions that largely ignores power, and he launches a challenge that is truly fundamental: arguing that nations sometimes join international institutions even when they expect to be worse off for doing so. What looks like cooperation often hides the underlying exercise of power.⁷¹

Gruber's argument is based on an insightful idea that is both simple and correct. Some nations, he notes, are so important in a given sphere of activity—as nations with large economies are in international trade—that when one or more of them decide to “go it alone” in creating a multinational institution, other nations may eventually choose to join even if they never wanted such an institution in the first place and expect to be worse off. This may seem inconsistent with rational behavior, but it actually isn't. For the key issue is: worse off compared to what?

This is where the novel insight comes in. When the prime movers band together to form an institution—say, to promote free trade and the coordination of their economic policies—nations that oppose such a development are faced with a *fait accompli*. The original status quo has been taken away from them, and the new reality is that this new institution does exist. They can either join or be left out in the cold—but they can't go back to the way things were. If they now decide that joining makes them better off than not joining, they will voluntarily become members. But they expect to be worse off than if the institution had never existed in the first place.

Gruber marshals evidence for his argument by studying NAFTA and the European Monetary System. He shows that in both cases there were prime movers (the United States and Canada for NAFTA, Germany and France for the EMS) that engineered a new status quo, as well as nations that preferred not to have any institution at all (Mexico for NAFTA, Italy and Britain for the EMS) but joined nonetheless once the original status quo was taken away from them. Other scholars may or may not agree with Gruber's empirical conclusions, as it is difficult to calculate each nation's expected benefits under alternative scenarios. Even so, his argument is provocatively subversive. For it not only suggests how power can worm its way into the very foundations of “voluntary” choice, but also asserts that institutions may not be cooperative and mutually beneficial even for the insiders that willingly join them.

Power

If power is fundamental to institutions, we need to think about it as rigorously as we now think about cooperation, and we need to integrate both into a common rational

choice framework. While it may sound naïve to say so, my own view is that this is not exceedingly difficult to do, at least from an analytical standpoint. The difficulty lies in overcoming mind-sets that have prevailed among economists and political scientists for decades.

Economists aren't very interested in studying power. It is true that their theories of voluntary exchange point them in other directions; but economists created these theories, and they have always been free to modify, reinterpret, or expand them to allow for a more far-reaching analysis of power. They haven't done so because they haven't wanted to, not because there is something inherent to economics that prevents them.⁷² Political scientists *are* interested in studying power, as it is central to much of what they want to explain. But the community power debates of the 1960s, combined with the large and contentious philosophical literature on power, seem to have convinced much of the discipline that power can not be defined or studied rigorously.⁷³ And when rational choice took the field by storm, its theories of voluntary choice and cooperation reinforced these jaded notions.

So how can power be made more fundamental to rational choice? I don't presume to have a perfect solution up my sleeve. Nor do I mean to trivialize the complex issues that the concept of power ultimately raises. But in the few pages remaining, I do want to set out some simple ideas about how we might proceed in putting power to more productive use.

A good first step is to recognize that the definitional problems surrounding the concept do not have to be entirely resolved for theoretical progress to be made. After all, there is still no agreement on what an institution is. Some scholars see institutions as rules of the game, others see them as formal organizations, others as patterned behavior, still others as “myths” and ideational structures.⁷⁴ But these differences haven't prevented the theory of political institutions from making tremendous progress over the last twenty years. I suspect the same will prove true for different notions of power. We simply need to move ahead.

We can do this most effectively by focusing first on power's most egregious expressions, coercion and force—precisely as Olson has argued.⁷⁵ It might seem that these aspects of power are flatly inconsistent with voluntary choice and thus outside the framework entirely. How, then, can rational choice deal with them? The answer, perhaps surprisingly, is that it already does—but in a confusing way. If this confusion can be cleared up, there is no reason that these aspects of power can not become an integral part of rational choice theory. No technical innovations are really required.⁷⁶

To see why, consider a stylized situation in which a criminal presents his victim with a classic choice: “your money or your life.” An economist might say that this is just another case of voluntary exchange. If the victim chooses to hand over his wallet, he is simply acting on his

preferences and making a rational choice. He would rather lose his money than his life. There is no need to introduce power into the analysis, because voluntary exchange already explains the outcome. The common sense response, however, is that the exchange between criminal and victim is obviously not voluntary. The criminal is using threats of violence, and he is coercing the victim to give up his money against his will. The economist can rejoin, though, that it actually *is* the victim's will to give up the money, and common sense is thus thrown into doubt by a semantic dispute over what the victim's "will" really is.

There is no right or wrong here. Whether the exchange is voluntary or coercive depends on how you look at it. There is, however, an analytical means of cutting through the confusion. This is to recognize that the victim's will is being expressed relative to a specific agenda of alternatives. And the criminal is now controlling the agenda. Before the criminal walks up, the victim lives peacefully with his wallet in his own pocket and his life not subject to threat. This is the original status quo. When the criminal arrives on the scene, however, the victim is presented with two alternatives—give up his money or give up his life—and they compose his entire choice set. He cannot choose the original status quo, which requires that he be left alone, because the criminal has taken this alternative away from him. The victim "voluntarily" gives up his wallet when faced with the power-constrained choice set, because he is better off giving up his money than getting killed. But he is worse off than he would be under the original status quo—which he can no longer have, thanks to the criminal's exercise of agenda power.

This is the kind of power Gruber is talking about.⁷⁷ It is a form of agenda control in which one actor denies the status quo to others in order to steer them into accepting alternatives more to his liking. Most instances of institutional power that we discussed earlier are of this type as well. For when legislators and interest groups impose institutions on the broader population, or when rulers adopt predatory institutions to extract resources from citizens, these insiders are revoking the original status quo and giving outsiders two choices: play by the new rules or be punished by the police powers of the state. The outsiders cannot go back to the way things were. They must now choose from the power-constrained choice set and from that alone. They may (and probably will) choose to "cooperate." But they may also be worse off than before the institutions were imposed.

A related type of agenda control operates to protect the status quo rather than change it. This can occur, for example, when actor A uses his agenda power not to deny actor B the original status quo, but rather to deny him other alternatives that he would actually find preferable—alternatives that A wants to prevent being adopted. This is the kind of power that Peter Bachrach and Morton S. Baratz highlight in their classic critique of pluralism, in

which they argue that political elites often maintain their positions not by winning conflicts against opponents, but by using agenda control to keep conflictual alternatives off the table entirely.⁷⁸

This kind of power has a lot to do with the stability of political institutions. Recall, for example, that public bureaucracies can usually survive (regardless of what happens to their enacting coalitions) as long as no legislation is passed to kill them. Supporters who play pivotal roles in the policy-making process, then, can use agenda control—even if they are a distinct minority—to keep reform proposals off the table, and thus to prevent change from even coming up for a vote.

Both types of agenda control help to clear up confusion and make power more analytically tractable.⁷⁹ In the first case, A exercises power by denying B the original status quo and constraining him to choose an alternative he otherwise would *not* prefer. In the second, A exercises power by denying B attractive alternatives to the status quo and preventing him from adopting changes he otherwise *would* prefer. Note that in both cases B is making voluntary choices within the power-constrained choice set—but at the same time he may be a victim of coercion or force, because A is setting limits on his options and engineering his choices. B is better off by reference to the constrained choice set—but at the same time he may be worse off by reference to the alternatives denied him. He is cooperating and reaping gains from trade—but at the same time he may be a victim of manipulation and even predation. There is nothing contradictory about these apparently contradictory claims. They are all equally valid descriptions of the same choice situation, and they can all be recognized and explored using the logic of rational choice. We simply need to be clear about our frames of reference.

Even if we are, semantic squabbles are inevitable. The analytics may lead us to agree, for example, that B is worse off relative to the original status quo denied him by A; yet some might call this coercion and some might not, depending on the extent of B's loss, whether A intended for it to happen, and other considerations. Given the plasticity of ordinary language, there is no avoiding these ambiguities. But the important point is, they don't matter much. What matters is that we have an objective basis for saying that B is worse off—and indeed for measuring the magnitude of his loss—even in cases when the mainstream explanation would point to cooperation and mutual gain.

Ironically, coercion and force are the easiest aspects of power to deal with. This is because they are essentially negative (B is made worse off) and readily distinguished from cooperation and mutual gain. Other aspects of power are more challenging because the boundaries are less clear. Suppose we agree that much of what we mean by power has to do with one actor intentionally shaping the choice-set of another.⁸⁰ Then what do we make of an apparently simple case of positive inducements: a situation, for example, in

which rich nation A gets poor nation B to accept troops on its territory by paying a large sum of money? The standard explanation would see this as a voluntary exchange that makes both nations better off. But is it also an exercise of power? After all, A influences B's choices by adding an attractive alternative to B's choice set, and this allows A to get what it wants. Other nations, moreover, may find their future decisions heavily constrained by A's success in stationing troops on B's soil: a spillover effect that is surely what A wants as well.

Principal-agent relationships give rise to the same sorts of questions—and it is in this context that the ambiguity at the heart of these relationships needs to be understood. As I discussed earlier, if we explain bureaucratic structure as deriving from the efforts of a legislative principal to control the behavior of its bureaucratic agent, then the structure may be characterized as cooperative and mutually beneficial. Yet the legislature is clearly using structure to constrain the agency from doing what it would otherwise want to do, such as pursuing policies more to its own liking. And the agency is clearly using its informational advantage to shape the beliefs and available choices of the legislature. So while both benefit from the final outcome *relative to some baseline*, both are also actively engaged in controlling the other's agenda—and they can be construed as making each other worse off relative to *other* baselines.

Generalizing the analysis of power to situations of mutual gain raises subtle issues, and to address them fully would require more extensive treatment than I can undertake here. Fortunately, some of this ground has already been covered, notably by Randall Bartlett, whose *Economics and Power* is a comprehensive attempt to show how these and other aspects of power can be integrated into economic theory.⁸¹ Bartlett's perspective—and mine—is that, given the right frames of reference, there is no contradiction between mutual gain and the exercise of power, and that both are often going on at once. Indeed, it is in seeing them as integral components of the same relationship that we gain a better, more fully rounded understanding of it. And a better theory.

I should add, finally, that whether we think of power in general terms or focus more narrowly on coercion and force, the exercise of power doesn't just occur in political institutions. It also occurs in business firms and throughout the private sector, and is relevant to how these institutions get structured, how they perform, and how people are affected. Current theory largely ignores this, emphasizing voluntary agreement and implying that all actors can easily walk away when dissatisfied—which provides a stark contrast with the public sector. This is a contrast I have used several times, for heuristic purposes, to drive home basic theoretical points. But the fact is, severe constraints on choice and high costs of exit are often facts of life in the private sector too—especially when competi-

tion is weak and monopoly strong—and the theory needs to recognize as much. Were it to do so, its rosy view of business firms would no longer be so rosy.⁸²

Conclusion

The rational choice theory of political institutions has been extraordinarily productive over the last few decades, and much of what it reveals about political institutions is valid and important—namely, that their creation, design, and consequences have a lot to do with the efforts of social actors to find cooperative solutions to collective action problems. Yet political institutions are more than just structures of cooperation. They are also structures of power, and the theory does not tell us much about this. As a result, we get a one-sided—and overly benign—view of what political institutions are and what they do.

This problem is not well understood, and indeed is typically not seen as a problem at all. For there is a widespread sense in the literature that, because power is so frequently discussed, it *is* being taken into account and is just as fundamental to the theory as cooperation. Confusion about these matters is a problem in itself, and is actually the more serious one—because it not only prevents well conceived movements for change, but also undermines the motivation for any change at all. If a theory that truly integrates power and cooperation is to be developed, the key prerequisite is simple clarity.

It might seem that the cooperationist theory would be at its clearest and most compelling in explaining institutions created under democratic rules of the game. But this is not the case. As the new economics has been transported from business firms to democratic institutions, the logic of the analysis has gotten muddled. Key concepts and components—like what the relevant institutions are and which actors count as the relevant population—do not make the transition very well. They get used in different ways across the two sectors, and indeed in various ways within the public sector itself, and this alters the meaning of what is actually being argued. Even the most basic of claims—about cooperation, mutual benefit, stability—become unclear.

When these issues are untangled, and when familiar but distracting arguments (about Coasian bargaining, about the social contract) are dealt with and dismissed, it turns out that the usual cooperationist explanations are valid—but only for some of the players and part of the overall story—and that power is essential to the story too. In effect, the new economics focuses on the political insiders: the legislators, interest groups, and bureaucrats who are the winners of the democratic struggle, and who use public authority to create and design the bureaucratic institutions that fill out democratic government. Their relationships are indeed cooperative and mutually beneficial—for *them*. But they use their cooperation to

impose institutions on the political losers, and indeed on everyone else in society, and these outsiders are not part of the deal. In democratic politics, cooperation and power are two sides of the same coin: cooperation makes the exercise of power possible, and the exercise of power often motivates the cooperation.

To focus on cooperation alone, then, is to miss the essence of what is going on as democratic institutions are being created and designed. Much the same can be said about their stability over time. Once they are set up, they become legal entities in their own right, protected by the rules of the game, and they can survive with only periodic backstopping from much smaller and perhaps very different bands of supporters. The new economics' focus on the stability of the original cooperative agreement—and on whether it is self-enforcing—misconstrues what often accounts for the survival of political institutions. Usually, they are stable because of the agenda power of current supporters, not because the original agreement lives on.

When we turn our attention to the rise of state institutions from more primitive beginnings, or to the rise of institutions in the international system, it might seem that the cooperationist theory would be less dominant and more accommodating to notions of power. And in some sense it is. The literature is very much concerned with predation, confiscation, war, and other aspects of power. Yet all this attention to power has not paid off. Power is typically just an add-on to the underlying cooperationist theory, playing a peripheral role that leaves the fundamentals of voluntarism and mutual benefit unchanged. Predation and other downsides of power are acknowledged, but the focus tends to be on cooperative solutions that lead to democracy, the rule of law, protection of property rights, and economic growth.

A few scholars have sought to put power and cooperation on a more equal footing, and they deserve credit for their pioneering work. But it would be stretching things to call their collective efforts a research program, because they do not build upon one another and do not share an analytic roadmap of where they are going or why. They have done much to highlight the importance of power, but less to show how it can be incorporated into the fundamentals of the theory.

The task of integrating power into the theory might seem daunting, but it doesn't need to be—except perhaps at the margins, where positive inducements create unavoidable ambiguities. If we resist the temptation to be overly ambitious at the outset, we should be able to deal in a manageable way with important aspects of power. The most effective way to proceed, in my view, is to focus first on power's most egregious expressions: coercion and force. While they may appear to be quite outside the existing theory, indeed the antithesis of voluntary choice, a little clarification suggests that they can be understood by reference to the familiar analytics of agenda control and con-

straints on choice, and that exploring coercion and force is mainly a matter of adopting the right frames of reference.

There is no need for new analytic tools, and no reason that a theory of voluntary choice can not accommodate these extreme versions of power. For “voluntary” does not have an absolute meaning within the theory, and it can readily take on features of coercion and force under the right conditions. That the new economics has paid so little attention to these (or any other) aspects of power is not because the tools and concepts are unavailable, but simply because rational choice theorists have channeled their attention elsewhere. Progress requires little more than a new mind-set and an interest in following its lead.

The spillover effects are likely to be substantial and very beneficial. Rational choice theorists will be better equipped to speak to the power issues that political scientists who are more historically and empirically oriented have been studying with great success over the past few decades.⁸³ They will also be better equipped to learn from these scholars, and to see the value in expanding rational choice theory to incorporate the power dynamics—associated with path dependence, for example, and with critical junctures—that the empirical literature has shown to be important to political institutions.⁸⁴ With power a newly shared concern, rational choice theorists and historical institutionalists will have more in common than ever before, and the theoretical and the empirical are likely to come together in far more productive ways.

For now, it is probably wise not to push for a dramatic expansion of what the existing theory is expected to include. The new economics and game theory are not yet very good at handling dynamics, and it may be that, at least for the foreseeable future, they will be limited in what they can do to model certain aspects of power. But that is okay. The short term goal is simply to get power on the agenda of rational choice and to move toward a theory that is no longer so focused on cooperation and the positive side of what political institutions are and do. This is a manageable objective—and if achieved, a major step forward.

Notes

- 1 Moe 1990.
- 2 Knight 1992.
- 3 North 1981; North 1990; Bates 1989; Levi 1988; Levi 1990.
- 4 Bates 2001; Olson 1993; Olson 2000.
- 5 Olson 2000, 2.
- 6 Arrow 1963; McKelvey 1976.
- 7 Shepsle 1979; Shepsle and Weingast 1981.
- 8 Niskanen 1971; Romer and Rosenthal 1978.
- 9 Buchanan, Tollison, and Tullock 1980.
- 10 Williamson 1985.
- 11 Moe 1984.
- 12 Weingast 1996, 2002.

- 13 Pratt and Zeckhauser 1985.
- 14 Weber 1947.
- 15 For example, Axelrod and Keohane 1985; Barzel 2002; Bates 1989; Bates 2001; Calvert 1997; Cox and McCubbins 1993; Greif 1998; Greif, Milgrom, and Weingast 1994; Horn 1995; Keohane 1984; Levi 1988; McCubbins, Noll, and Weingast 1987; Milgrom, North, and Weingast 1990; North 1981; North 1990; North 1995; North and Weingast 1989; Ostrom 1990; Przeworski 1991; Weingast 1995; Weingast 1997; Weingast and Marshall 1988.
- 16 Weingast and Marshall 1988.
- 17 Shepsle 1986, 74.
- 18 Weingast 2002, 670.
- 19 My argument is about the politics of structure, and its logic would apply just as well to the structure of taxation policy, of transfer payments, of public programs, and the like.
- 20 Moe 1990.
- 21 The same conclusions about winners, losers, and coercive power also apply to the private sector—when there is monopoly, for example, or when workers lack exit options. As I note later on, power is relevant to an understanding of institutions in both sectors.
- 22 Eggertsson 1990.
- 23 See also Dixit and Londregan 1995; Dixit and Londregan 1996; Libecap 1986.
- 24 Williamson 1985.
- 25 *Ibid.*
- 26 Hardin 1990.
- 27 McCubbins, Noll, and Weingast 1987.
- 28 Horn 1995.
- 29 While the acceptability criterion may seem odd in a governmental setting, as the legislators have the legal right to impose any structure they want, the relationship is still voluntary: existing bureaucrats can quit or transfer, potential bureaucrats can refuse to apply for the jobs, and so on. This being so, the structural solution can be thought of as cooperative and mutually beneficial.
- 30 I emphasize this aspect of power and its connection to cooperation because it is simple and speaks to the core logic of the new economics. But as I will discuss later on, it is not the only way that power can shape the emergence and design of institutions.
- 31 Moe 1997.
- 32 Other work on political control does the same. See, for example, Epstein and O'Halloran 1999; Huber and Shipan 2002.
- 33 Hardin 1982.
- 34 Olson 1965.
- 35 Axelrod 1984; Taylor 1987; Hardin 1982; Kreps 1991.
- 36 North and Weingast 1989.
- 37 See also Root 1989.
- 38 Przeworski 1991.
- 39 North 1981; North 1990.
- 40 North 1990, 59.
- 41 *Ibid.*, 9.
- 42 *Ibid.*, 11.
- 43 *Ibid.*, 111.
- 44 North 1994; North 1995; Mantzavinos, North, and Shariq 2004.
- 45 See, for example, Weingast 1995; Weingast and Marshall 1988; Greif 1998.
- 46 Rosenthal 1992; Korpi 2001.
- 47 Umbeck 1981; Taylor 1987; Hardin 1995; Wantchekon 2004.
- 48 Moe 1990.
- 49 Bates 1989, 2001; Levi 1981; Levi 1988; Levi 1990; Knight 1992; Olson 1993; Olson 2000. See also Barzel 2002, who might be included in this group, but whose overall argument I find less persuasive.
- 50 Bates 1989.
- 51 Bates 2001, 26.
- 52 Levi 1981; Levi 1990.
- 53 Levi 1988. See also Levi 1997.
- 54 Knight 1992. Bartlett 1989 preceded Knight in offering a book-length treatment of how power might be integrated into the fundamentals of economic theory, but his analysis is not specifically about political institutions. See also Dowding 1991; Barry 1976; and Baldwin 1985.
- 55 Knight 1992, 19.
- 56 Bartlett 1989.
- 57 Olson 2000.
- 58 See, for example, Woodruff 2001.
- 59 Olson 1965; Olson 1982; Olson 1993; McGuire and Olson 1996.
- 60 Olson 2000, 46.
- 61 *Ibid.*, 47.
- 62 Becker 1983.
- 63 Keohane 1984.
- 64 Milner, 1997.
- 65 Martin 1992, 10.
- 66 *Ibid.*, 11–12.
- 67 *Ibid.*, 12.
- 68 Krasner 1991.
- 69 Koremenos, Lipson, and Snidal 2001, 768.
- 70 Powell 2002, 2.
- 71 Gruber 2000.
- 72 Hirschleifer 1994; Bartlett 1989.
- 73 For discussions of the conceptual and methodological issues involved, see, for example, Polsby 1980; Bell, Edwards, and Wagner 1969; Lukes 1974; and Morriss 2002.
- 74 Hall and Taylor 1996.
- 75 Olson 2000.
- 76 See also Bartlett 1989 and Barry 1976, who fit coercion and force within an economic framework, and

- Roemer 1986, who provides a economic analysis of Marxist notions of exploitation.
- 77 Indeed, he says “What I have been calling go-it-alone power is really just another form of agenda control” (Gruber 2000, 275), and he recognizes that agenda control can be put to more general use in the analysis of power.
- 78 Bachrach and Baratz 1962.
- 79 We might also think of power in terms of A’s ability to affect the reversion levels available to B, an idea suggested to me by Gary Miller. If we adopt a broad notion of agenda control, though, influence over reversion levels might well be regarded as a type of agenda control.
- 80 Note that this notion of power is similar to Dahl’s famous definition: that A has power over B to the extent that he can get B to do something that he otherwise would not do (Dahl 1957). I am not arguing here for a specific definition, but simply focusing the discussion on a general feature of power that is clearly important. One might argue that other features, such as A’s ability to shape B’s values, should be part of the definition of power too. See, for example, Lukes 1974 and Bartlett 1989.
- 81 Bartlett 1989. Other writers have also offered insightful ideas on integrating power into economic theory. See Dowding 1991; Dowding 1996; Barry 1976; and Baldwin 1985.
- 82 When the new economics of organization first emerged, sociologists immediately attacked it for overlooking the role of power in private organizations, including firms. See, for example, Perrow 1981, Perrow, 1986; and Francis, Turk, and Willman 1983.
- 83 See Pierson and Skocpol 2002; Hall and Taylor 1996; Korpi 2001.
- 84 See Pierson 2000.

References

- Arrow, Kenneth J. 1963. *Social choice and individual values*. New Haven: Yale University Press.
- Axelrod, Robert. 1984. *The evolution of cooperation*. New York: Basic Books.
- Axelrod, Robert, and Robert O. Keohane. 1985. Achieving cooperation under anarchy: Strategies and institutions. *World Politics* 38 (1): 226–54.
- Bachrach, Peter, and Morton S. Baratz. 1962. Two faces of power. *American Political Science Review* 56 (4): 947–52.
- Baldwin, David A. 1985. *Economic statecraft: Paradoxes of power*. Princeton: Princeton University Press.
- Barry, Brian. 1976. Power: An economic analysis. In *Power and political theory: Some European perspectives*, ed. Brian Barry, 67–101. New York: Wiley.
- Bartlett, Randall. 1989. *Economics and power: An inquiry into human relations and markets*. New York: Cambridge University Press.
- Barzel, Yoram. 2002. *A theory of the state: Economic rights, legal rights, and the scope of the state*. New York: Cambridge University Press.
- Bates, Robert H. 1989. *Beyond the miracle of the market: The political economy of agrarian development in Kenya*. New York: Cambridge University Press.
- . 2001. *Prosperity and violence: The political economy of violence*. New York: W. W. Norton.
- Becker, Gary. 1983. A theory of competition among pressure groups for political influence. *Quarterly Journal of Economics* 98 (3): 371–400.
- Bell, Roderick, David V. Edwards, and R. Harrison Wagner, eds. 1969. *Political power: A reader in theory and research*. New York: Free Press.
- Buchanan, James M., Robert D. Tollison, and Gordon Tullock, eds. 1980. *Toward a theory of the rent-seeking society*. College Station: Texas A&M Press.
- Calvert, Randall. 1997. Rational actors, equilibrium, and social institutions. In *Explaining social institutions*, ed. Jack Knight and Itai Sened, 57–93. Ann Arbor: University of Michigan Press.
- Cox, Gary W., and Mathew D. McCubbins. 1993. *Legislative leviathan: Party government in the House*. Berkeley: University of California Press.
- Dahl, Robert A. 1957. The concept of power. *Behavioral Science* 2 (3): 201–15.
- Dixit, Avinash K., and John Londregan. 1995. Redistributive politics and economic efficiency. *American Political Science Review* 89 (4): 856–66.
- . 1996. The determinants of success of special interests in redistributive politics. *Journal of Politics* 58 (4): 1132–55.
- Dowding, Keith M. 1991. *Rational choice and political power*. Aldershot, UK: Edward Elgar.
- . 1996. *Power*. Minneapolis: University of Minnesota Press.
- Eggertsson, Thrainn. 1990. *Economic behavior and institutions*. New York: Cambridge University Press.
- Epstein, David, and Sharyn O’Halloran. 1999. *Delegating powers: A transaction cost politics approach to policy making under separate powers*. New York: Cambridge University Press.
- Francis, Arthur, Jeremy Turk, and Paul Willman, eds. 1983. *Power, efficiency, and institutions*. London: Heineman.
- Greif, Avner. 1998. Self-enforcing political systems and economic growth: Late medieval Genoa. In *Analytic narratives*, ed. Robert H. Bates, Avner Greif, Margaret Levi, Jean-Laurent Rosenthal, and Barry R. Weingast, 22–63. Princeton: Princeton University Press.
- Greif, Avner, Paul Milgrom, and Barry R. Weingast.

1994. Commitment, coordination, and enforcement: The case of the merchant guilds. *Journal of Political Economy* 102 (4): 745–76.
- Gruber, Lloyd. 2000. *Ruling the world: Power politics and the rise of supranational institutions*. Princeton: Princeton University Press.
- Hall, Peter A., and Rosemary C. R. Taylor. 1996. Political science and the three new institutionalisms. *Political Studies* 44 (5): 952–73.
- Hardin, Russell. 1982. *Collective action*. Baltimore: Johns Hopkins University Press.
- . 1990. Contractarianism: Wistful thinking. *Constitutional Political Economy* 1 (2): 35–52.
- . 1995. *One for all: The logic of group conflict*. Princeton: Princeton University Press.
- Hirschleifer, Jack. 1994. The dark side of the force. *Economic Inquiry* 32 (1): 1–10.
- Horn, Murray J. 1995. *The political economy of public administration: Institutional choice in the public sector*. New York: Cambridge University Press.
- Huber, John D., and Charles R. Shipan. 2002. *Deliberate discretion? The institutional foundations of bureaucratic autonomy*. New York: Cambridge University Press.
- Keohane, Robert O. 1984. *After hegemony: Cooperation and discord in the world political economy*. Princeton: Princeton University Press.
- Knight, Jack. 1992. *Institutions and social conflict*. New York: Cambridge University Press.
- Koremenos, Barbara, Charles Lipson, and Duncan Snidal. 2001. The rational design of international institutions. *International Organization* 55 (4): 761–800.
- Korpi, Walter. 2001. Contentious institutions: An augmented rational-action analysis of the origins and path dependency of welfare state institutions in western countries. *Rationality and Society* 13 (2): 235–83.
- Krasner, Stephen D. 1991. Global communications and national power: Life on the Pareto frontier. *World Politics* 43 (3): 336–66.
- Kreps, David M. 1991. *Game theory and economic modeling*. New York: Oxford University Press.
- Levi, Margaret. 1981. The predatory theory of rule. *Politics and Society* 10 (4): 431–66.
- . 1988. *Of rule and revenue*. Berkeley: University of California Press.
- . 1990. A logic of institutional change. In *The limits of rationality*, ed. Karen Schweers Cook and Margaret Levi, 402–18. Chicago: University of Chicago Press.
- . 1997. *Consent, dissent, and patriotism*. New York: Cambridge University Press.
- Libecap, Gary D. 1986. *Contracting for property rights*. New York: Cambridge University Press.
- Lukes, Steven. 1974. *Power: A radical view*. London: Macmillan.
- Mantzavinos, Chris, Douglass C. North, and Syed Shariq. 2004. Learning, institutions, and economic performance. *Perspectives on Politics* 2 (1): 75–84.
- Martin, Lisa L. 1992. *Coercive cooperation: Explaining multilateral economic sanctions*. Princeton: Princeton University Press.
- McGuire, Martin C., and Mancur Olson, Jr. 1996. The economics of autocracy and majority rule: The invisible hand and the use of force. *Journal of Economic Literature* 34 (1): 72–96.
- McKelvey, Richard D. 1976. Intransitivities in multidimensional voting models and some implications for agenda control. *Journal of Economic Theory* 12 (3): 472–82.
- Milgrom, Paul R., Douglass C. North, and Barry R. Weingast. 1990. The role of institutions in the revival of trade: The medieval law merchant, private judges, and the champagne fairs. *Economics and Politics* 2 (1): 1–23.
- McCubbins, Mathew D., Roger G. Noll, and Barry R. Weingast. 1987. Administrative procedures as instruments of political control. *Journal of Law, Economics, and Organization* 3 (2): 243–77.
- Milner, Helen V. 1997. *Interests, institutions, and information: Domestic politics and international relations*. Princeton: Princeton University Press.
- Moe, Terry M. 1984. The new economics of organization. *American Journal of Political Science* 28 (4): 739–77.
- . 1990. Political institutions: The neglected side of the story. Special issue, *Journal of Law, Economics, and Organization* 6: 213–53.
- . 1997. The positive theory of public bureaucracy. In *Perspectives on public choice: A handbook*, ed. Dennis C. Mueller, 455–80. New York: Cambridge University Press.
- Morriss, Peter. 2002. *Power: A philosophical analysis*. New York: Manchester University Press.
- Niskanen, William A., Jr. 1971. *Bureaucracy and representative government*. New York: Aldine-Atherton.
- North, Douglass C. 1981. *Structure and change in economic history*. New York: W. W. Norton.
- . 1990. *Institutions, institutional change, and economic performance*. New York: Cambridge University Press.
- . 1994. The historical evolution of polities. *International Review of Law and Economics* 14 (4): 381–91.
- . 1995. Five propositions about institutional change. In *Explaining social institutions*, ed. Jack Knight and Itai Sened, 15–26. Ann Arbor: University of Michigan Press.
- North, Douglass C., and Barry R. Weingast. 1989. Constitutions and commitment: The evolution of institu-

- tions governing public choice in seventeenth-century England. *Journal of Economic History* 49 (4): 803–32.
- Olson, Mancur, Jr. 1965. *The logic of collective action: Public goods and the theory of groups*. Cambridge: Harvard University Press.
- . 1982. *The rise and decline of nations: Economic growth, stagflation, and social rigidities*. New Haven: Yale University Press.
- . 1993. Dictatorship, democracy, and development. *American Political Science Review* 87 (3): 567–76.
- . 2000. *Power and prosperity: Outgrowing communist and capitalist dictatorships*. New York: Basic Books.
- Ostrom, Elinor. 1990. *Governing the commons: The evolution of institutions for collective action*. New York: Cambridge University Press.
- Perrow, Charles. 1981. Markets, hierarchies, and hegemony: A critique of Chandler and Williamson. In *Perspectives on organization design and behavior*, ed. Andrew H. Van de Ven and William F. Joyce, 371–86. New York: Wiley.
- . 1986. *Complex organizations: A critical essay*. New York: McGraw-Hill.
- Pierson, Paul. 2000. Increasing returns, path dependence, and the study of politics. *American Political Science Review* 94 (2): 251–67.
- Pierson, Paul, and Theda Skocpol. 2002. Historical institutionalism in contemporary political science. In *Political science: The state of the discipline*, ed. Ira Katznelson and Helen V. Milner, 693–721. New York: W. W. Norton.
- Polsby, Nelson W. 1980. *Community power and political theory: A further look at problems of evidence and inference*. 2nd ed. Berkeley: Institute of Governmental Studies Press.
- Powell, Robert. 2002. Bargaining theory and international conflict. *Annual Review of Political Science* 5:1–30.
- Pratt, John W., and Richard J. Zeckhauser. 1985. *Principles and agents: The structure of business*. Boston: Harvard Business School Press.
- Przeworski, Adam. 1991. *Democracy and the market: Political and economic reforms in Eastern Europe and Latin America*. New York: Cambridge University Press.
- Roemer, John, ed. 1986. *Analytical Marxism: Studies in Marxism and social theory*. New York: Cambridge University Press.
- Romer, Thomas, and Howard Rosenthal. 1978. Political resource allocation: Controlled agendas and the status quo. *Public Choice* 33 (4): 27–43.
- Root, Hilton L. 1989. Tying the king's hands: Credible commitments and royal fiscal policy during the old regime. *Rationality and Society* 1 (2): 240–58.
- Rosenthal, Jean-Laurent. 1992. *The fruits of revolution: Property rights, litigation and French agriculture (1700–1860)*. New York: Cambridge University Press.
- Shepsle, Kenneth A. 1979. Institutional arrangements and equilibrium in multidimensional voting models. *American Journal of Political Science* 23 (1): 27–59.
- . 1986. Institutional equilibrium and equilibrium institutions. In *Political science: The science of politics*, ed. Herbert F. Weisberg, 51–81. New York: Agathon.
- Shepsle, Kenneth A., and Barry R. Weingast. 1981. Structure-induced equilibrium and legislative choice. *Public Choice* 37 (3): 503–19.
- Taylor, Michael. 1987. *The possibility of cooperation*. New York: Cambridge University Press.
- Umbeck, John. 1981. Might makes right: A theory of the function and initial distribution of property rights. *Economic Inquiry* 19 (1): 38–59.
- Wantchekon, Leonard. 2004. The paradox of “warlord” democracy: A theoretical investigation. *American Political Science Review* 98 (1): 17–34.
- Weber, Max. 1947. *The theory of economic and social organization*. Trans. A. M. Henderson and Talcott Parsons. New York: Oxford University Press.
- Weingast, Barry R. 1995. The economic role of political institutions: Market-preserving federalism and economic development. *Journal of Law, Economics, and Organization* 11 (1): 1–31.
- . 1996. Political institutions: Rational choice perspectives. In *A new handbook of political science*, ed. Robert E. Goodin and Hans-Dieter Klingemann, 167–90. New York: Oxford University Press.
- . 1997. The political foundations of democracy and the rule of law. *American Political Science Review* 91 (2): 245–63.
- . 2002. Rational-choice institutionalism. In *Political science: The state of the discipline*, ed. Ira Katznelson and Helen V. Milner, 660–92. New York: W. W. Norton.
- Weingast, Barry R., and William Marshall. 1988. The industrial organization of Congress, or Why legislatures, like firms, are not organized as markets. *Journal of Political Economy* 96 (1): 132–63.
- Williamson, Oliver E. 1985. *The economic institutions of capitalism: Firms, markets, relational contracting*. New York: Free Press.
- Woodruff, David M. 2001. Review of *Power and prosperity: Outgrowing communist and capitalist dictatorships*, by Mancur Olson. *East European Constitutional Review* 10 (1): 97–103.