I. The Demand For Institutional Innovation

A. Increasing Demographic Growth, Commercialization and Urbanization generate a demand for more efficient and large-scale regulation and property rights.

1. The Failure of Self-Regulation - local institutions face an inter-district Prisoner's Dilemma and therefore are willing to grant Territorial Rulers the Power To Regulate local institutional interaction.
2. This is the Surrender or Sovereign paradox.

III, A2. Order-Enhanced Security Is A Function of Institutions Not Raw Power

A. 3. The Police

B. The Ruler's Institutional Competitors –

1. Towns And Cities (Control of Money Wealth)

2. Villages – (Control of Subsistence)

3. Churches – (Control of Salvation)

4 Aristocracy (Military Power

1

IV. Alternative Hypotheses

A. Three Common Explanations

1 Inevitability

2. Culture

3. Power Resources

B. Bargaining Hypothesis- Rulers Strike Mutually Beneficial Bargains with Key Groups - Exchange Institutional Development For key Resources

1 Money Taxes

2. General Compliance with Rulers' Commands

B. The Prisoner's Dilemma

	Coop	Defect
cooperate	3,3	1,4
Defect	4,1	2,2

4>3>2>1

(outcome)

2,2 Is the Equilibrium Outcome (Can get your best, cannot get your worst)

C. Territorial Rulers Become Increasingly Involved In Local and large-scale (national) order, law, economic and religious regulation

1. This results In Mutually Beneficial Bargains Between Rulers and Ruled (example taxes for efficiency)