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Who Killed the Economy – I'll tell you who!

To an idea, the speaker suggests that the lack of cooperation between the far right and far left is the cause of the economy. The only way progress can be made, according to the speaker, is through centrist policies. While the speaker may not have read the novels of the economists discussed in the semester, he makes a valid argument that can easily be supported by them.

According to North, the institutions were created to benefit those who had property rights to begin with. In the case of the housing crisis, the institutions benefited them because without their support, the leaders at the time would not have been able to retain their positions of power. Olson would refer to the group of homeowners as a small homogeneous body that was successful in lobbying to protect the housing bubble for as long as possible.

Ostrom really doesn't come in to play here or anywhere for that matter, because she focused on collective resources that were renewable. If one were to really stretch the definition of a CPR, the amount of happiness was renewable based off of the amount of money they were individually earning. Without the money, everyone is now less happy and the chance of society producing the same amount of collective happiness is nonexistent. Still, that stretches what Ostrom was referring to since no agreement was formally enacted to protect happiness.

The recent results can be explained by Hirschman. The entire crisis is the perfect incentive for societies and groups to express either voice or exit. Many choose not to leave the United States, not only because they have incentive to stay but also because they really have no other choice. Thus, they really do not have the choice to exit due to the institution encouraging the effective utilization of voice. As an end result, Hirschman would argue that the voice is actively changing the monopoly of the current government. Monopoly is the term used to describe anything that has total control over an environment, even if it is not in the economic sense. The institution that supports the monopoly is also causing it to change since the democratic government in the United States is a tight monopoly that must listen to the concerns of its constituents.

The focuses on other concerns like the banking system, social security, etc. and these 'reformations' can likewise be explained by North, Olson, and Hirschman (sorry Ostrom). Because the state of the nation is a changing state, and the institutions are not as strongly set as they were during the housing bubble a decade ago, all of these economists would argue that it is a perfect opportunity to improve the likelihood of success of the future institutions.

Ostrom would argue that the next institution should attempt to eliminate the free-rider problem above all else. North would state that if a system exists that discourages innovation or economic growth, like another economic bubble, an institution should discourage one from ever taking place. Olson would suggest the formation of larger encompassing organizations or jurisdictional integration, perhaps even a trade alliance between all of North America, to decrease the likelihood of stability and the lack of innovation. Lastly, Hirschman most likely would agree with many of what was previously stated as long as the institution continued to proper utilize voice.