

**INTERROGATIONS #3 with EOW comments**  
**SOCIOLOGY 924**  
**session 4: Micro-Analytic Approaches to the State**  
**September 25, 2002**

---

**#3 James Benson**

I would like to suggest that we spend part of our discussion time applying Barzel's vocabulary and model to the recent series of corporate scandals and the subsequent U.S. government response to these scandals. What follows is a set of observations that are intended to form the beginning of such an application:

~~///~~ The U.S. is a rule-of-law state that engages in third-party enforcement of contracts.

~~///~~ As far as I can tell, there are several types of third-party enforcement, engaged in by various arms of the U.S. government:

- The Securities and Exchange Commission, which regulates the sale and exchange of stocks (for an official description of what this body does, I browsed to: <http://www.sec.gov/about/whatwedo.shtml>)
- The Department of Justice and the system of federal courts, which prosecute and mete out punishment to those who violate laws pertaining to the trading of securities, and which adjudicate disputes between stockholders and corporations;
- The Internal Revenue Service, which monitors the reporting and tax payments of parties involved in securities trading.

What is at issue in the recent crisis involves what Barzel refers to as "standards" (190-2). The state, through legal institutions, creates "legal rights" through a process of "delineation," (157) in which it determines the rightful ownership of property. "In order to delineate an asset or a commodity, it is necessary to measure it" (190). It is no small matter to measure the value of a commodity such as a stock, due to the amount and complexity of information that is necessary in order to determine such value. There must be some sort of exclusive source for standards (191). This is the main function of the SEC. According to the SEC web page: "The laws and rules that govern the securities industry in the United States derive from a simple and straightforward concept: all investors, whether large institutions or private individuals, should have access to certain basic facts about an investment prior to buying it."

~~///~~ Recent passage of 'corporate fraud' legislation means that there has been a shift in the balance of power between enforcer and clients. The rationale for this legislation could serve as a topic for our discussion.

**This is indeed an interesting case to think about in terms of theories of the state. One interesting focus might be whether Aoki or Barzel provide a more powerful way of thinking about this issue. That is, Barzel's preoccupation is (a) the capacity of clients to protect themselves from the protector, and (b) the efficiency of the protector's protection. Aoki is concerned more with the problem of stable collusion between the government and powerful nongovernmental actors/agents/interests.**

---

**Bradly Brewster memo: interrogation #3**

Levi claims that her work is "differentiated" from others' work similar to hers in that they assume "that taxation is theft" and she does not (p. 7). However, her claim is invalidated by the very way she defines rulers: "Rulers are predatory in the sense that they are revenue maximizers" (Levi, p. 3). If maximizing revenue collection is repeatedly identified as "predatory" (p. 3, 10, then she indeed implies that taxation is theft. Oddly, just like we saw in Mann's book last week in the way he unnecessarily (yet emphatically)

limited the definition of political power to state power, Levi unnecessarily employs the word “predatory” to characterize rulers in their revenue collection. It would have been sufficient and more consistent to have just said, ‘Rulers are revenue maximizers,’ foregoing notions of predation. Assuming such a cleaning-up of the language, would it then be true that Levi’s work is free from assumptions that “taxation is predation”? **[I think you make a good point about the slippery rhetoric here. It certainly does seem that “predation” implies “theft”. Perhaps the issue here is that Rulers want to be predatory, but that they are not always able to. So while maximum taxation may be predation, the kind of quasi-contractual agreements funded through taxes would not be. But the language is not tight here.]**

Levi writes that “rational choice . . . does not reduce actors to antisocial or asocial creatures lacking regard for . . . one another” (Levi, p. 8). However, Barzel proceeds precisely on this basis (Barzel, p. 13-14). **[But Barzel also is willing to introduce through the back door a range of more complex motives – like religious beliefs and ethnicity – which belie the simple wealth-maximization idea that drives most of his analysis.]**

Quasi-voluntary compliance seems, to me, to be where it is at. How many of our actions are the result of either simple coercion or full ideological compliance? Are most of your politically complying actions – everything from your paying taxes to the manner in which you protest – QVC? (. . . In any case, I would like to know people’s views about QVC.)

QVC allows rulers to avoid sinking revenue into costly supervision and coercion (Levi, p. 65). What we call ‘the state’ accordingly gets structured by these avenues for revenue (pp. 6-9) and this would logically include avenues for QVC opportunities (pp. 52-70). QVC opportunities result in tasks to be done – e.g., convincing people that everyone else is also complying. **[Just a small point here: a pivotal issue in the QVC argument is that the willingness of people to comply is a function of TWO variables: a) the degree to which other people comply and b) the extent to which people see the state is abiding by some kind of implicit contract – that they regard its actions as legitimate. So, the problem of “convincing” people about compliance is, in part, dependent upon what the state actually does]** Organizations, then, have to be created or, if already existing, adapted to these tasks. It is unclear if these organizations are also “the state” (i.e., state institutions), or functionaries of the ruler, or part of “civil society.”

This brings me to another point. Using “the ruler” has two advantages: (1) it recognizes agency (within structure, i.e., the state), and (2) it (initially, at least) avoids the state-society problematic (by allowing exploration of the seemingly less fuzzy division between “ruler” and “ruled”). There are, of course, disadvantages. When applying it, there may be differing views about who “the ruler” is. This might, however, be considered a strength: it is not normative or prescriptive in the sense that it doesn’t predetermine who the ruler is.

### Microfoundations Christine Overdevest

Some basic game theory terminology questions:

What is a Nash equilibrium? **[A set of pay-offs such that no actor has an incentive to change their existing strategy – any change will make them worse off given what everyone else is doing]**

Are all Nash equilibrium “self-reinforcing” as long as actors expectations stay the same? **yes**

What is an example of a sub-optimal equilibrium? Sub-optimal with respect to what – welfare maximization? **[I think a suboptimal equilibrium is just one in which some actor could be made better off and no one worse off by a change in strategies – i.e. it is not pareto optimal – but that there is some obstacle to making the change, as in a prisoner’s dilemma]**

Questions/critique of Levi

For my tastes, Levi tries to pack too much work into a singular formulation. Relative bargaining power given transaction costs and other constraints on states is a sort of explanatory formula that is supposed to explain all revenue related behavior. The only human motive or capacity that seems to operate in her world is brute interest/power. Are these strongly reductionist assumptions or models useful? They seem to me to be as hamstrung as helpful.

Is Levi's dismissal of social welfare states or other social regulatory events convincing. Is all socially-oriented behavior really just all about brute power? Does Levi miss a lot of what is interesting about social organization by leaving shared meaning or joint, coordinated action? **[Her arguments about quasi-voluntary compliance do invoke issues of reciprocity, and thus she is not exclusively preoccupied with brute power and interests]**

Aoki's game theory summary equilibrium model of the state is more compelling to me, for one reason, because he manages to include intersubjective beliefs and shared meanings to operate as basic elements of social life. And he renders them not epi-phenomenal but constitutive, both possible of being in sync with other visions of the state, or other substantive conceptions or out of sync. This seems to open the possibility for a model of fairly open-ended social change, which I think resonates with my own sense of empirical possibilities.

Is Aoki's model much more sophisticated because he has a theory that allows history to be open-ended; but makes historical detail and surprises and unintended matter, at the same time he is concerned about how much we can think systematically about dynamism, stability and change, coordination? It seems sophisticated, but I still feel like I would really need to read more of his empirical case work to get a sense for how useful his framework is on-the-ground...

It seems like Levi sees mostly zero sum trade-offs between interests groups and states, (and sometimes sees win-win between rent seeking and state actors), Aoki sees the possibility for many more subtle forms of relationships from multiple optimal to many suboptimal.

Could one subsume Levi's model under Aoki's more general model in the sense that you could get to Levi by Aoki? In other words, could Levi's cases be cast as Nash equilibriums or non-self reinforcing equilibriums? **[I think the QVC model would fit nicely as an institutional equilibrium in Aoki's sense]**

Does Aoki account for both structure and agency by starting with subjective game models (intersubjective agreement) then adding the possibility that these may be mutually consistent over time (i.e. equilibrated) thus serving as a reinforcing basis for strategic action and agency?

Are institutions just rules of the game which create incentives, a la North (and Levi, no?). If so, where do these rules come from in the first place? **[For Aoki the rules mainly evolve from the mutual adjustments and updating of strategically interacting actors: they are endogenous to interaction, not exogenously given.]**

Is it more fruitful to think of institutions as summaries by actors involved in meaningful interaction and social change as struggles over the substance of those meanings and coordinations therein. I like Aoki's critique of the rules of the game version of what institutions "are." But what might be weaknesses of Aoki's own explanatory framework?

---

---

César A. Rodríguez

924-Memo#3

### Microfoundational approaches to the state

1. I found Margaret Levi's account of state revenue both theoretically provocative and empirically powerful. Indeed, I think that *if* one accepts her core premise —i.e., that all rulers maximize state revenue—her view of state action and citizen compliance vis-à-vis the collection of public revenue is plausible. However, I believe that her premise, as she acknowledges early in her book, is problematic. As Levi notes, “the objection will immediately be raised...that not all rulers maximize state revenues. What about those few pious kings of history, or the nineteenth-century liberals, or the twentieth-century monetarists, social reformers, and other rulers whose concern is revenue reduction or a particular social end?” (p. 4). Levi replies by saying that while those cases do exist, they are exceptional. Her theory would thus hold for the large majority of cases.

It seems to me that the problem is more serious than Levi is willing to acknowledge, for two related reasons. First, from an empirical viewpoint, the periodic revival of tax cuts in the US and elsewhere and the consequent reduction of state revenues cast some doubt over the exceptional character of such policies. Levi's response would be that this trend results not from a change in rulers' preferences —they still would like to maximize state revenue— but rather from a change in the constraints they face —be they diminished bargaining power, rising transaction costs or changing discount rates. Thus, Bush-style tax cuts would be explained, for instance, by pressure from powerful lobbying groups who generously supported his presidential campaign. However —and this is the second objection to Levi's premise— it seems to me more plausible to think that revenue maximization is actually a contingent objective that is dependent upon the fundamental goal of any ruler, i.e., to remain in power —be it personally through reelection (in democracies that allow this possibility) or continued autocratic rule (in dictatorships), or through the election of a successor from the ruler's party (when reelection is not a possibility).

If we accept that remaining in power is the core goal of any ruler—or at least that it is more important to him or her than maximizing revenue per se—then revenue maximizing turns out to be a variable rather than a stable preference of rulers. I agree with Levi that remaining in power requires oftentimes to maximize state revenue, because it is frequently the case that the ruler has to undertake costly investments in order to deliver on the promises he or she made during the campaign (in democracies) or to gain popular support for an autocratic government (in dictatorships), and thus ensure the legitimacy of his or her rule. But it is also the case that in institutional contexts that have abounded throughout history —e.g., in what Aoki calls “collusive regimes,” in which the ruler allies himself or herself with a class or another particular group—the best strategy to maintain power could be to reduce state revenue. For instance, if being reelected or remaining a dictator depends fundamentally on the support of the capitalist class (or a fraction thereof), then the preferred strategy for the ruler would be to increase the portion of the social surplus that remains in the hands of capitalists and thus reduce state revenue accordingly. I believe that this line of argument would better explain Bush- or Thatcher-style tax cuts than would Levi's view. Indeed, it would not be accurate to say that they have been “under pressure” from capitalists so that their bargaining power has been reduced to the point that they had to lower state revenues. Rather, they ran on a political agenda that explicitly embraced such reduction of state revenues as a means to gain and maintain power by both catering to the needs of big business —with whom they allied—and appealing to middle-class voters.

In short, revenue maximization seems to be a goal that is contingent upon the balance of power and the institutions existing in a given polity, rather than a stable preference of rulers. (This, I think, would be consistent with Aoki's view that rulers pursue their self-interest *within the rules of the game they find themselves in*). It will be pursued if it is conducive to gaining and maintaining power, but not otherwise.

**[Superb critique of the revenue-maximizing assumption. I would only add the following – which is entirely in keeping with the thrust of your argument: it may be important to distinguish between different kinds of “rulers” in terms of their motivations for becoming rulers. Some are effectively the henchmen of private agents. This is stronger than just collusion – the ruler can be a direct representative of a specific class or elite and their objective is maximizing revenues for that elite of which they are a part. This may have little to do with maximizing their revenue as a ruler.]**

2. In reading Barzel's book I had the impression throughout that his model had the sequencing of rule-of-law governments and dictatorships reversed. **[You are absolutely right about this – one of the many quasi-stupid things in the book....]** This is particularly clear in the conclusions to chapter 7, where Barzel

acknowledges that his model posits the evolution of states in the direction of rule-of-law regimes and argues that “the fact that dictatorship has been the most common form of rule in the past is not...inconsistent with the argument presented here” (p. 136). The solution that Barzel gives to this contradiction —i.e., that since rule-of-law states are more fragile (and thus take longer to construct and can be destroyed overnight), their presence in history is more rare than the model would predict— is, to my mind, unsatisfactory. I think that this points to a real problem in Barzel’s model that could be worth discussing in class.

The origin of the problem is that, to Barzel, in the state of nature there are no considerable differences in power among individuals. Thus, the state results from an agreement among relatively equal individuals (or, in Barzel’s terms, “clients”) to delegate to the state (the “protector”) the resolution of disputes on legal rights. To avoid abuses on the part of the state, through the same constitutive act individuals impose constraints on state action. Thus, a rule-of-law state emerges. **[He makes a slightly different claim, I think: before people would ever “set up” a state they would already have to have constructed a “collective action mechanism” which – presumably – is rooted in the pre-state dispute resolution processes. The existence of a ruler + a collective action mechanism to constrain the rulers predation = the rule of law. That is, it isn’t the “same constitutive” act that both creates the state and the constraints; the constraints already are socially formed through this collective action mechanism.]**

This account strikes me as rather implausible, especially in light of the pervasiveness of dictatorships throughout history that Barzel recognizes in the above-quoted passage. Perhaps a better model —i.e., one that allows us to better understand actual historical phenomena—would start with the recognition of power imbalances among individuals from the beginning (i.e., in the state of nature). The state would result then from the power of one individual (or, more likely, a small group of individuals) to subordinate others. Autocratic states would thus be the historically dominant type. Rule-of-law states would result (as they have in many instances) from the *reaction* of subordinate individuals through collective action against the autocratic ruler. Whether such reaction is successful and whether it takes hold depend on different factors, like the social and institutional variables analyzed by Aoki in his book. Therefore, in this view rule-of-law states would be (as they actually have been) both more rare and more recent occurrences than Barzel’s model would suggest. This alternative account would also explain why dictatorships have been more common than democracies in history, a phenomenon that, as noted above, Barzel’s model has difficulty in explaining. **[Good comments. A couple of additional points here: (a) An autocratic state could be a rule-of-law state if the ruler was accountable through a collective action mechanism to a circle of elites. Thus the medieval kings of England were autocratic – this was not a democracy – but the structure of feudalism insured a collective action mechanism that blocked what Barzel calls a dictatorship. The collective action mechanism need not be democratic, and the rule of law need not be as systematic or universal as in liberalism. (b) isn’t the origins of the state as likely to be via conquest and intergroup subordination than through any strictly endogenous process of a Big Man gradually become a proper state-like ruler?**

3. Aoki’s piece is, to my mind, a refreshing contribution to the debate on macro/micro linkages in the theory of the state. In particular, the possibility that his model allows for multiple equilibria opens up interesting avenues for empirical research on what exactly led historically to one particular type of state rather than another in any given country or sets of countries.

Regarding Aoki, I have two questions of clarification:

1) It is not clear to me precisely which rules of the game Aoki views as exogenous and which ones he views as endogenous. The confusion stems from the fact that in contrasting his model with that propounded by North and others that define institutions as the rules of the game, Aoki states that he does not view such rules as exogenous, i.e., as “given or conditioned by the polity, culture, or a meta-game, as the rule-of-the game theorists do. [I] regard these rules as being endogenously created through the strategic interaction of agents, and thus self-sustaining” (p. 10).

However, later on in the first chapter Aoki argues that, given that it is implausible to imagine a world without any institutions, all models have to start with at least a set of embryonic institutions. For modeling purposes, I think, this seems an adequate assumption. Nevertheless, Aoki subsequently goes further and states that “in this book we will treat statutory laws and regulations as exogenously set parameters for defining game forms (exogenous rules of the game), and examine what the outcomes will be of the strategic interactions of the agents under them” (p. 20).

Why treat all statutory laws and regulations as exogenous? Why not treat, instead, a set of basic laws and regulations as exogenous at the beginning of the game, but then view the subsequent laws and regulations arising from strategies of the game as endogenously set? In general, which rules are exogenous and which rules are endogenously produced? **[I agree with you that the exogenous/endogenous rules contrast is not completely clear in Aoki and he seems to shift his emphasis. I guess my main reaction here is that he is really interested in the behaviorally-effective rules – the rules that are embodied in the subjective expectations of actors about each others reactions in given situations. “Statutory” rules – the “rules on the books” – may or may not correspond to these effective -rules-in-practice. The equilibrium occurs among these subjectively-embodied rules. (But I may not have his distinctions quite right).]**

2) In explaining the rise of particular types of states as equilibria in different political games, Aoki’s units of analysis are not only individuals, but also mezzo-level actors like classes or associations. For instance, in accounting for the rise of the corporatist state, the three actors in the game laid out by Aoki are the government, the capitalist class and the working class.

While I find Aoki’s flexibility vis-à-vis units of analysis compelling and useful for empirical research, given that this week’s topic is microfoundational approaches to the state I would be interested in discussing what exactly means for such approaches to focus on individual as units of analysis and to what extent they can be profitably used to analyze political games in which players are aggregate units of analysis (e.g., classes). **[I think Aoki’s argument remains microfoundational in its reasoning even when he adopts more aggregated “actors” because these actors have all of the properties of individuals – motivations, goals, capacities, preference orderings, etc. I think his answer to the question would be that there would be some collective -action process in play that constitutes the collective actor from the flesh-and-blood individuals that make it up, but that for the purposes of the analysis here that is treated as a black box.]**

4. Finally, a brief question for discussion that applies to all three readings. Despite the differences among their theories, Aoki, Barzel, and Levi treat the state or their central political actor as a unified entity. This is the case with Levi’s concept of ruler, Aoki’s view of the government as player in the political game, and Barzel’s view of the state. This is so, I think, because in a game-theoretical framework actors need to have a unitary set of preferences, rather than split or contradictory preferences. However, in light of empirical evidence about the heterogeneity of the state as explained in detail by Mann, is this assumption plausible? **[This is an interesting point in terms of the general problem of theory-construction. Is the distinction between a unitary state and a differentiated state a problem of levels of abstraction or is it a question of the concept of the state itself? We talk about “the capitalist class” sometimes even though we know there are fractions that can be at each other’s throats. When we say that the state has a “monopoly of the legitimate means of violence on a territory”, can the state be fragmented at the level of abstraction of that definition? What would it mean to say that there is not unified order in the state and that “it” has a monopoly of violence?]**

### **Memo#3 Robyn Autry**

#### **M. Levi: Politics and Taxation**

Levi asserts that rulers or states are predatory in the sense that they seek to extract the maximum level of revenue from the population. She outlines three categories of constraints that determine the state’s feasible set of options from which to construct a taxation policy, including relative bargaining power, transaction costs, and discount rates. She argues that variations in policies reflect variations in these factors, but does not explain why and under what conditions political agents and states with similar domestic contexts pursue divergent taxation policies. In other words, we can imagine states or rulers with similar levels of bargaining power, transaction costs, and discount rates developing very different taxation policies. In such cases, variations could be due to rulers still seeking to maximize public revenue, but doing so within a feasible set also shaped by socio-cultural values influencing ideas about the appropriateness of particular policies, for example. Further, such variations could reveal different prioritizations over which goods and services should be publicly produced and provided, also partly based

on socio-cultural values. **[Part of Levi's equation does involve the citizens who engage in quasi-voluntary compliance, and they are motivated in part by beliefs of the state's living up to some kind of implicit social contract. Thus variations could be rooted in the processes of quasi-voluntary compliance]**

Also, Levi argues that as maximizing agents, constituents seek to avoid or minimize their tax payments and are necessarily either coerced or motivated to voluntarily pay at the state-determined level. **[She doesn't really say that constituents want to minimize their tax payments – except in the simple sense, perhaps, that everyone would rather pay less than more. But quasi-voluntary compliance means that people want to pay their “fair share” of taxes on the assumption that other people do so as well. That is a different kind of preference ordering.]** Coercion is unnecessary and irrational in situations where quasi-voluntary compliance can be established through various formal incentives and sanctions, which serve as a type of contract between constituents and rulers. **[What is the difference between “coercion” and “formal sanctions”? Also: some degree of coercion may still be needed to keep the QVC mechanism working, since most people will have the voluntariness of their compliance decline if they see some fraction of citizens cheating. Coercion may be needed to keep the cheating level down below some threshold]** Again, her model does not offer an explanation of why people with similar socioeconomic backgrounds should comply with taxation policies differently. Cultural and social values influence how individuals and groups interpret state policies and contracts. Because collective goods and services are not evenly distributed across ethnic, geographical, and religious lines, for example, people in similar economic positions engage differently with state policies.

---

**Matt Dimick**  
**Sociology 924**  
**Theories of the State**  
**Weekly Interrogation 3**

1. Margaret Levi hypothesizes “that rulers are predatory in that they try to extract as much revenue as they can from the population” (p. 3). Early on, she recognizes the objection that not all rulers maximize state revenue. She meets this objection by arguing that such examples constitute exceptions to the rule. I found it hard to accept this response, but, because she also uses institutional factors to describe the constraints on state actors, thought she needed only a change in emphasis to overcome this objection.

It seems that rational choice theories become less convincing when used to explain behavior further and further away from action that is strictly economically self-interested. Examples are when people are said to be utility maximizing when they pursue ideological or altruistic ends because they have “tastes” or “preferences” for such ends. When used this way, rational choice begins to sound tautological: we can always say that a course of action was preferred. (I have nothing to say about the methodological merits that Levi cites.)

This complaint applies to the behavior of rulers. Is it persuasive to say that rulers maximize revenue, just as an individual maximizes utility, especially when rulers are subject to all kinds of institutional limitations (separation of powers, elections, party support) and when their personal economic well-being doesn't fluctuate with changes in state revenues?**[I think the statement that they maximize “revenue” may really mean that they want to maximize their power, not revenues-in-their-personal-pockets. Revenues are the generalized means for capacity to do things. I agree that Levi is ambiguous about the real motivations of the actors in terms of what the more deeply want to accomplish, but my guess is that “revenue” is a short-hand for maximizing the means to accomplish things, whatever those things might be.]** I guess one could say that it depends. Levi mentions several “institutional” features that shape and constrain the actions of state actors (in particular, she mentions “forms of government,” p. 37). A shift in her argument to give these institutional factors equal or more weight to those of maximizing, goal-oriented behavior, I think, can better explain differences in how important maximizing revenue is for states.

This distinction between maximizing behavior and institutions is similar or maybe identical to Mann's argument as well as to the distinction between “rules of the game” versus “plays of the game” in the Marxist approach. **[the rules/plays distinction is not specifically a Marxist point – this would be a**

**common distinction in game theory in general]** We can take maximizing, or goal-oriented, behavior for granted (somewhat, maybe not as much as Mann), and focus on organizations and institutions since, because these features are more variable, can do more of the explaining differences in the fiscal policies of rulers. I really do think feudal rulers were maximizing revenue, but this was because the institutions of “the state” and the economic self-interest of such rulers were much more closely aligned. In the modern U.S., rulers strive with all their might to cut taxes and put the state into debt. Maybe both kinds of actors are maximizing something, but institutions (among other things) explain the difference. Maybe this is another way to express the distinction: institutions channel (or maybe even enable?) options while things like bargaining power and transaction costs impose costs (or subsidies) on options.

2. Barzel’s *A Theory of the State* is open to the criticism that he makes an assumption that he shouldn’t take for granted. His theory of the state is derived from a view of society that sees persons as self-interested and opportunistic but, more importantly, also willing to gain from specialization, exchange, and trade. Robert Brenner has argued that one cannot assume that people will find it in their interest to exchange, since under some forms of property relations, people will find it in their interest *not* to exchange, not to specialize, but rather to secure all their needs from their own property. For example, under feudalism, peasants met all their subsistence needs through their limited forms of land tenure. At the same time, lords meet their needs primarily by coercing the peasantry over whom they had economic and political power. **[I don’t think Barzel makes the trans-contextual claim that at all points in history it is in the interests of actors to maximally specialize and maximally exchange, just that it is in their interests to engage in these activities. Medieval peasants had market days and some specialization, after all.]**

At the same time, *given* the fact of exchange behavior (which, again, only comes with certain forms of property relations), I think Barzel is able to identify some genuine features of the form of *capitalist* states. For example, he argues that commodity-exchanging individuals will seek to employ common, rather than independent protectors, because otherwise their property rights will not be fully secure, reflecting the notion that states have a tendency to centralize under capitalism. He also argues that when there is specialization in trade *and* in protection, subjects will seek to constrain their protectors, so that violence isn’t used to extort their property. Hence, “collective action mechanisms,” separation of powers, and making the state actors fixed, rather than residual, claimants. These are arguably forms of “bourgeois democracy.” **[Aren’t these more the attributes of what Barzel calls “rule-of-law states” rather than democracy per se? There needs to be a collective action mechanism, but it need not approach the universalism and liberalism of bourgeois democracy.]** Furthermore, parties will only choose violence-backed enforcement forms when there are clear standards of evidence and a clear delineation of rights, reflecting the notion that legal rules are made rational and calculable under capitalism. Finally, because the state is dependent on external sources for revenue via taxation, it has an interest in facilitating trade by delineating rights, reflecting the notion that capitalist states are constrained to promote accumulation particularly through its “commodity form.” There are other examples, such as the importance of territorial boundaries and imperialist expansion.

So while I may disagree about how these features actually come about (Marxists also ought to make better explanations for how these features are instituted), I think Barzel’s theory of the state is something of a “special case” theory for capitalist states. It is also interesting that Barzel does all this without reference to class. As several Marxists have pointed out, however, the abstractness of “equality before the law” and civil and political citizenship found within capitalist states correspond to the kind of equality found in the market, where parties contracting for labor inputs (interclass relationships) are held to identical standards as those contracting for materials inputs (intra-class relationships).

Amy Lang

### Reading Interrogation Week 3: Microfoundational Approaches to States

1. All three theorists (but particularly Aoki and Levi) characterize the state as in some way (potentially or actually) “predatory,” i.e. that rulers seek to extract wealth from their populations. A question for microfoundational approaches to states has therefore been to examine the circumstances under which these



predatory tendencies of the state can be controlled. Usually the solution to this dilemma involves examining how agreements to co-ordinate resistance develop among the ruled, and whether these agreements constitute credible threats which will then cause the ruler to refrain from overstepping the bounds of legitimate extraction. My question is whether or not this model may be applied to states that are pressured by international agencies, multinational corporations, or other supranational actors. These actors are not subject to the kinds of sanctions that a state may impose on those it rules. Is the issue then one of a different “balance of power” between the state and those supranational groups with whom the state interacts, in that supranational actors are able to impose their sanctions to a greater degree than other, sub-national actors? Or is it a qualitatively different kind of relationship, one in which the state has no legitimate means of sanctioning international actors and the payoffs for these actors may also be different? (International investor credit-rating agencies for example may only indirectly maximize their own wealth by sanctioning a particular state with a poor credit rating, for example) **[Very interesting question. I wonder if the existence of effective international agencies that can neutralize state predation means, in effect, that they become a supra-state?]**

2. Can we use Aoki’s descriptions of different state equilibria to make predictions? Or is this chapter (Ch. 6) mainly an exercise in taxonomy supplemented with relevant historical examples? It seems to me that the analytical bite of the institutions-as-equilibria idea is in the possibility of examining how institutions (shared conventions or beliefs) evolve to become equilibria, and conversely, how equilibria become unbalanced. (It would have been nice to read chapters from the part of the book dealing with this “diachronic problem”). This may warrant more emphasis on the interaction between exogenous and endogenous “rules of the game”. **[I am really not sure about the prediction problem in these sorts of models. Given that there are multiple equilibria combined with path-dependency, I think that historical prediction is probably fairly weak, although there may be configurational predictions of the sort: If you have an equilibrium state of type X then it will be stable when conditions Y is present and unstable when Z is present.]**

---

### # 3 – TERESA MELGAR

#### Micro-foundational approaches to the state

1. Both Aoki and Levi tend to conceive of the ruler (Levi) or government (Aoki) as a single entity that tries to maximize the benefits unto itself, when it engages in a given arena of interaction with actors in society (in the case of Levi’s study, the ruler is conceived as maximizing state revenues subject to certain constraints). But what happens if the ruler / government is not exactly one unified entity, but is composed instead of differentiated entities, which, in turn have varying ideas and perceptions as to how certain goals may be achieved. Further, what happens when there are competing interests and power blocs within these governing entities themselves, that prevent them from coming up with a coherent and unified strategy for dealing with societal actors? Would this not lead to potentially differing and even contradictory impulses and actions from these governing bodies / entities that, in the end, may torpedo the “state of equilibrium” that, according to Aoki, sustains certain institutional arrangements. **[One can have a state of equilibrium even if there are internal divisions and thus distinct governmental-actors. Remember in Aoki the actor is not the state but “the” government. If there exist significant divisions within the state to generate competing actors, then this is, in effect, a claim that there are multiple government actors – akin to the issue of national & local nested governments, but in this case within the national state. It is then still possible that an equilibrium emerges if these multiple actors converge on a set of strategies which take into account the likely strategies of the other relevant actors and generate the kind of self-enforcing reproduction of the overall configuration of strategies. This would be more complicated to study, but it is not precluded by the logic of the argument.]** Levi seems to have anticipated this when she says that “the analysis of ruler behavior becomes considerably more difficult in modern polities or where rulers are a collection of individuals rather than a single individual.” (p. 39). But since in modern states, governments and governmental action are more likely to be shaped by different, and at times, competing dynamics, imperatives and even power struggles from within, should this not then be an important consideration when attempting to model (modern) state action from a rational choice – game theoretic perspective?

2. It seems to me that a basic assumption in Aoki's model is that both government and societal actors are substantially informed about, and attuned to how each one is likely to act, and how each other's planned course of action is likely to impact on each other's basic interests. Thus, **access to information**, in this perspective, is key. **[This is a tricky point. The crucial issue here is whether the beliefs of actors about each other's strategies converge on an equilibrium – i.e. a situation in which each actor, acting on those beliefs, engages in strategies which confirm, to the other actors, this set of beliefs. This need not imply high quality information: it is entirely possible for a set of beliefs grounded in quite inaccurate information nevertheless to mesh in this kind of equilibrium configuration]** In addition, a certain **prescience**, i.e., the ability to anticipate how one's actions might impact on another's behavior, that in turn may be rooted in having played the "rules of the game" for some time, seems to be crucial as well. But I wonder how much this model captures the vicissitudes of the real world, where people (and sometimes even governments) do not always have most of the information they need to know, nor the prescience to act and make choices in a way that maximizes their interests, or reduces the potential costs of such actions and choices. In this context, shouldn't information, and the potentially differential access to it, both by states and citizens, be problematized more substantively in these models? **[You are absolutely right that the problem of information acquisition, information distortion, confusion, etc., looms large in this sort of analysis. This is why Aoki insists that the actors are "boundedly rational" rather than just "rational". One of the themes people who work with these models stress is the process of belief-updating: how people change their beliefs in light of what happens when they act on existing beliefs. ]**

3. Aoki defines institutions as a "self-sustaining system of shared beliefs about how the game is played." Elsewhere, he says that "agents' strategic choices made on the basis of shared beliefs jointly reproduce the equilibrium state, which in turn, reconfirms its summary representation." (p. 12). However, such a "representation is an institution only if the agents mutually believe in it." (p.13) This process of eventually "believing" in how a game is played, if I understand Aoki correctly, is something that comes almost naturally, as states and societal actors realize the constraints and possibilities that they confront, when pursuing their interests, and act to maximize the possibilities and minimize the constraints.

But what happens when these "shared beliefs" do not arise in the course of playing the game, but emerges as a result of a conscious "manipulation" of the rules of the game? Here, I am reminded of the behavior of cartels in industries, or the cartel-like behavior of certain societal actors when they interact with the state. Imagine a situation where government invites bids from contractors to provide a certain public good, say, construct a bridge or network of roads. In some countries, especially where regulatory mechanisms designed to ensure transparency in these transactions are not yet well institutionalized, it is not uncommon for private contractors to collude with one another so that while one contractor may win the bid, the others will benefit as well. Contractor A for instance, could collude with Contractor B so that the latter will artificially lower the price of his bid. If Contractor B wins the bid, he agrees to procure the machinery, materials, etc. needed to complete the project mainly from Contractor A. In some instances, the collusion could involve more than two parties, and even some officials in the state agency itself who is conducting the bidding. When this is practiced often enough, the "rules of the game" – which is to collude with one another so everybody wins, while maintaining the facade of a "public bidding," -- can easily become institutionalized and lead to Aoki's "equilibrium" until somebody blows the whistle. We now have a "system of shared beliefs about how the game is played." Yet this did not arise as a result of state and societal actors interacting in a way that brings about a self-enforcing counterchecking mechanism on each other's proclivities. Rather, it arose from the conscious manipulation of the rules of the game initially, and then became institutionalized in the process. Is this a condition that Aoki's model sufficiently anticipates? **[This is a very interesting example. I think the process by which an equilibrium emerges – i.e. by which beliefs converge in the self-reinforcing way – does not have to operate "behind the backs" of the actors, but can itself be an object of strategy. This becomes a quite complex game, of course, in which some people form strategies about the rules themselves and others only form strategies within the rules. This asymmetry, I think, is probably pervasive and is part of what it means to describe some actors as "powerful" and others as "reactive". This is a bit like the process through which prices get set in a market. When you have a monopolist, there is still an equilibrium price, but it is not longer generated simply by playing the market game but by manipulating the parameters of the game.]**

4. Levi claims that rulers are sometimes the “principals”, that is, persons who primarily control and benefit from the organization of the state, and sometimes, they are the “agents” – persons who act on behalf of powerful constituents. Yet whether they are principals or agents, they are accordingly revenue maximizers. I am inclined to think that there could be sufficient, and important differences in the extent to which rulers would attempt to maximize revenues, depending on whether they are “principals” or “agents.” If this is the case, then it would not only be the constraints faced by the rulers that would account for variation in revenue-generation. The roles they see for themselves and how society views such a role may also be an important factor accounting for this variation, and the extent to which a state may succeed in its revenue maximization strategies. **[Excellent point. This is a very nice way of framing the issue: the category “ruler” encompasses quite distinct kinds of political relations, and the maximand of the ruler’s strategies of the ruler will vary accordingly]**

5. Levi claims that “quasi-voluntary compliance rests on reciprocity. It is a contingent strategy in which individual taxpayers are more likely to cooperate if they have reasonable expectations that both rulers and other taxpayers will also cooperate.” (p.69)

Here, I would tend to think that the extent to which this might be true will probably depend on the specific circumstances surrounding the problem of tax evasion, and the different levels of tax evasion present in a given society. The principles of quasi-voluntary compliance will probably work much better among citizens who understand why states have to collect taxes, but simply bemoan the fact that others are getting away with not paying taxes. It will probably work less with powerful sectors in society, who have historically been able to get away with tax evasion, as a result, say, of close, patrimonial linkages with the state. In the case of the latter, it seems precisely the state’s inability to apply effective sanctions, and use its powers of coercion on these groups, which have allowed the problem to persist. Unless the state is able to seriously address this issue, it seems unlikely that the conditions enabling quasi-voluntary compliance will flourish and take root among the majority. **[You raise an interesting general point here about variations in the motivational texture of quasi-voluntary compliance across the class structure. I would think that even among the rich, in general, there is variation in this motivational profile. That is, let us assume two types of motivations: 1) purely self-interested wealth-maximizing motivations that ignore any obligation to the collectivity, and 2) willingness to contribute something to the collectivity contingent upon other relevant people doing so. Three comments on this with respect to the rich & powerful. First, the relevant circle of others for this group is probably not taxpayers in general, but rich taxpayers. This means that the conditional cooperators among the rich will only cooperate if they see other rich people paying taxes. Second, among the rich & powerful, there may in fact be a higher proportion of #1 types than #2 types, and thus a higher level of state monitoring may be needed to get the level of tax compliance in this group high enough to trigger the motivations of the #1 types. Third, it is also possible that the conditionality of cooperation in the rich type #2’s has a higher threshold trigger than among the poor. That is, a conditional cooperator says “I will pay my taxes if I believe X% of other people like me pay their taxes.” No conditional cooperator will insist that 100% of the relevant others must pay their taxes before they will cooperate, but they could have a fairly high threshold (if 25% of other people cheat, I will cheat). Suppose the following is true for Rich and Poor:**

**Poor people: 25% are type #1 and only cooperate if they fear punishment; 75% are conditional cooperators (type #2), and in general they have a low threshold – they will cooperate so long as 50% of taxpayers pay their taxes. In this profile, even without sanctioning the cheating of the 25% type #1s, the type #2 pay their taxes.**

**for the rich: 75% are type #1, and the 25% who are type #2 have a high conditionality: they will cooperate only if 75% of people like them pay their taxes. This means that the state must coerce rich taxpayers sufficiently to force at least 2/3 of the type #1 rich people to pay taxes in order to trigger the QVC of the type #2 rich people.]**

---

## Landy Sanchez Memo #3

1. Multiple third-parties. Barzel maintains the existence of multiple third-party enforcers, the State is one of them that uses violence (or better: the threat of violence) to achieve compliance of agreements. In contrast, other non-state third-parties use other means. Barzel is clear about which factors explain individual choices among different enforcement methods, and particularly the “advantages” of violence for certain types of agreements. He also maintains that agreements are regularly subject to multiple enforcement forms, this means that multiple parties are involved in the observance of particular aspects of those agreements. To me, it is not clear the jurisdiction of third-parties enforcers. Barzel’s comments about marriage illustrate my question. At some level matrimony is basically a self-enforced agreement. At the same, it can be under the protection of a given church, and the State. So, each of the third-parties enforcers covers a particular dimension of marriage. For Barzel, individuals’ demands define which of those enforcers should resolve the dispute. Since, in general, it is not possible to make explicit all characteristics and conditions of exchange of the goods, is it possible that individuals ask for different enforcers? In the marriage example, one of the partners could claim that the dispute is about religious commitment, and the other that is about income distribution. In more general terms, how is defined the jurisdiction of a given third-party? **[I like the point about the overlapping jurisdictions in situations in which there are multiple enforcers, and how this itself can generate a context for strategic action on the part of people. This may not, of course, be exactly a question of distinct “dimensions” of the agreement – although that could be the case – but rather a question of different practices of dispute resolution for the same dimension. And it can also be the case that there is a lot of fuzziness in these matters – the boundaries of jurisdictions can be unclear.]**
2. Collective-action mechanism and prevention of takeover. For Barzel, the fact that the State is also self-seeking raises the problem that it will try to use its power to expropriate individuals’ assets. To avoid that, individuals erect a collective-action mechanism before they allow the emergence of a ruler. It is the balance of power between this collective mechanism and the protector what avoids the takeover by the protector. So, the mechanism has to be powerful enough to discourage any attempt of conquest, and moreover, it is also the way that a dictatorship could be overthrown. To my mind, it is problematic the way that Barzel solves the problems addressed by the literature on collective action, especially when he claims that this collective-action organization depends exclusively on self-enforcement. **[The reason why the collective active mechanism must rely on self-enforcement is that it is directed against the state, and thus could not rely on the state as a “third party” to enforce the collective action agreements. If the collective action mechanism relies on a nonstate third party for enforcement, then this really means that this third party is part of the collective action mechanism itself and thus the mechanism is, effectively, self-enforcing. Self-enforcement is one of the standard solutions to the collective action problem.]** A second point is about the correspondence between the State and the collective-action mechanism. He gives some examples about the expansion of state action and about the way in which some collective-mechanisms work (Venetian case or, his extremely conservative example about Pinochet). He seems to imply that there is co-evolution between both elements, kind of a natural adjustment between both. Thus the balance can just be disrupted by shocks, and not by incremental changes. Am I getting it right? **[I think the claim that the balance between the collective action mechanism and the protector is only disrupted by shocks should be viewed as a hypothesis rather than a logical derivation. There is certainly no reason why the cumulative effect of slow technological changes might not lead to a tipping point in which the balance unraveled.]** If so, is it not a very static way to think of a society? A third point arises in his example of the Pinochet case. He claims that this case illustrates how a collective-action mechanisms works to prevent takeover actions by the ruler (Allende). In my opinion, the case shows just the opposite: a particular group that is able to defeat the ruler and crown a new one under which they can maximize their utility. Thus, what about the possible conquest of the collective-action mechanisms by particular individuals? **[I agree completely with you that his view of Allende is bizarre. It may be true that the right wing believed that Allende was going to “take over”, but this was not a question of his personally appropriating their wealth as an individual dictator, but rather the fear of a socialist transformation of the**

**state. The idea that there is a background condition of intense class polarization and class struggle is completely missing from Barzel's argument here.]**

3. Supply and demand of State services. He claims that third-party enforcement is a service that is subject to demand and supply forces. Barzel elaborates on how the demand for state services defines its scope. But I think he doesn't pay too much attention to State attempts to "shape" such demand, kind of in the sense that Levi does (that is, intentional actions of state to redefine its constraints).
4. I found Levi's work really clear and interesting. I think some of her ideas can show certain problems in Barzel's work. One of these is that under Barzel's theoretical framework is convenient, but problematic, to think the state as self-seeking (predatory) single actor. A second one is about threat of violence as the distinctive state way to achieve compliance; her idea of quasi-voluntary compliance seems to me more complex and accurate.

### Weekly Interrogation – No. 3

Jing Sun

#### On Masahiko Aoki's "Toward a Comparative Institutional Analysis"

The notion of "endogeneity" is of paramount importance to Aoki's concept construction of institution. He defines institution as a self-sustaining system of shared beliefs about a salient way in which the game is repeatedly played (p. 10). He further argues that there is a "dual nature" of institution: that is, as an equilibrium phenomenon, an institution coordinates the beliefs of agents through its summary representations in tacit and symbolic ways; second, once the institution becomes self-sustaining and information compressed in it becomes taken for granted by the agents, the endogenously created institution becomes objectified – hence the dual nature of endogeneity and objectivity.

Aoki's concept explication of institution seems convincing to me in terms of explaining an institution's self-sustaining process. Yet, one major question I have is whether his institution-as-equilibrium-summary-representation can do a good job at explaining drastic institutional changes, or in his own term, institutional crises. He defines an institutional crisis as when the shared beliefs system may begin to be questioned and the agents may be driven to reexamine their own choice rules based on new information not embodied in existing institutions (p. 18). It seems that a discussion on such institutional crisis inevitably brings exogenous factors back in. As Aoki acknowledges it, one can never have an institution-free world from which to start the analysis and completely eliminate appeals to exogenously given structures (p. 15). However, his preoccupation with how the institution develops in a self-sustaining way due to endogenous factors' interactions makes his concept of institution somewhat evolutionary. How contingency or external environmental factors that might influence the trajectory of institutional development is left relatively unexplored. In other words, my impression is that Aoki's concept of institution is comparable to a closed box with little contact with history and environment, even though he claims that equilibrium and historical analyses are mutually complementary. **[I am not sure that you are correct here. His analysis of institutional domains is meant to be a device for examining the broader institutional environment of a given institution, and this broader environment does impinge on the internal evolutionary/reproductive process. Also, he stresses the importance of exogenous "shocks" as potentially disrupting the equilibrium.]**

Another question I have is whether an institution has a life of its own. Aoki's emphasis on factors such as "shared beliefs" implies that the foundation of an institution is normative rather than materialistic. **[The claim is that the condition-of-equilibrium is normative, but this is consistent with a theory that says material conditions and changes in technology are the most important factors explaining why you get one type of normative -equilibrium or another. The belief-centered argument is a way of characterizing an equilibrium, but it does not imply a subjective explanation for the conditions that generate these beliefs in the first place.]** At the same time, he also tends to see institution as an equilibrium outcome between different agents that interact with one another in interrelated domains. Hence, I am still left puzzled about whether an institution can be treated as a unitary entity in its own right, has its

own internal culture, and thus an independent life? This view of seeming institution as specific actors seems to be consistent with the first view of institutions introduced by Aoki, but he does not give much critique on that view, though he does criticize the institutions-as-rules-of-the-game view extensively.

### On Margaret Levi's "Of Rule and Revenue"

One important notion to support Levi's argument is legitimacy. She states that the power of rulers rests on coercion, but most operate within the rules of the political constitution. Here it seems to me she is talking about two types of power: relational power and structural power (*a la* Susan Strange). Most of the time rulers practice relational power, the power of exercising authority and making others to do things that otherwise they would not do. But all these activities are carried out under the existing constitutional arrangements. Only in rare moments will rulers resort to structural power (and not always successful) to shake the foundational structures that support the previous arrangement in which they exercise power (a revolution from above such as the Meiji Restoration in Japan or Turkey's Ataturk's takeover *a la* Trimberger?). People may also resort to structural power if they are increasingly dissatisfied with the current constitutional arrangements, hence a revolution from below. **[I am not sure that this is really the dimension of Levi's argument. The "legitimacy" claim is about implicit reciprocity rather than simple domination. Your reference to "and making others to do things that otherwise they would not do" has now hint of reciprocity in it.]**

Yet, this is my personal take. I could be totally wrong.

### Matt Vidal memo#3

I can't take it anymore, so here it goes, some initial and hurried attempts to respond; these are initial formulations which I still need to systematically think about, but come out of the recognition that Barzel's analysis of the state obscures more than it illuminates.

Barzel's book wins the Worst Book I've Read Since *The Road to Serfdom* Award. It shares with Hayek a sophisticated philosophical form in which a series of undefended and overly simplistic assertions are made and then elaborated into a rhetorically persuasive but analytically nearly substanceless argument. It also shares identical affinities with the work of Coase and Williamson, though the latter perhaps generate more useful analytical insights and tools. While I don't dispute that indeed all three may generate some useful concepts and insights (their heuristic utility); I want to take issue with their claim to be social theories human action, interaction and institutions—which, though they may benefit from these heuristic devices, cannot be constructed exclusively by them. Like Coase and Williamson, Barzel begins by making a few assertions about human nature, picking up on a few key implications of these assertions for human interaction, and then belaboring these implications to an exhausting degree in order to deduce a theory of some set of institutions. In this process, the institutions are conceived as the transhistorical *outcomes* of intentional human action, where the only causal forces are egoistic choice and efficiency. (In the *ex post* deduction of institutions by Coase and Williamson, efficiency operates at the level of the economy (and society) as a whole: hierarchies *emerge* (and externalities cease to exist) in the framework of a global production function. In Barzel, efficiency operates at the individual level, in the framework of always-intentional hyper-rational action without unintended consequences.) **[I am not sure that there is no room for unintended consequences in Barzell – the failures of the collective action mechanisms and the uncertainties in the assessment of mutual power all expose the interactions to unintended consequences]**

In Barzel—as he understands the internal logic of his model—the assertion of human nature is that humans are of the prototypical (neo)classical form: utility maximizers who calculate the cost/benefit of every potential line of action vis-à-vis every other potential line of action, correctly choosing and creating only those institutions that will increase their ability to maximize. Thus conscious choice, subject only to the constraint of efficiency, is the only causal element in the theory (indeed, institutions have no causal force of their own because they are conceived as contracts which individuals *agree* to participate in). From this set of assertions follows the implications that humans will have to cooperate, exchange and specialize, which will require agreements that need to be enforced. Being rational, humans thus choose among the available enforcement forms, creating those which are most efficient for particular types of interaction;

voila! the two main institutional forms (protection and enforcement mechanisms) will appear to increase the efficiency of exchange. One of these is the state. After nearly 300 pages of deduction from this set of initial conditions we have a “theory of the state” which is no more than a logical model of how one can arrive at the definition of (some of the capitalist market-supporting aspects of) the bourgeois state through deduction from the *normative* bourgeois theory of human nature and action. Of course, given that he takes more than one page (or diagram, or equation) to specify this theory, and that he attempts to *fit it to* the real world, this internal logic is violated often in the substantive argument. I have a few comments on this.

It is ridiculous for him to claim that he is “modeling” pre-institutional, pre-socialization human interaction (though not, he says, in an historically faithful way!) and then take the Hobbesian problem seriously as one of *contractual negotiation*, understood in a purely bourgeois form. From the state of nature the key problematic emerges, which is between economically and politically homogeneous “individuals”—modeled as such in spite of his claims of diversity—and a “protector.” From this follows a series of depoliticized power relations between client/employer and employee (state). Ultimately to make his argument, in addition to assuming a modern state at convenient times, I think he shifts the logical problem in an ad hoc way. People will install a protector *after* they have created a collective action mechanism, but they do this to control an already existing third party enforcer whom want to employ; effective collective action requires compliance, which requires collective action (pp. 117-118); if self-enforcement eventually generates third-party enforcement, there will be multiple competing collectives and power actors which cannot be resolved back into the individuals-versus-protector dichotomy. **[Your attack is on target, but I think a bit overstated. Ultimately his models is not exactly individuals-qua-individuals-versus-protectors, but individuals-organized-into-collectivities (i.e. with a collective action mechanism) versus protectors. Collectivity is a pivotal category in the analysis, and while collectivity is formulated as a “collective action mechanism” – and thus grounded on the individual-cooperation problem – it is not the case that the model reduces to one of individuals confronting protectors]** How do these logical problems which are not resolvable in their own terms constitute a theory of interaction, institutions or the state?

Now to Aoki, which is a more rigorous attempt at the same type of analysis. I think that Aoki provides one of the most sophisticated attempts I’ve seen to provide a micro-analytic rational choice theory of institutions. However, I think the implications of his analysis undermine the methodological individualist argument and thus the theory of institutions he develops. I’m not sure how the “shared-beliefs” addition to the “institutions as equilibria summary representations” model overcomes the problem he notes on p. 9, that individuals cannot find/choose equilibria without knowing about them first. Substantive expectations (shared beliefs) can only come from institutionalized behavioral patterns—i.e., compressed information must come from behavioral patterns due to trans-individual rules. **[But: the rules can be initially diffused, variable, erratic, relatively inconsistent, and then over time can focus/converge on more stable patterns. While the process never occurs in an institutionless setting, it can move from under-institutionalization or incomplete institutionalization to more fully institutionalized patterns]** In other words, summary representation must exist for shared beliefs, and equilibria must exist for summary representations of it. **[The degree of sharedness can change over time; and the meshing across different categories of actors of their within-group shared beliefs can change. I don’t think his account is as circular as you suggest given his assumptions of bounded rationality and iterated interactions.]** Thus, equilibria exist independently of particular individuals: institutions cannot be reduced to the beliefs or behaviors of particular individuals because they are confronted by other individuals as summary representations, individuals who *must then choose* appropriate equilibrium strategies. **[The expression “equilibria exist independently of particular individuals” is ambiguous. On one interpretation, Aoki would certainly agree with you: the particular individuals can change over time and the sharedness of the beliefs continue since the iterative process of learning/experiencing/updating beliefs remains unchanged. But if you mean that somehow the institutional equilibrium exists independently of the set of interacting people whose beliefs mesh in the prescribed way, then he would disagree with you. I am not sure what your point here really is.]** The only way this approach can “deal with the issues of the origins of an institution and its enforcement” is if equilibria are emergent and non-reducible. This is the only way to deal with the infinite regression (p. 14). Thus he is correct to note that “One can never have an institution-free world from which to start the analysis” (p. 15).

His solution to “direct the infinite regression toward structures inherited from the historical past” does not endogenize the problem of the origin of institutions; rather, it externalizes the problem, which is not theoretically resolvable in the model he wishes to develop. **[But there is no need to endogenize the origins of institutions per se, only to endogenize the process of institutional development/transformation – the process by which new equilibria occur.]** Thus, in his substantive analysis, he runs into the same problem as Barzel et al., which is that he proceeds with a *descriptive* explanation that *frames* the questions to fit the structure of the deductive theory. This, of course, is done by starting with an assertion of an ahistorical, oversimplified conceptualization of the players and their action sets. Though this may help illuminate certain episodes, it does not explain them: adding historical description to a theory deduced in “the realm of parable” does not empirically validate, deepen or strengthen that theory, which remains a set of logical tautologies. **[I do not think Aoki’s arguments are logical tautologies. They may be incomplete. And the specific way he proposes to meld (a) path-dependent historical analysis with (b) an account of the conditions under which such paths settle down in stable configurations (i.e. a specific equilibrium within a system of potential multiple equilibria), may not constitute a comprehensive theory, but he does provide more than a description of the process by which stable configurations emerge and are sustained. I don’t see why you feel this is completely nonexplanatory. It might be wrong, but why nonexplanatory?]** Framing these complex, historical, multi-causal processes in terms of equilibrium problems of a few agents and then (mathematically) resolving these problems does not constitute a theory of these processes. Though the empirical interpretation in terms of the model does generate insights, concepts and problematics, it does not demonstrate that the theory of institutions is satisfactory, or that it *theoretically explains* empirical processes. For example, the causes of different “stable outcomes” are external to the theory—within the theory institutions are *only* effects (of beliefs), but to explain different outcomes other institutions are smuggled in as causes. The “rule of law” is a capitalist institution which cannot be explained solely in terms of shared beliefs; rather, such an explanation must include power relations embedded in social organization. In the end, the taxonomy of institutions he develops is theoretically much less satisfactory than that produced by “the old institutional economics.” **[Here is what I think: I think that any explanation of a stable configuration of interactions – i.e. of the conditions for the reproduction of social relations – will have to have a form very close to Aoki’s. The difference between Aoki’s way of laying this out and others has more to do with how explicit the logic of interconnection is. You invoke “power relations embedded in social organization” as a critique of Aoki, but his arguments – I think – fully accommodate power in your sense. Power (and technology and various other things) systematically affects the behavior-updating process of interacting persons. The stability of the institution comes when the updating processes all mesh and the expectations of actors about the consequences of their actions fit together. He does not deny that material resources at the disposal of different actors, or guns, might not be part of what generates specific institutional equilibria of compressed representations, but as we know, if people change their beliefs about what is possible there can be a terrific disruption of the institutional rules even if nothing in power relations changed.]**

### Matt Nichter Reading Response #3

1) Is Barzel *really* claiming to have explained the origins of the state? His cavalier attitude toward the vast anthropological literature on the issue – there is no reference whatsoever to any empirical material – makes me wonder. One could claim that a) states are capable of performing a generally desirable social function, namely enforcing contracts; and b) self-interested state managers, if their power is not checked, are wont to become dictators under various circumstances – *without* committing oneself to any particular account of how states first came into existence. In their own ways, Aoki and Levi are both concerned to elaborate the conditions under which state managers do not become “dictators”; yet neither Levi nor Aoki attempt to *derive* the existence of the state from first premises. **[You are totally right on this – and Barzel’s Hobbesian strategy is basically bullshit]**



2) The danger inherent in the existence of states, according to Barzel, is that they can become dictatorships if they are not checked by some sort of “collective action mechanism” (or by the separation of military powers, which I ignore here). Along with the writing of the Magna Carta, Barzel interprets the overthrow of the democratically-elected Allende regime by the dictator Pinochet as an example of such a “mechanism” at work. In other words, the “rule of law” is preserved by... abrogating the rule of law. This doesn't just reflect poorly on Barzel's political judgment (a Barzelian liberal, attempting to interpret the same events, might argue that Pinochet's dictatorship, rather than Allende's regime, resulted from a “major shock” that weakened existing “collective action mechanisms” or overwhelmed their disincentive effects), but on his theory as well. The only economic function Barzel can envision a dictatorship performing is one of confiscating property – hence his bizarre argument that the dictator Pinochet, arch-defender of property, must have been functioning as a dictator-to-restore-democracy. **[You are right that Barzel's account here is outrageous, not to mention deeply muddled.]**

**From: Pablo**

**To: Everyone in Sociology 924.**

1. The central thesis of Margaret Levi is the following: “rules maximize the revenue accruing to the state subject to the constraints of their relative bargaining power, transaction costs, and discount rates” (p2); or, in other words, “rulers are predatory in that they try to extract as much revenue as they can from the population” (p. 3). I find this hypothesis dubious. This are my reasons.

1.1. It assumes that there is a causal link between the level of state revenue and a) the capacity of rulers to achieve their goals (whatever they are); and b) the extent to which these goals are achieved. This is (too) often false. To see why, let's examine some examples. First, a ruler with the goal of enriching herself may exchange low taxes by “personal” side-payments (from instance from big corporations or related organizations, which benefit from the low tax rates), to be received either in the present (as a bribe) or in the future (for instance, under the form of a future cozy position in a private foundation, in the Board of Directors of a corporation, etc.). This ruler, I contend, would be completely unconcerned with maximizing the level of *state* revenue, as long as it is high enough to pay for those things (coercion, public goods, political advertisement, bread and circuses . . .) that keep the population in peace and allow her to remain in power. Second, some rules have as their goal that taxes be as low or / and government as small as possible, due to material personal interests (regarding their present or future situation), class identity, ideological or theoretically-based commitment, or/and a desire to “deliver” to their constituencies and/or campaign contributors – sometimes even when the rulers cannot (legally) remain in power when their terms end, and so this desire cannot be construed as their rational response to a constraint. Third, some rulers may have the goal of maximizing economic growth, and it is clear that the levels of revenue that maximize economic growth may be far lower than the highest feasible ones given the constraints of their relative bargaining power, transaction costs, and discount rates. **[very nice inventory of points. But, in a way, I am not sure that the guts of Levi's arguments needs the strong predatory thesis anyway.]**

1.2. In a short methodological discussion on what will count as evidence for her thesis, Levi claims that the empirical focus of her study is “variation across time and place of ruler's choices of revenue production systems, particularly how revenue collection is organized and what revenues are collected from whom.” She also contends this: “My aim is to account for organizational variation in revenue production systems rather than to evaluate their performance. If my hypothesis is correct, I should be able to explain the form of revenue production chosen, given the constraints of rulers' relative bargaining power, transactions costs, and discount rates” (p5). The problem with this argument is that it seems that whatever her hypothesis can explain in this respect, can also be explained by the following (rival) behavioral hypothesis:

Given any chosen level of state revenue, rulers a) spend as little as they can in collecting it – they want to use as much as possible in pursuing their goals, whatever they are; and b) only put in place revenue production systems that are viable given their bargaining power.

It could be retorted that variations in discount rates explain things that cannot be explained by this hypothesis. This is true – for instance, an increase in the ruler’s discount rate may explain an increase in the level of fiscal pressure. But Levi says that she will not try to explain variations in state revenue because the data needed are not available (p4-5). Therefore, unless variations in discount rates could be used to explain variations in “how revenue collection is organized and what revenues are collected from whom,” I would stick to the claim that the above hypothesis can explain the same things her hypothesis can explain – and hence that the fact that she is able to provide those explanations is a rather weak evidence for her theoretical main thesis. **[You don’t mention at all the side of Levi’s argument that is about reciprocity and quasi-voluntary compliance, and how the conditions for generating stable QVC also impact on taxation regimes.]**

2. I found Aoki’s characterization of the “democratic state” rather perplexing. He says that a state is democratic if it is in “the government’s self interest to limit itself to protecting and honoring private property rights” (p156). In contrast, in the collusive state the government and one private agent collude in transgressing the property rights of the other agent to their mutual advantage (p155). I think this is a category mistake, and the following parable (to follow Aoki’s lead) will suggest why. In a Latin American country X, party Y promises that if its candidate is elected to government, it will launch an agrarian reform, e.g., it will expropriate all *latifundios* that are not producing anything, and distribute the land among landless people. It happens that in X most people are landless, and Y’s candidate easily wins the electoral contest. As promised, the new government distributes most of the land to the landless – although it sells part of it to pay the state’s debt. According to Aoki, this is a collusive state, not a democratic state. I do not see why. As Elster has argued in *Constitutionalism and Democracy*, a democratic state is one subjected to the “majority rule,” and that may imply that in some occasions property rights are reassigned, i.e., are not protected. The ideas that a democratic state is one in which the property rights of all agents are always and unconditionally honored, and that if a state is what Aoki calls collusive then it cannot be democratic, seem very misleading. **[You hit on a very important point here. It is odd that in Aoki’s definitions the question of voting rules, accountability of state personnel to constituencies, etc., is not included in his definitions. I think basically this all comes from the fact that he identifies the “democratic state” with some specific concept of “rule of law” in which the violation of a property right without full compensation would constitute as a violation of rule of law. In your example, if the elected state invoked eminent domain and fully compensated the landowners, then he would regard this as noncollusive. The collusiveness occurs when the rule of law is violated for specific group/individual interests. Of course, this seems very Nozickian – that the initial property rights were themselves formed under a rule of law rather than through force. I agree that this is all very problematic.]**

### 924memo#3-Keedon

1. Barzel begins with a picture of the original, primordial state of human beings, assuming that Hobbesian “state of nature” approximates it. Rousseau, whom Barzel mentions in a footnote, critiques Hobbes, arguing that what Hobbes believes to be a state of nature is really a state of society. According to Rousseau, there is no social power and inequality in the state of nature, which is arisen only with the advent of the state of society. If Rousseau is right, then Barzel stands on a shaky ground from the outset because Hobbesian state of nature is already riddled with social power and power imbalance. Thus there cannot be Barzel’s three independent players two of which voluntarily delegate power to the third one to protect their self-interests. If we side with Rousseau, a more realistic picture of the origin of the state would be that a more powerful human being imposes the state on weaker ones. This is “the exogenously given structures” in Aoki’s terms, from which Barzel’s scenario begins....**[But Barzel also argues that the initial equality and symmetry gets disrupted by the advantages people come to realize will occur through trade and thus specialization. So Barzel also begins with Rousseau’s powerlessness and equality, but then sees an emerging division-of-labor disrupting this and creating the need for enforcement of agreements. The issue, then, is whether the disruption of the egalitarian point of departure comes from (a) a Big Man emerging and figuring out the advantages of subordinating others, or (b) a division of labor emerging from exchange and people collectively realizing the advantages of protection/enforcement]**

Aoki says, “One can never have an institution-free world from which to start the analysis and completely eliminate appeals to exogenously given, humanly devised rule structures. Thus nobody can

escape from the problem of infinite regression” (p. 15). This seems to imply that, even when we study the state from the perspective of rational choice theory, we not only have to see how the state is a self-sustaining equilibrium, but also to see what are “the exogenously given...structures” and how they imprint their own traces on the state and institutions.

2. I am not sure Aoki’s discussion about the developmental states is terribly well taken. If anything, again and again I get the impression that his theory describes the final outcomes (say, financial crisis in the late 1990s) ex post, rather than explains or predicts it ex ante. He argues, “Wherever a contingent subsidy policy was successful, we find that the government-promoted competition among individual industrialists (e.g., Korea at the time of President Park’s rule)” (p. 172). This is what Amsden also argues in her book about Korea. For your information, the ranking of the 10 or 20 big chaebols has been relatively constant since the 1960s. Whether this may lead to an entire rejection of his approach or amount to a minor, trivial complaint of it, I don’t know. **[I am not sure that this really matters. The contingent-rents argument could be correct and the ranking could remain constant if the threat of withdrawal of rents was viewed as credible and thus the corporations involved consistently lived up to the performance criteria]**

Shamus Khan

Response #3

A few points on Aoki:

- 1.) In attempting to “bring the state back in” theorists like Evans, Rueschemeyer, and most notably Skocpol argued that the state should be thought of as an actor. During some moments Aoki seems to argue that the state is an institution (see pp. 26), at other times an actor. Given Aoki’s view of the construction of institutions (as both endogenous and exogenous), and the role of agents in such a construction, how can an institution be both “a self-sustaining system of shared beliefs about how the game is played” and an actor? Can he have it both ways? **[Aoki argues that the government is an actor, but the state is an institution. He may occasionally slide into the state is an actor language, but conceptually he draws the distinction between state and government pretty sharply this way.]**
- 2.) Aoki argues, along with North, that institutions constrain the choices of actors. That is, they make certain action plans strategies given actors’ preference functions through particularized incentives. Aoki, then, maintains the idea of a “preference function” – he does not go so far as to say that institutions construct preferences, only that they “constrain or enable” them. However, the language of “shared beliefs” and “common perception” often hint at the idea that institutions don’t just constrain/enable preferences, they help form them. Aoki’s institutions are not leviathanesque in their function; to me, they seem to resemble more of a “collective conscious.” If we were to imagine a spectrum of preferences that represented radically different utility functions, would institutions look like Aoki’s? **You are right that Aoki does not really talk about preference-formation so much, but only about belief-formation. One would have to add something like a theory of adaptive preference formation to derive the actual preferences from this dynamic.**
- 3.) Finally, I have a hard time putting “power” into Aoki’s model. The only place I can see it is as part of the exogenous effects upon institutions (and even this is a stretch). However, we might think of the logic of institutions as a product of social struggle. But within Aoki’s discussion of the endogenous construction of institutions, there is little to no room for power. Can we add power to Aoki’s model? **[I think power actually does play a pivotal role in the process through which beliefs are formed, since the actual experiences people have in trying out strategies is what iteratively shapes their beliefs, and these experiences are surely conditions by the deployment of all sorts of resources by all the actors in the game.]**

**Sara Swider #3**

Questions and need for clarification:

- 1) My first question is just a clarification, can "agency costs" be considered an embedded game? (Discussion Levi pg 31-2)
- 2) I am a little confused over the idea of "side payments". Why would those who have more resources in the bargaining process pay at all (and if we look at empirical cases, do they)? And, if those with resources are getting side payments, doesn't this decrease the legitimacy among those who are not, since all are sharing in the material benefits? And if this is the case, why would those who do not get side payments pay, unless coercion targets those with out resources and side payments target those with resources, but then this means that she isn't really dealing with the issue of legitimacy (Levi, 64). This is somewhat related to another question of side agreements (Question 4).
- 3) Some of the elements of the game form, particularly some elements in the associated consequence, seem as though they really represent either elements that cannot be separated out of the domain or that the domain, and the game it represents, is an embedded game. In other words, the line drawn between endogenous and exogenous factors or between historical/institutional seems problematic.
- 4) There seems to be more similarities among the democratic and collusion states, particularly if we create a spectrum of transgressions committed by the state rather than a binary category, meaning that whether or not a transgression is tolerable depends on the type of transgression and the extent. This, along with the complications of side-agreements, which happen not only between government and a particular group or between two groups of opposing classes (example given of peak labor and business orgs) but also among groups within same class but opposing interests, make versions of the democratic state and the collusion states difficult to distinguish.

---

---

**Follow-up memo from last week from Bradley Brewster**

Date: Wed, 25 Sep 2002 08:32:06 -0500  
From: BRADLEY HARRIS BREWSTER <bhbrewster@wisc.edu>  
Subject: A point of dialogue continued  
To: Erik Olin Wright <wright@ssc.wisc.edu>

When I talked about people recognizing their class membership and identifying with it from MEMO 2, the point I was trying to get across (albeit inadequately) was that in each person are many membership identities which bond them to other's like them. However, these are ranked in various orders of importance in each person. One problem among the nonowners of the means of production is that they may prioritize noneconomic similarities over the similar of onownership.

The problem is identified in Przeworski: "Moreover, participation was necessary because as an effect of universal suffrage masses of individuals can have political effect without being rganized. Unless workers are organized as a class, they are likely to vote on the basis of other sources of collective idenification, as Catholic, Bavarians, women, Francophones, consumers, and so forth. Once elections were organized and workers obtained the right to vote, they had to be organized to vote as workers" (p. 12). Additionally, my hypothesis was not homogenization, but a giving of more weight to their collective identity as nonowners (relating to their similarity across other dissimilar nationalities, religion, ethnicities, etc) as the owning class became more globally obvious and, consequently, as their capitalist interests themselves solidified across dissimilar nationality, religion, ethnicity, etc. Right now, many people are not "Proletarian first!"; they are "Christian first!" or "American first!" or (in action) "Consumer first!" Or whatever. So as the capitalist

class transparently cooperates more and more across nonclass lines and on a global scale, putting their class interests before the interests of their other identities, perhaps nonowners, identifying their common lot and their common enemy, will do so too. So, I wasn't arguing for homogenization, but for the possibility of growing class transparency and its impact on the identities upon which people perceive the world and act.

**[I think the problem of class-homogenization among nonowners still bears on this question. The problem is this: the social category “nonowners of the means of production” consists of a variety of locations within class relations, and thus even if it is the case that the capitalist class acts in a transnational way in their class interests, this does not render the class structure “transparent”. The specific form of developed capitalism’s class complexity means that the actual class interests of a very significant proportion of the “nonowning” category are themselves complex viz-a-viz capital (or what I call “contradictory locations within class relations”). Specifically, there are the following complexities which I think undermine the kind of identity-formation process you are talking about:**

- (1) the elaboration and deepening of managerial hierarchies, which continues apace;**
- (2) the diffusion of stock ownership: even if stock ownership remains highly concentrated – which it does – an increasing proportion of the population owns some stock, and – more importantly – an increasing proportion of the population own sufficient stock that it affects their interests**
- (3) the increasing marginalization of the poor, whose class interests are experienced by the stably employed nonowners as quite different from their own (and whose interests within capitalism may in fact be somewhat contradictory to those of the core working class)**

**There are many other elements that could be added here. The point is that the correct observation of an increasingly globalized corporate-based capitalist class does not translate into an increasingly transparent experience of commonalty of identity among noncapitalists because the in terms of class interests linked to their class locations they are not in fact having more and more “in common”.]**

And aren't many efforts directed toward the goal of making the capitalist class' interests and cooperation more transparent - e.g., Domhoff's interlocking directorates and such? Please provide feedback so I can get clearer on this. Thanks.

---

---

**SOME COMMENTS FROM ERIK RE THE FIRST THREE SESSION**

I had a thought I wanted to share with you after reading this weeks material in light of the previous two weeks. There is a linkage between the central analytic focus of the three types of state theory we have explored and the three-level contrast Alford And Friedland propose between systemic power, institutional power, and situational power. Here is how I might frame this correspondence.

The three kinds of conceptualizations of the state we have been exploring conceptualize the state in the following ways:

1. *functional* conceptualizations: Marx, Marxists. The state = a solution to a functional problem in the reproduction of a system. The state as a superstructure to a class system.
2. *organizational* definitions: Mann, Weber. The state = an apparatus with certain powers.
3. *micro-analytic* definitions: Aoki. The state is an equilibrium outcome of an on-going process of strategic interaction of agents.

These correspond to Alford & Friedland's three levels of political analysis as follows:

*system-level*: the nature of the game = functional concepts  
*institutional level*: the rules of the game = organizational concepts  
*situational level*: the plays in the game = strategic equilibrium concepts

The question, then, is the ways in which these three forms of state-conceptualization might fit together. Aoki explicitly tries to derive the institutional level from the situational level: the institutional level is an equilibrium that emerges from the situational level. Marxists try to derive the institutional level from the systemic level: the stable institutional arrangements must be consistent with the problem of systemic reproduction.