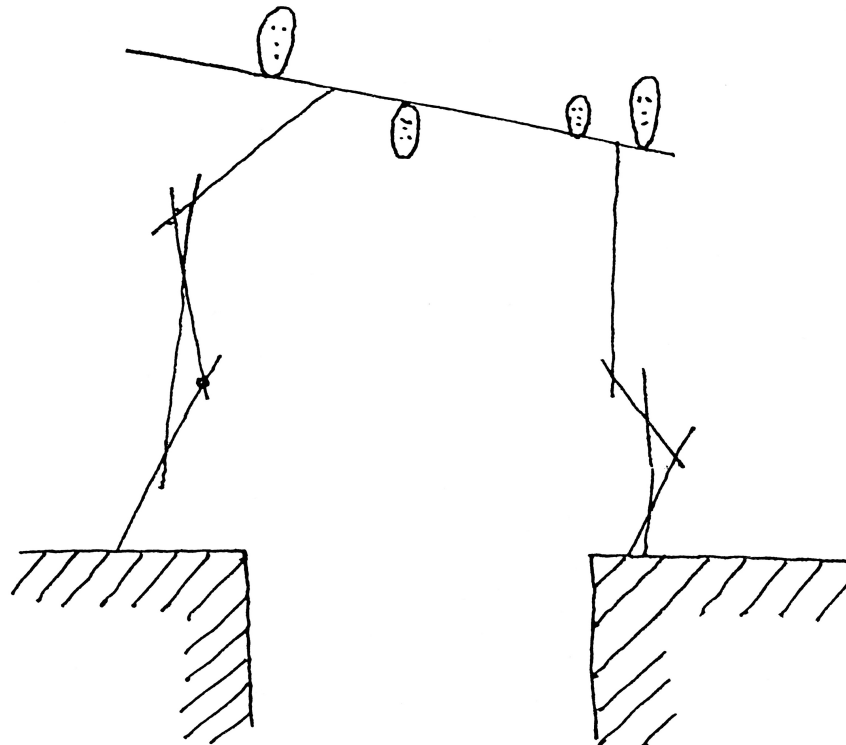


Understanding Institutions



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Dipartimento di Filosofia
Piero Martinetti
Università degli Studi di Milano

Centre for the
Study of Social
Action



WHY

'Brilliant in its simplicity
and power'
Steven Levitt

NATIONS

'Compelling and highly
readable'
Niall Ferguson

FAIL

THE ORIGINS OF POWER, PROSPERITY AND POVERTY

DARON ACEMOGLU & JAMES A. ROBINSON

Shortlisted for the *FT* and Goldman Sachs Business Book of the Year Award

BOSTONREVIEW

WHY WE COOPERATE

Michael Tomasello

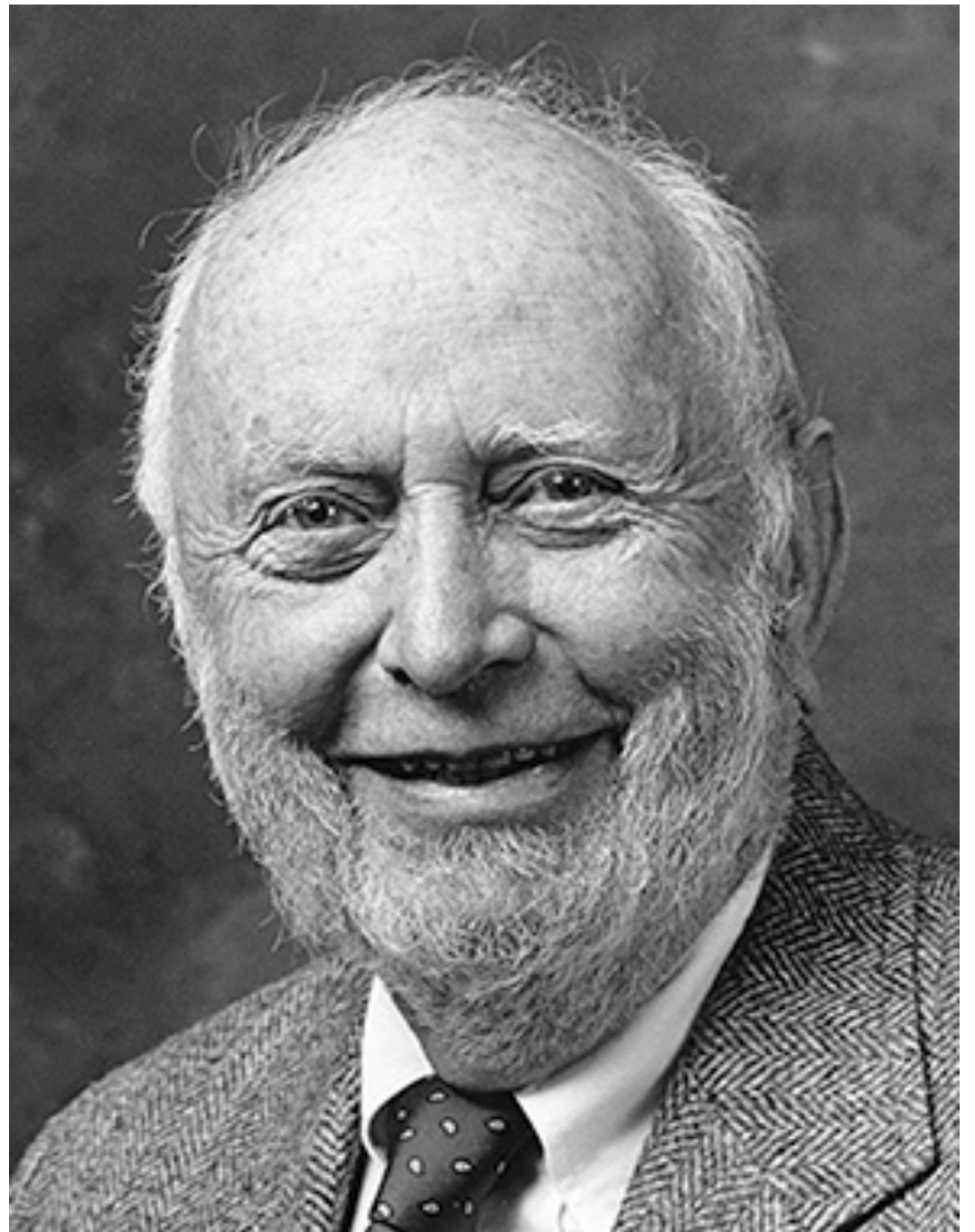
with Carol Dweck, Joan Silk, Brian Skyrms,
and Elizabeth Spelke

BANK OF GREECE

~~BERLIN...~~

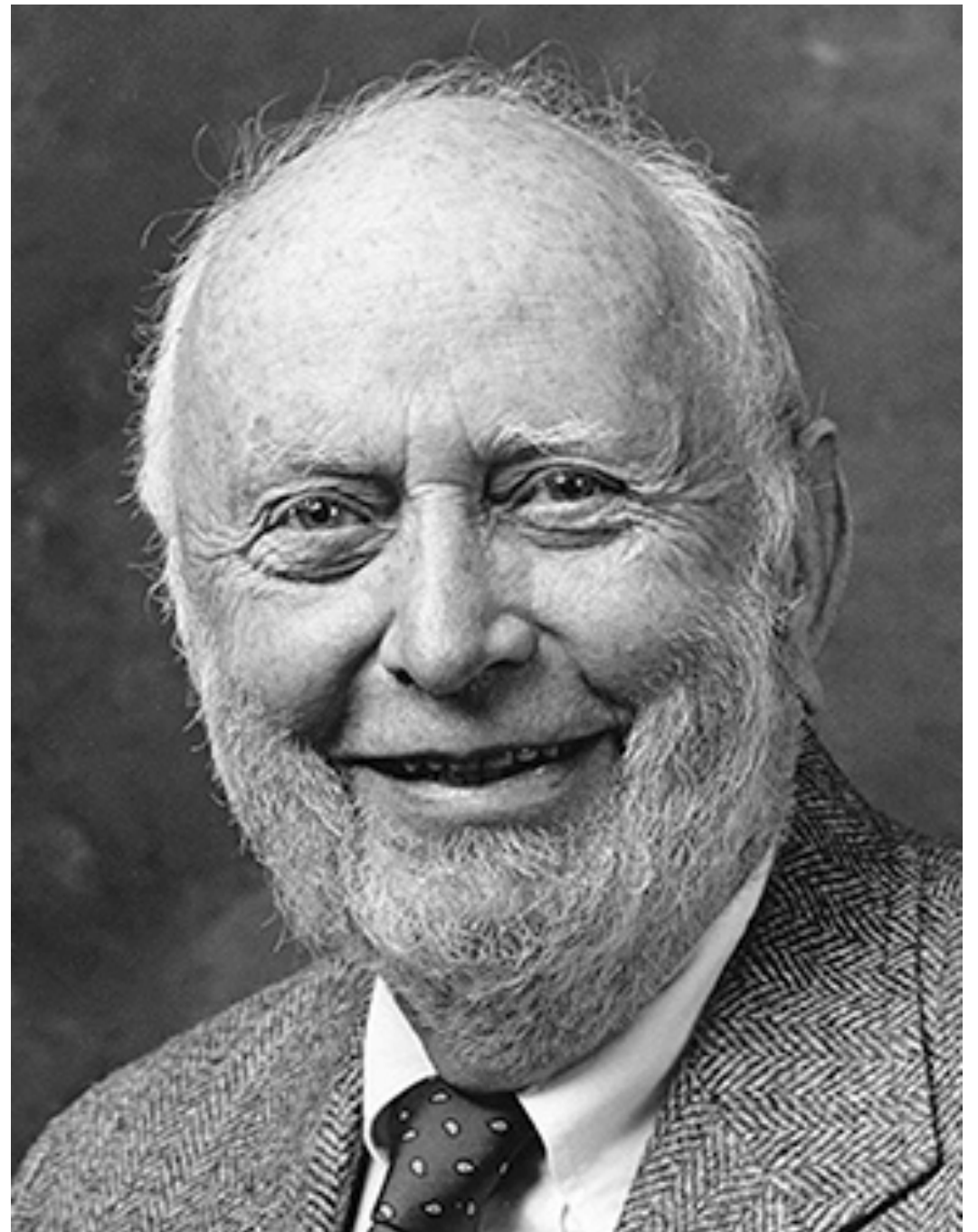
~~HOL~~

—Douglass North (*Institutions, Institutional Change and Economic Performance*, 1990, pp. 3-4)



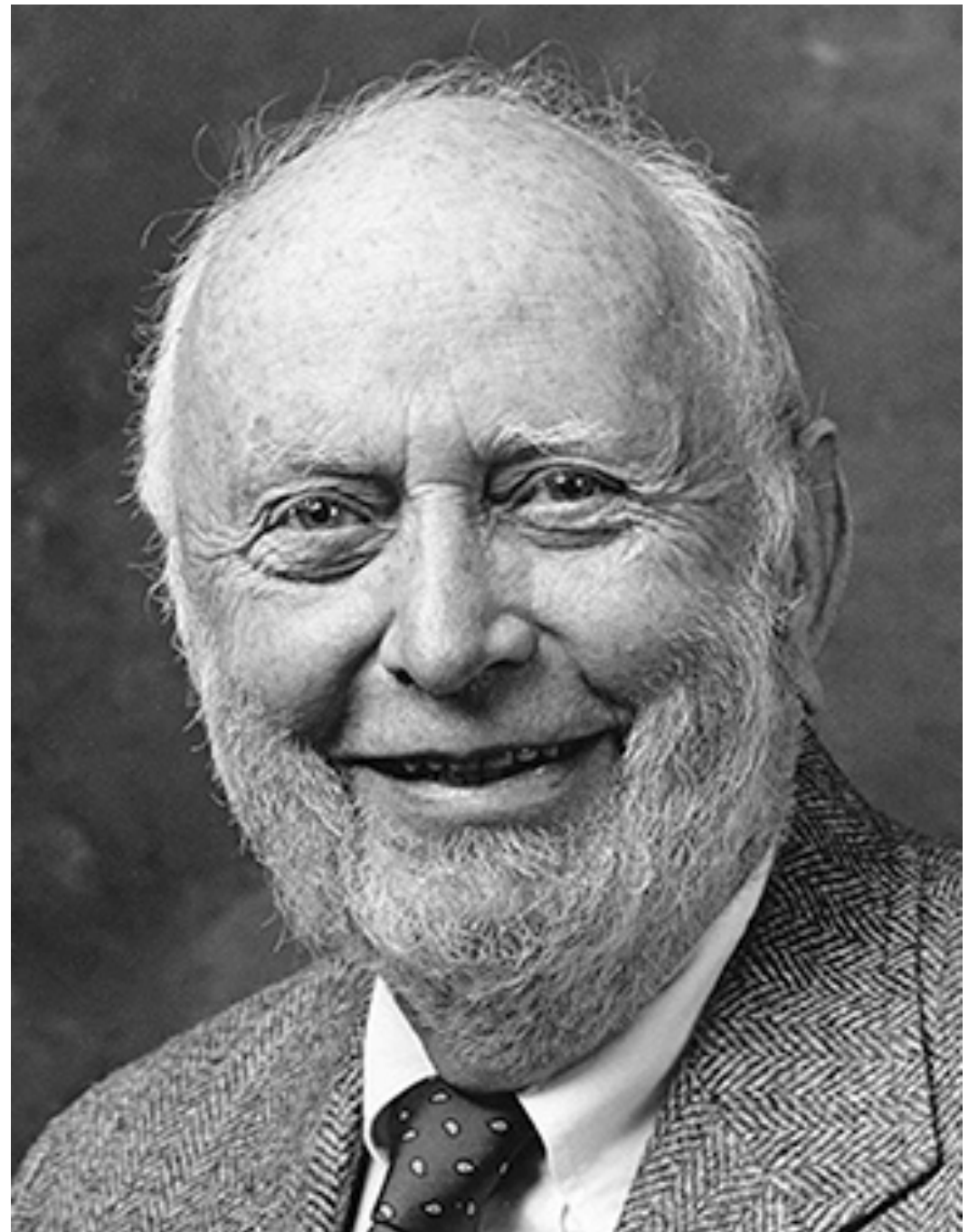
“Institutions are the rules of the game in a society or more formally, the humanly devised constraints that shape human interactions ...

—Douglass North (*Institutions, Institutional Change and Economic Performance*, 1990, pp. 3-4)



... They are a guide to human interaction, so that when we wish to greet friends on the street, drive an automobile, buy oranges, borrow money, form a business, bury our dead, or whatever, we know (or can learn easily) how to perform these tasks”.

—Douglass North (*Institutions, Institutional Change and Economic Performance*, 1990, pp. 3-4)



1799-2012



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– Andy Schotter (*The Economic Theory of Social Institutions*, 1981, pp. 9, 24)



Institutions are “regularities in behavior which are agreed to by all members of a society”.

– Andy Schotter (*The Economic Theory of Social Institutions*, 1981, pp. 9, 24)



They “can be best described as noncooperative equilibria” of strategic games.

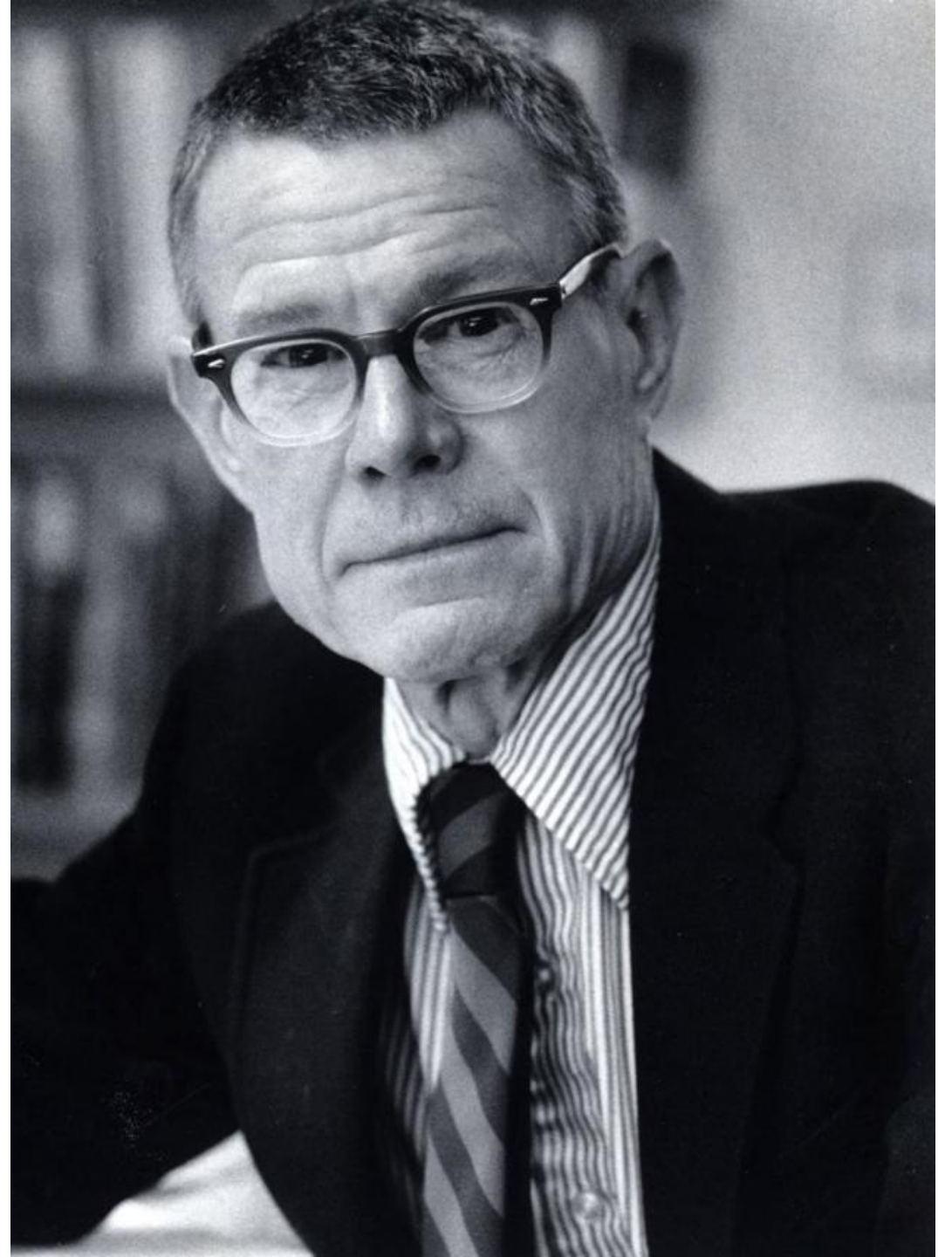
– Andy Schotter (*The Economic Theory of Social Institutions*, 1981, pp. 9, 24)



**THE
STRATEGY
OF
CONFLICT**

With a new Preface by the author

THOMAS C. SCHELLING



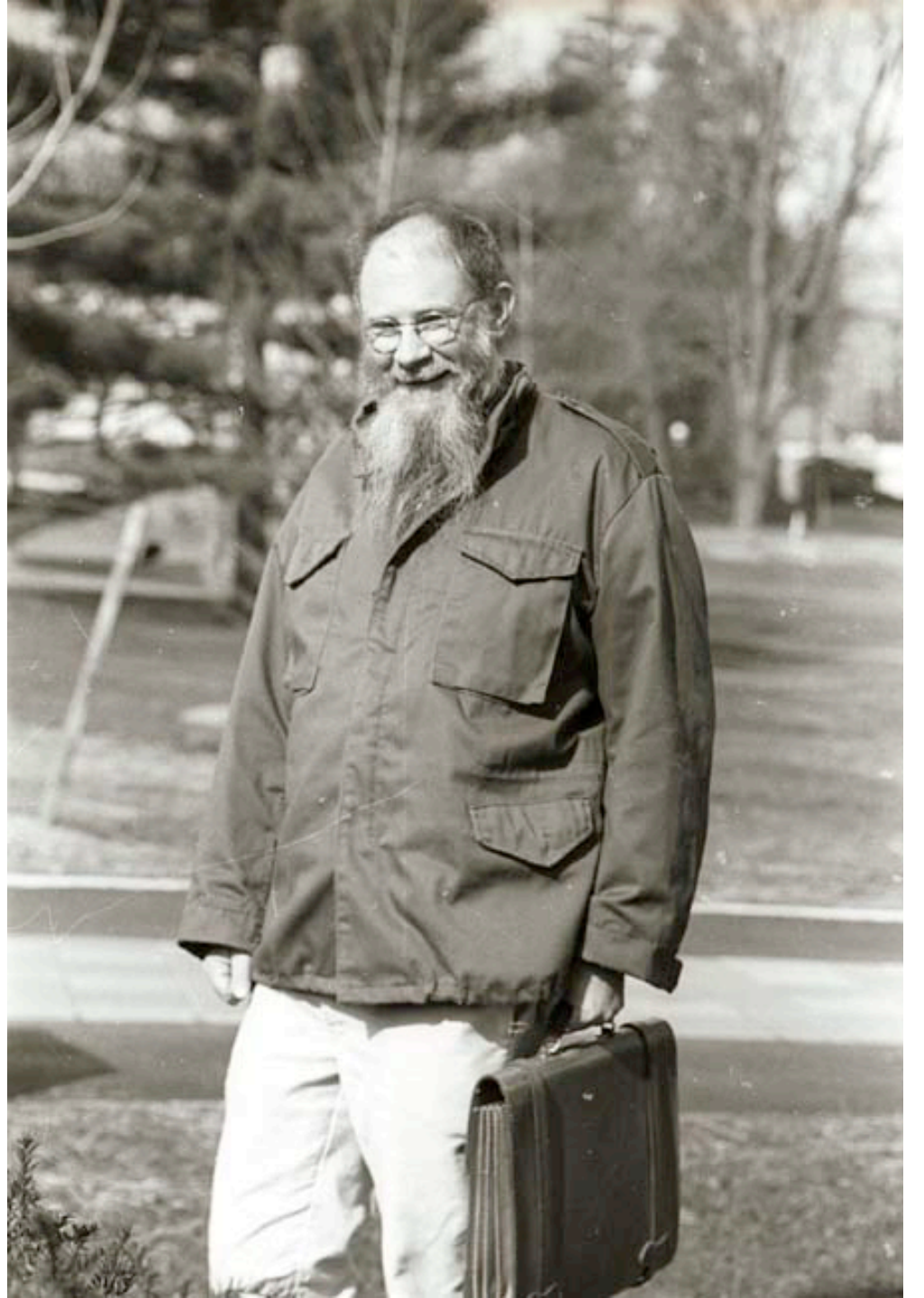






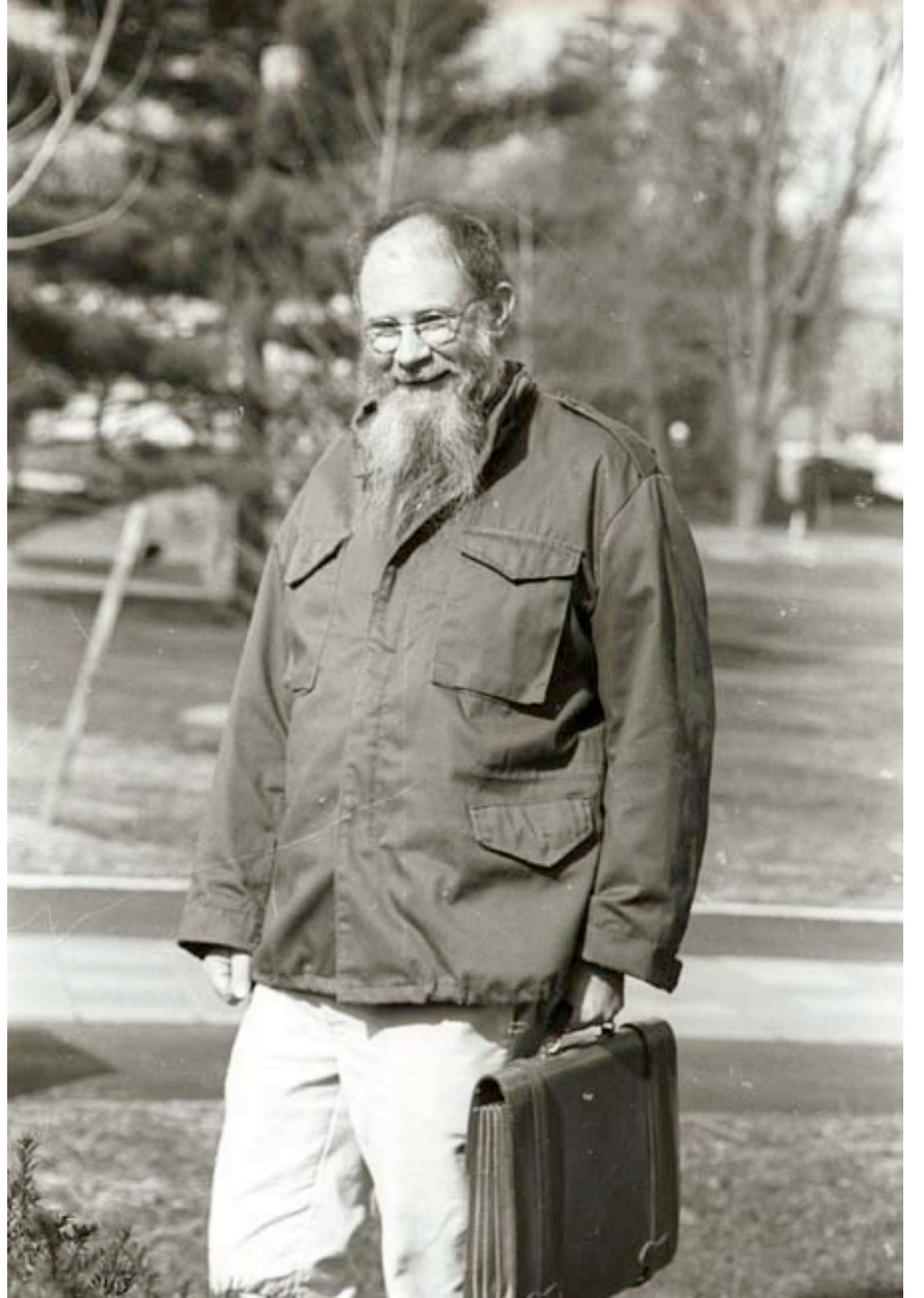
	L	R
L	1, 1	0, 0
R	0, 0	1, 1

– David Lewis (*Convention*, 1969,
p. 36)



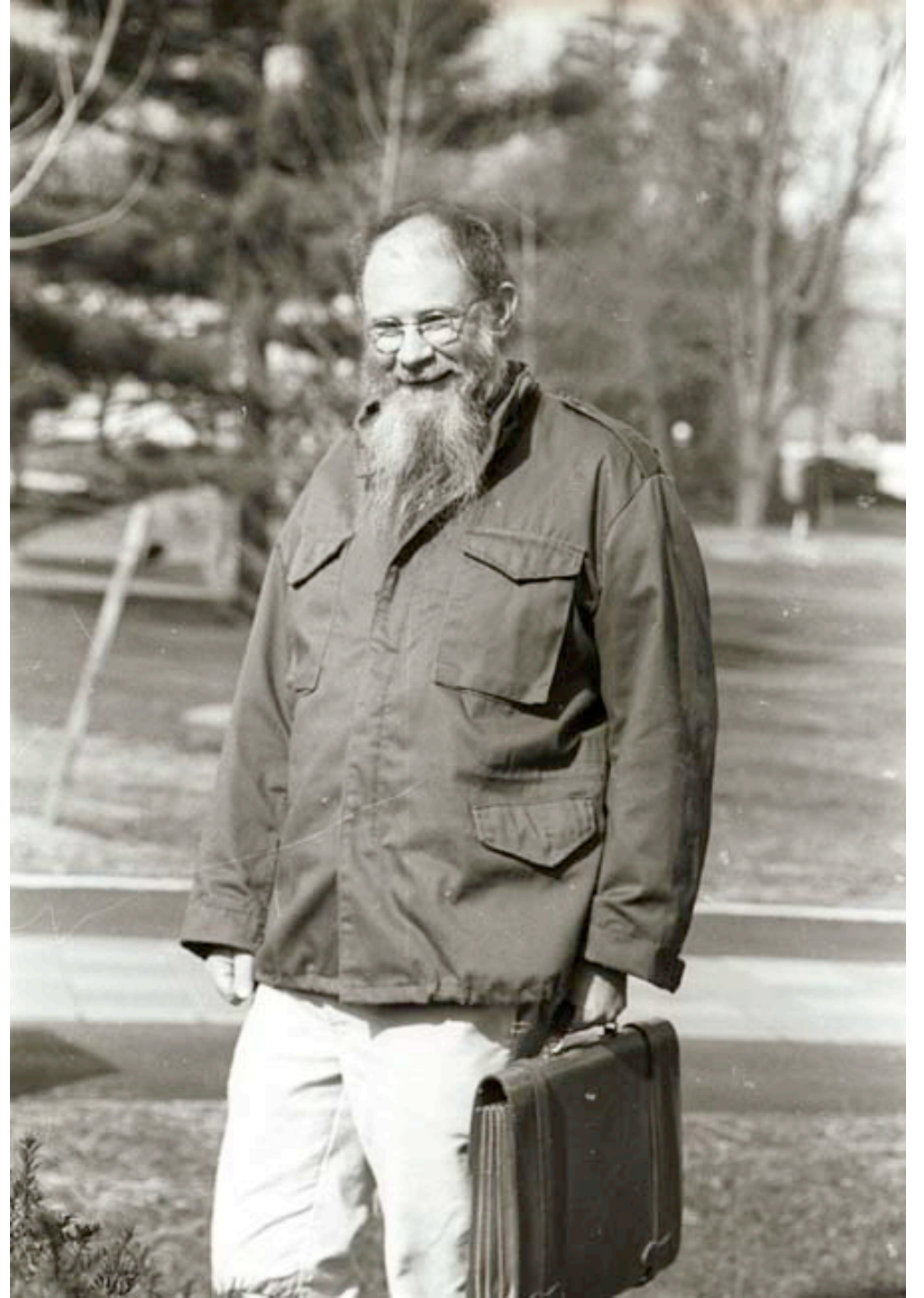
“Suppose we have been given a coordination problem, and we have reached some fairly good coordination equilibrium. Given exactly the same problem again, perhaps each of us will repeat what he did before. If so, we will reach the same solution.

– David Lewis (*Convention*, 1969, p. 36)



We can explain the force of precedent just as we explained the force of salience. Indeed, precedent is merely the source of one important kind of salience: conspicuous uniqueness of an equilibrium because we reached it last time.”

– David Lewis (*Convention*, 1969, p. 36)

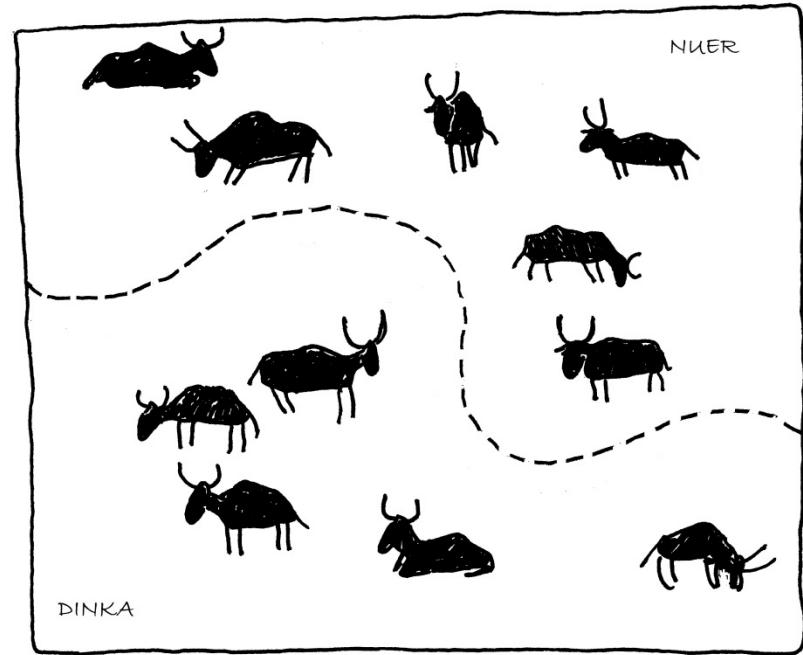
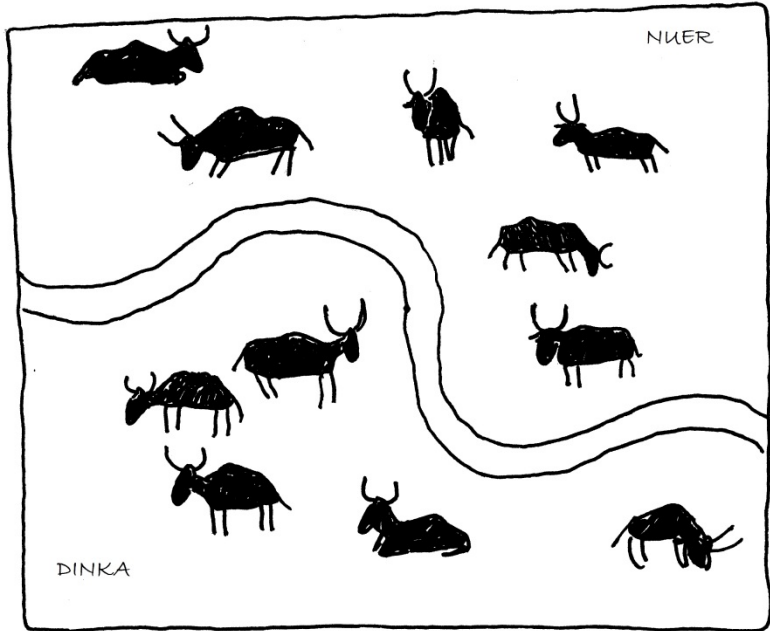


Institutions are systems of
rules in equilibrium





September 3, 1967



	G	NG
G	0, 0	2, 1
NG	1, 2	1, 1

	G	NG	G if S NG if N
G	0, 0	2, 1	1, $\frac{1}{2}$
NG	1, 2	1, 1	1, $\frac{3}{2}$
G if N NG if S	$\frac{1}{2}$, 1	$\frac{3}{2}$, 1	$\frac{3}{2}$, $\frac{3}{2}$





– Friedrich Hayek (*Studies in
Philosophy, Politics and Economics*,
1967, p. 79)



“The partial awareness of a regularity in the world, of the difference between a known and predictable and an unknown and unpredictable part of the events in the environment, must create a preference for the kinds of actions whose consequences are predictable and a fear of the kinds of actions whose consequences are unpredictable. [...].

– Friedrich Hayek (*Studies in Philosophy, Politics and Economics*, 1967, p. 79)



This establishes a sort of connection between the knowledge that rules exist in the objective world and a disinclination to deviate from the rules commonly followed in action, and therefore also between the belief that events follow rules and the feeling that one 'ought' to observe rules in one's conduct."

– Friedrich Hayek (*Studies in Philosophy, Politics and Economics*, 1967, p. 79)





	C	D
C	2, 2	0, 0
D	0, 0	1, 1



	C	D
C	2, 2	0, 1
D	1, 0	1, 1

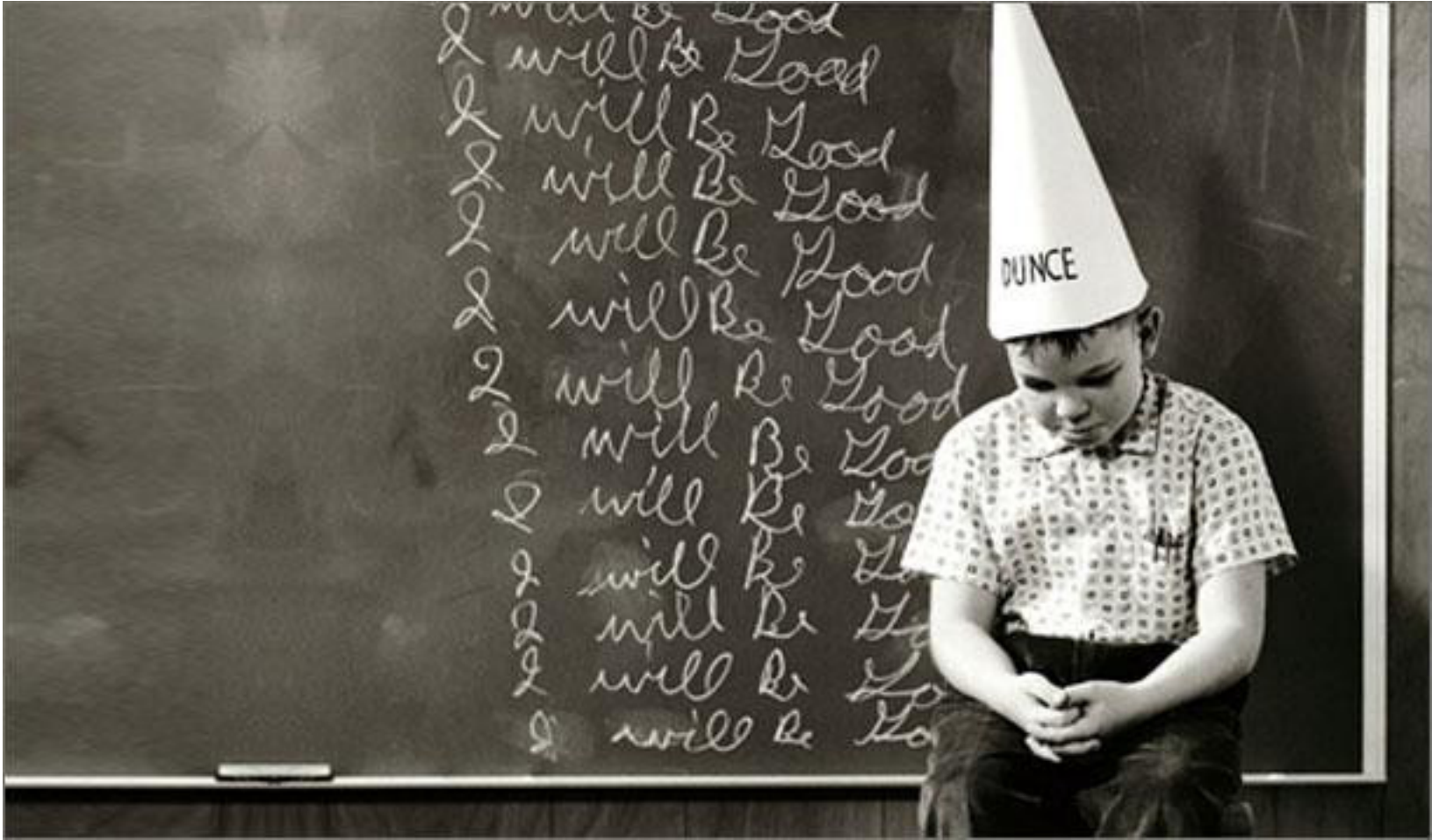


	C	D
C	2, 2	0, 3
D	3, 0	1, 1



	C	D
C	2, 2	0, 2
D	2 , 0	1, 1



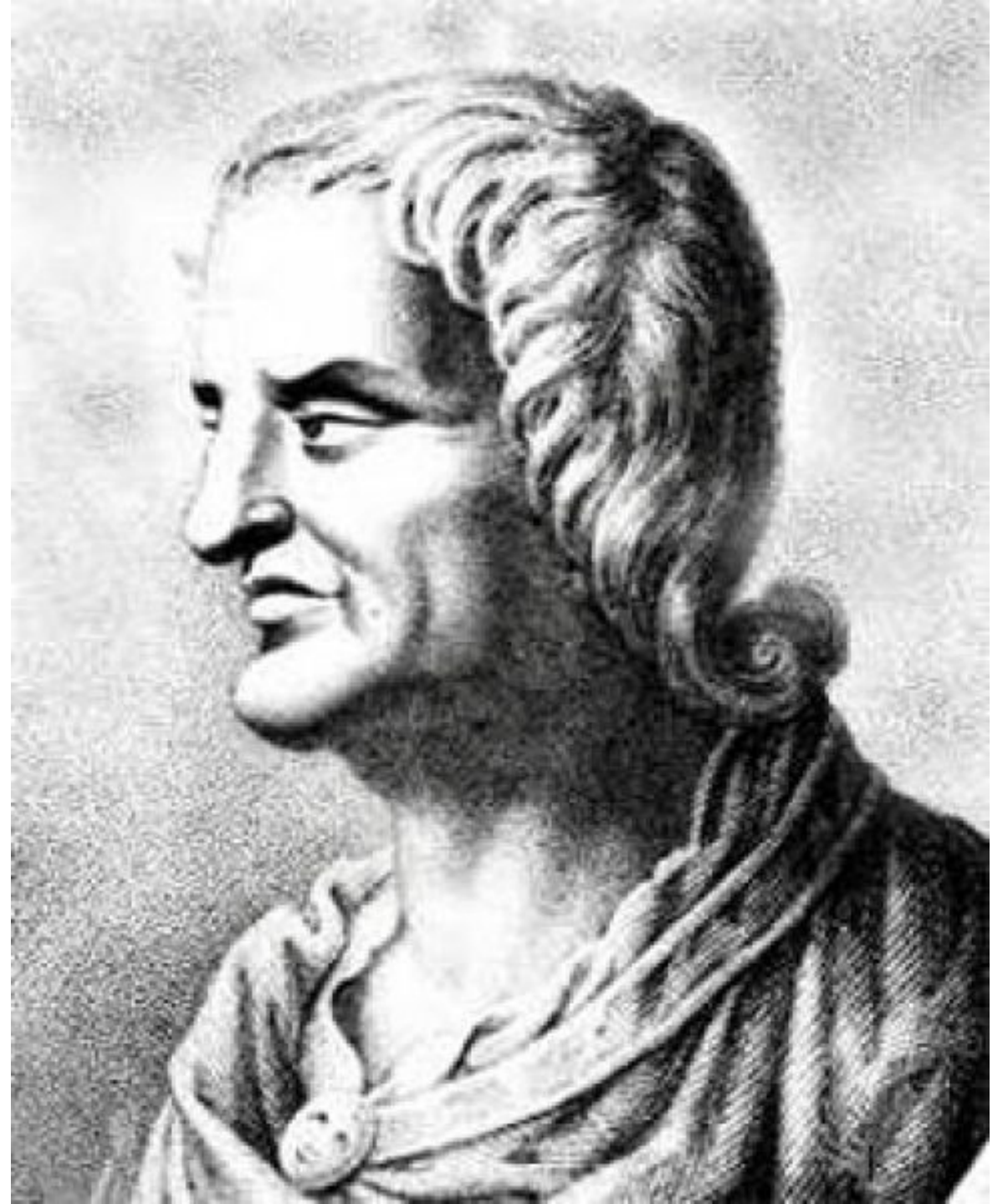






“Quis custodiet ipsos
custodes?”

– Juvenal



<http://users.unimi.it/guala/>

