

Student handout 5.2

Basic questions to consider in institutional design

When you design a framework of rules, you make some basic choices. You decide which model of governance (decision making) you prefer and who is to own the fish that are caught. You can create different combinations with these basic forms and arrive at very different solutions.

Governance Property	Hierarchy (state authority)	Co-operative network
Private property		
Public property		

The sections below give some more information on the different options.

1. Choosing a model of governance

Key agent	State	Local networks
Key concepts	Power and authority	Personal relationships, communication and shared interests
Design principle of framework	Hierarchy (top down)	Partnership (equal eye-level)
Strengths	Peace and Security Laws clearly permit or forbid how people behave Laws can be enforced if they are broken	High expertise and flexibility in solving problems and serving people's interests Freedom to improvise and react quickly
Weaknesses and risks	Danger of abuse of power Inflexibility Weak incentives for personal initiative	"Veto-players" can block decisions Rules are difficult to enforce if they are broken
Remedies	Democracy and human rights Rule of law Checks and balances in the constitution	Moral sanctions Culture of responsibility

2. The issue of property: who owns the fish harvest?

Two basic options, and some criteria to think about:

	Private property	Public property
Property rules	Each fisherman owns what he catches He can make use of his catch as he pleases	Each fisherman delivers his catch to a public representative The fish are then distributed to the community members
Incentive for fishermen		
Effect on total output of fish		
Effect on fish stocks		

3. Further questions to consider when designing institutions

- Do you want to define a goal that must be achieved?
- Who has the power to make decisions?
- Do you want to provide tools to enforce rules?
- Is there a danger of the abuse of power?

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