

Economics & Philosophy

Economics and Philosophy

is available online at
<http://journals.cambridge.org/eap>

To subscribe contact Customer Services

in Cambridge:
Phone +44 (0)1223 326070
Fax +44 (0)1223 325150
Email journals@cambridge.org

in New York:
Phone +1(845) 353 7500
Fax +1 (845) 353 4141
Email
subscriptions_newyork@cambridge.org

Editors

Giacomo Bonanno, University of California, Davis, USA
Martin van Hees, University of Groningen, Netherlands
Christian List, London School of Economics, UK
Francois Maniquet, Université catholique de Louvain, Belgium

Economics and Philosophy examines the foundations of economics and its cognate disciplines from a philosophical perspective. Topics include the methodology and epistemology of economics, the foundations of decision theory and game theory, the nature of rational choice and the use of economic techniques in ethical theory.

**Price information is available at
<http://journals.cambridge.org/eap>**

Free email alerts

**Keep up-to-date with new material – sign up at
<http://journals.cambridge.org/alerts>**

**For free online content visit
<http://journals.cambridge.org/eap>**



**CAMBRIDGE
UNIVERSITY PRESS**



European Business Organization Law Review

Marketed and distributed for T.M.C. Asser Press

European Business Organization Law Review

is available online at
<http://journals.cambridge.org/ebr>

To subscribe contact Customer Services

in Cambridge:
Phone +44 (0)1223 326070
Fax +44 (0)1223 325150
Email journals@cambridge.org

in New York:
Phone (845) 353 7500
Fax (845) 353 4141
Email
subscriptions_newyork@cambridge.org

Editor-in-Chief

Rainer Kulms, Max Planck Institute, Hamburg, Germany

The *European Business Organization Law Review (EBOR)* is a leading European publication addressing all legal aspects of business organization. The journal serves as a platform for articles, case-notes and book reviews to stimulate scholarly debate and to reflect the speed of how developments in the field translate into substantive law.

Price information is available at
<http://journals.cambridge.org/ebr>

Free email alerts

Keep up-to-date with new material – sign up at
<http://journals.cambridge.org/alerts>

For free online content visit
<http://journals.cambridge.org/ebr>



**CAMBRIDGE
UNIVERSITY PRESS**

CAMBRIDGE

JOURNALS

EUROPEAN POLITICAL SCIENCE REVIEW

journals.cambridge.org/epsr

EDITORS

Donatella Della Porta, *European University Institute*
B. Guy Peters, *University of Pittsburgh*

AN IMPORTANT NEW JOURNAL

The *European Political Science Review* (EPSR) meets the needs of all who wish to maintain a broad awareness of important new work in the discipline.

INTERNATIONAL SCOPE

EPSR publishes original research of the highest scholarly quality from leading political scientists around the world. It also features the work of the best young scholars in the discipline.

WIDE-RANGING COVERAGE

EPSR is wide-ranging, broad-minded and embraces all the key themes and approaches of the discipline. It is not restricted to any particular methodology or regional focus. *EPSR* encourages scholarship that reaches across fields of substantive interest and methodological commitments. It reflects the full richness and diversity of the discipline and at the same time seeks creatively to reach beyond its borders.

See a sample issue at journals.cambridge.org/epsr/01:01

For complete instructions for contributors, please go to
journals.cambridge.org/epsr/ifc

ecpr



CAMBRIDGE
UNIVERSITY PRESS

JEI is Now Online

Journal of Economic Issues

Editor: **Richard V. Adkisson**,
New Mexico State University

M.E. Sharpe, on behalf of the Association for Evolutionary Economics (AFEE), is the new publisher of the *Journal of Economic Issues* (*JEI*). Commencing with Volume 43, Number 1, (Spring 2009), *JEI* is available online. Both **Print + Online** and **Online Only** options are available.

An internationally respected journal of institutional and evolutionary economics, *JEI* publishes articles that describe aspects of evolving economic systems, economic problems, economic policy, and methodology. It is the leading journal for ongoing debate institutional economic theory and a major forum for discussions of solutions to real economic problems.

Each issue features articles that deal with timely topics such as welfare and health care reform, the environmental impact of growth, proposals for guaranteed employment in industrial economies, the transition of the Central and East European economies, and problems of economic development. The journal is also open to debates about post-modernism, the rise of feminist theory, the project of rethinking Marxism, and to a range of other compelling heterodox issues.

For new and existing institutional subscriptions contact M.E. Sharpe at custserv@mesharpe.com.

For new and existing individual member subscriptions visit the AFEE website at www.associationforevolutionaryeconomics.org.

ISSN 0021-3624 (print) / eISSN 1946-326X (online) / 4 issues
2010 Volume: Vol. 44 (Spring 2010 – Winter 2010-11)

To view sample issues of any M.E. Sharpe periodical online, or for the most recent tables of contents, visit our website at www.mesharpe.com/journals.asp.

M.E. Sharpe

TO ORDER: Call 800-541-6563 • Fax 914-273-2106
www.mesharpe.com





British Journal of Political Science

British Journal of Political Science

is available online at:

<http://journals.cambridge.org/bjps>

**To subscribe contact
Customer Services****in Cambridge:**

Phone +44 (0)1223 326070

Fax +44 (0)1223 325150

Email journals@cambridge.org

in New York:

Phone (845) 353 7500

Fax (845) 353 4141

Email

subscriptions_newyork@cambridge.org

Editors

Sarah Birch, University of Essex, UK

David Sanders, University of Essex, UK

Albert Weale, University of Essex, UK

British Journal of Political Science is a broadly based journal aiming to cover developments across a wide range of countries and specialisms. Contributions are drawn from all fields of political science (including political theory, political behaviour, public policy and international relations), and articles from scholars in related disciplines (sociology, social psychology, economics and philosophy) appear frequently.

Price information is available at:

<http://journals.cambridge.org/bjps>

Free email alerts

Keep up-to-date with new material – sign up at

<http://journals.cambridge.org/alerts>

For free online content visit:
<http://journals.cambridge.org/bjps>



**CAMBRIDGE
UNIVERSITY PRESS**

CAMBRIDGE

JOURNALS



American Political Science Review

Published for the American Political Science Association and sold ONLY as part of a joint subscription with *Perspectives on Politics* and *PS: Political Science & Politics*.

American Political Science Review

is available online at:

<http://journals.cambridge.org/psr>

To subscribe contact Customer Services

in Cambridge:

Phone +44 (0)1223 326070

Fax +44 (0)1223 325150

Email journals@cambridge.org

in New York:

Phone +1 (845) 353 7500

Fax +1 (845) 353 4141

Email

subscriptions_newyork@cambridge.org

Lead Editor

Ronald Rogowski, University of California, Los Angeles, USA

Co-editors

Kathleen Bawn, Micheal Chwe, Kristie McClure, Karen Orren, Daniel Posner, Arthur Stein, Daniel Treisman, John Zaller -
University of California, Los Angeles, USA

American Political Science Review is political science's premier scholarly research journal, providing peer-reviewed articles and review essays from subfields throughout the discipline. Areas covered include political theory, American politics, public policy, public administration, comparative politics, and international relations. *APSR* has published continuously since 1906.

Price information is available at:

<http://journals.cambridge.org/psr>

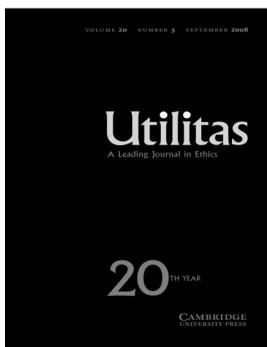
Free email alerts

Keep up-to-date with new material – sign up at
<http://journals.cambridge.org/alerts>

For free online content visit:
<http://journals.cambridge.org/psr>



**CAMBRIDGE
UNIVERSITY PRESS**



Utilitas

Utilitas

is available online at:

<http://journals.cambridge.org/uti>

**To subscribe contact
Customer Services****in Cambridge:**

Phone +44 (0)1223 326070

Fax +44 (0)1223 325150

Email journals@cambridge.org

in New York:

Phone +1 (845) 353 7500

Fax +1 (845) 353 4141

Email

subscriptions_newyork@cambridge.org

Editor

Paul Kelly, London School of Economics, UK

Utilitas is one of the leading international journals in ethics, offering high quality research in all aspects of the development of utilitarian thought and in all areas in which utilitarianism has made a contribution. As a pioneering, interdisciplinary journal, *Utilitas* will be of interest to moral philosophers, economists, political theorists, intellectual historians and legal theorists.

Price information is available at:

<http://journals.cambridge.org/uti>

Free email alerts

Keep up-to-date with new material – sign up at
<http://journals.cambridge.org/alerts>

For free online content visit:
<http://journals.cambridge.org/uti>



**CAMBRIDGE
UNIVERSITY PRESS**

JOURNAL OF INSTITUTIONAL ECONOMICS

SUBMISSION

All manuscripts must be submitted online via the website:

<http://mc.manuscriptcentral.com/joie>

Detailed instructions for submitting your manuscript online can be found at the submission website by clicking on the 'Instructions and Forms' link in the top right of the screen; and then clicking on the 'Author Submission Instructions' icon on the following page.

The Editor will acknowledge receipt of the manuscript, provide it with a manuscript reference number and assign it to reviewers. The reference number of the manuscript should be quoted in all correspondence with JOIE Office and Publisher.

ARTICLE

There must be no indication of the personal identity or institution of any author of the article within the article itself, or in the 'properties' of the electronic file. Normally, articles (including footnotes and references) must be no longer than 9,000 words. In special cases, such as an extended review or survey article, this limit may be extended to 12,000 words. A declaration of the total word count (including footnotes and references) must accompany or be within the article.

Papers with some formal content will be considered if it is fully explained for a general readership, the mathematics is consigned as much as possible to appendices, the assumptions have sufficient grounding in reality, and the paper enhances our understanding of past, present, or feasible socio-economic institutions. JOIE is not interested in the advancement of formal or econometric technique for their own sake.

The front page of the electronic file of the article should include the following information: the title; an abstract of the article of up to 150 words; the Journal of Economic Literature classification codes for the article (consisting of a single letter followed by two numeric digits, see www.aeaweb.org/journal/jel_class_system.html); and up to six key words or short phrases.

Footnotes should be kept to a minimum and the Harvard referencing system should be used.

Submission of a paper will be held to imply that it contains original unpublished work and is not being submitted for publication elsewhere.

The JOIE Editors will preliminarily assess all papers. A paper will be rejected at this first stage if it does not comply with the above guidelines, is evidently of insufficient academic quality or interest, or lies outside the scope of the journal. If a paper passes this preliminary assessment, then it will be sent out to referees. The five Editors will make the final decision, taking account of the referee's reports.

If the article is accepted, the author will be asked to comply with the format and house style of JOIE, as exhibited in issues of the journal from June 2005.

AIMS

"Institutions are the stuff of social and economic life. Many influential organizations, including the World Bank, have recognized the importance of institutions for economic development. The Nobel Prize has been awarded to Ronald Coase, Douglass North, Gunnar Myrdal and Simon Kuznets for their pioneering work in institutional economics."

"The *Journal of Institutional Economics* is devoted to the study of the nature, role and evolution of institutions in the economy, including firms, states, markets, money, households and other vital institutions and organizations. It welcomes contributions by all schools of thought that can contribute to our understanding of the features, development and functions of real world economic institutions and organizations."

"Many economists regard the principle of scarcity as central. However, this principle is not generally extended to scarcity of human cognitive or calculative abilities: these are often assumed to be unlimited. Furthermore, social institutions are often assumed as given, freely available, or producible at insignificant cost. In contrast, institutional economics regards institutions as costly to produce, and sees human beings as reliant on social customs and institutions in order to make decisions. Institutional economics addresses the issues of learning and cognition, and their relationship with institutional structures, cultures, routines, and habits."

"The *Journal of Institutional Economics* is dedicated to the development of cutting edge research within this broad conception of institutional economics. It encompasses research in both the 'original' and 'new' traditions of institutional economics, from Gustav Schmoller, Thorstein Veblen, John R. Commons, Wesley Mitchell and Gunnar Myrdal, to Ronald Coase, Oliver Williamson, Douglass North and many others."

"The *Journal of Institutional Economics* promotes theoretical and empirical research that enhances our understanding of the nature, origin, role and evolution of socio-economic institutions. Ideas from many disciplines, such as anthropology, biology, geography, history, politics, psychology, philosophy, social theory and sociology, as well as economics itself, are important for this endeavor."

"Papers with some formal content will be considered if it is fully explained for a general readership, the mathematics is consigned as much as possible to appendices, the assumptions have sufficient grounding in reality, and the paper enhances our understanding of past, present, or feasible socio-economic institutions. The *Journal of Institutional Economics* is not interested in the advancement of formal or econometric technique for their own sake."

RELEVANT LINKS

http://titles.cambridge.org/journals/journal_catalogue.asp?historylinks=ALPHA&mnemonic=JOI
<http://journals.cambridge.org/JOI>
www.joie-foundation.com

SUBSCRIPTIONS

The *Journal of Institutional Economics* (ISSN 1744-1374) from 2010 JOIE will appear in Mar, Jun, Sep and Dec each year

The 2010 subscription price (excluding VAT) of a volume, which includes print and electronic access, is £185.00 (US \$315.00 in USA, Canada and Mexico); £29.00 (US \$49.00) for individuals, which includes print only, ordering direct from the publishers and certifying that the journal is for their personal use. The electronic-only price available to institutional subscribers is £159.00 (US \$299.00 in USA, Canada and Mexico). Single parts are £50.00 net (US \$85.00 in USA, Canada and Mexico) plus postage. EU subscribers (outside the UK) who are not registered for VAT should add VAT at their country's rate. VAT registered members should provide their VAT registration number. Japanese prices for institutions (including ASP delivery) are available from Kinokuniya Company Ltd, P.O. Box 55, Chitose, Tokyo 156, Japan.

Orders, which must be accompanied by payment, may be sent to a bookseller, subscription agent or direct to the publisher: Cambridge University Press, The Edinburgh Building, Shaftesbury Road, Cambridge CB2 2RU; or in the USA, Canada and Mexico: Cambridge University Press, Journals Fulfillment Department, 100 Brook Hill Drive, West Nyack, New York 10994-2133. Periodicals postage paid at New York, NY and at additional offices.

COPYING

This journal is registered with the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923, USA. Organizations in the USA who are also registered with the C.C.C. may, therefore copy material (beyond the limits permitted by sections 107 and 108 of US Copyright law) subject to payment to the C.C.C. of the per copy fee of \$12.00. This consent does not extend to multiple copying for promotional or commercial purposes. Code 0307-8833/07. ISI Tear Sheet Service, 3501 Market Street, Philadelphia, PA 19104, USA, is authorized to supply single copies of separate articles for private use only. Organizations authorized by the Copyright Licensing Agency may also copy material subject to the usual conditions. For all other use, permission should be sought from Cambridge or from the American Branch of Cambridge University Press.

The *Journal of Institutional Economics* and all other Cambridge journals can be accessed via <http://www.cup.cam.ac.uk> and in North America via <http://www.cup.org>.

© Cambridge University Press 2010

ISSN 1744-1374

Printed in the United Kingdom by the University Press, Cambridge

This journal issue has been printed on FSC-certified paper and cover board. FSC is an independent, non-governmental, not-for-profit organization established to promote the responsible management of the world's forests. Please see www.fsc.org for information.

JOURNAL OF INSTITUTIONAL ECONOMICS

ISSN 1744-1374

VOL 6 · NO 1 · MARCH 2010

CONTENTS

- 1 From the new institutional economics to organization economics: with applications to corporate governance, government agencies, and legal institutions
Richard A. Posner
- 39 Organizations and economics
Richard Adelstein
- 47 What do corporate directors maximize? (Not quite what everybody thinks)
Amitai Aviram
- 55 Comment on Richard A. Posner's organization economics
Jürgen G. Backhaus
- 59 Richard Posner's economics of organization
Young Back Choi
- 65 Superb Posner – but can we go further?
Bruno S. Frey
- 71 Organization economics explains many forensic science errors
Roger Koppl
- 83 Organizations matter: they are institutions, after all
John Linarelli
- 91 Judicial creativity and judicial errors: an organizational perspective
Barbara Luppi and Francesco Parisi
- 99 Roll over George Stigler: Berle and Means meet Chicago price theory
Steven G. Medema
- 109 Organizational economics: applications to metropolitan governance
Elinor Ostrom
- 117 Legal persons: the evolution of fictitious species
Ugo Pagano
- 125 Designing incentives in organizations
John Roberts
- 133 Responding to change: internal and external factors in organizational success
Thomas S. Ulen
- 139 Reply to comments
Richard A. Posner

Cambridge Journals Online
For further information about this journal
please go to the journal website at:
journals.cambridge.org/joi



Mixed Sources
Product group from well-managed
forests and other controlled sources
www.fsc.org Cert no. SA-COC-1527
© 1996 Forest Stewardship Council

CAMBRIDGE
UNIVERSITY PRESS