University of Bologna

LMEC – Economic Theory of Institutions

**STRUCTURAL POLITICAL ECONOMY AND THE ECONOMICS OF INSTITUTIONS**

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Faculty of Economics

Lecture Room 12, 11am

In the economic theory of institutions, one of the most sophisticated accounts has seen institutions as self sustaining and self reinforcing behavioural beliefs, whose content is a summary representation of a game-theoretic equilibrium.

In the first part of the seminar, I will argue that this account has three main problems: (i) equilibria are only ‘in the mind of agents’, whilst their connection with the material and social context of the agents remains unclear; (ii) it is not clear why one equilibrium should become salient, out of the many that are possible; and (iii) change in beliefs is exogenous.

I will show that structural approaches developed across the social sciences can be used to outline an account of institutions in which (i) beliefs and the relative positions of agents in the social and material spaces reinforce each other, whilst both being the object of conflict between groups of agents; (ii) beliefs are often held tacitly and largely taken for granted; and (iii) endogenous change comes about as the result of conflicts over social and material positions as well as the associated beliefs.

In the second part of the seminar I will show the potential of the structural approach outlined above, by putting it at work in the context of the ‘structural political economy’ I am developing.