Full contents

List of figures					
List of tables Foreword to the second, revised edition					
1	Introduction: why institutions matter		1		
	1.1	Why do institutions matter?	2		
	1.2	The record of economic growth	9		
	1.3	Explaining economic growth	17		
Pai	rt I	Foundations			
2	2 Definitions: economics, institutions, order and policy				
	2.1	Basic definitions	32		
	2.2	The precursors of contemporary institutional economics	38		
3	B Human behaviour				
	3.1	The knowledge problem	47		
	3.2	Types of behaviour, cognition and bounded rationality:			
		deciphering reality	56		
	3.3	Motivation: by love, convincing, command, or self-interest	64		
	3.4	The principal-agent problem	69		
4	Fundamental values				
	4.1	Shared, underlying values	75		
	4.2	Freedom, justice and equity	82		
	4.3	Security, stability, peace and prosperity	87		
	4.4	Conservation of the environment	95		
5	Institutions: individual rules				
	5.1	Overview: rules and enforcement	101		
	5.2	Internal institutions	108		
	5.3	External institutions and the protective function of			
		government	118		
	5.4	The functions of institutions	128		

	5.5	The essential properties of effective institutions	133
	5.6	The costs of interaction and coordination	136
6	Insti	itutional systems and social order	142
	6.1	Social systems and hierarchies of rules	143
	6.2	Two kinds of social order	152
	6.3	Perceptions of order influence public policy	165
	6.4	Rule systems as a central part of culture	173
	6.5	Social order and human values: the rule of law	178
Pa	rt II	Applications	
7	The	institutional foundations of capitalism	185
	7.1	Capitalism: property rights and private autonomy	186
	7.2	Essential characteristics of property rights	192
	7.3	Using property rights: free contracts and transaction	
		costs	207
	7.4	Relational contracts, self-enforcement, and the judiciary	218
	7.5	The consequences of capitalism	222
	7.6	Institutions, which secure the services of money and avert	
		financial crises	232
8	3 The dynamics of competition		243
	8.1	Competition: rivalry and choice	244
	8.2	Competition from the suppliers' perspective	260
	8.3	Restrictions of economic competition	271
	8.4	The competitive system	278
9	Ecor	nomic organizations	282
	9.1	Economic organizations: definition and purposes	283
	9.2	Organization costs, relational contracts, and hold-up	
		risks	292
	9.3	Ownership and control: the principal-agent problem in	• • • •
		business	296
10	Collective action: public policy		311
	10.1	Public versus private choice	313
	10.2	The functions of government	323
	10.3	A liberal model of public policy: order policy	346
	10.4	Failures of the social democratic experiment	352
	10.5	Political action and rent seeking	361
	10.6		365
	10.7	Political and economic constitutions	372

viii • Institutional economics

11	The international dimension				
	11.1	The growing significance of the international dimension	381		
	11.2	The institutional framework of international exchanges	392		
	11.3	Policy issues: international economic order	407		
	11.4	International monetary arrangements	414		
	11.5	International migration and cultural integration	422		
	11.6	Strengthening the open economic order	423		
12	The evolution of institutions				
	12.1	Historic reminiscences – the long view on institutional change	427		
	12.2	Internal institutions: evolution within cultural values and meta			
		rules	435		
	12.3	Changing the external institutions: political			
		entrepreneurship	440		
	12.4	Outside challenges: institutional competition	445		
	12.5	Competitive federalism	451		
	12.6	The constitution of freedom as a framework for evolution	454		
13	Socialism versus capitalism – system transformations				
	13.1	The Soviet experiment and its demise in retrospect	458		
	13.2	The evolution of socialism in China	473		
14	Economic freedom and development				
	14.1	Some growth comparisons	484		
	14.2	Economic freedom and the consequences	486		
	14.3	Economic freedom and development	490		
	14.4	East Asia: institutions and modernization	498		
	14.5	The spread of reforms	504		
	14.6	Microeconomic (institutional) reform in mature economies	508		
	14.7	Western civilization and the 'primacy of politics'	517		
Epi	ilogue:	Institutional versus neoclassical economics	525		
Ap	Appendix: "I, Pencil"				
Bib	Bibliography				
Index					