A *Nomos* Model of Social Change: How Beliefs Affect Institutions and Vice Versa

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The ideas presented in this research are the author’s and do not represent official positions of the Mercatus Center at George Mason University.
Introduction

The economic literature exploring institutions is deep but unfulfilling. In this essay, I explore the claim that belief systems affect institutions, and vice versa. To understand a theory of society, and societal change, therefore, we need to complement the existing literature on institutions with a new theory of economic culture. FA Hayek stressed the distinction between law, *(Nomos)* and legislation, *(thesis)*. It is my contention that most institutional analysis, especially in the domain of development, concentrates on change that is caused by legislation. Here, I try to balance the debate by speculating on an approach that incorporates natural law, customs, traditions, and belief systems - a Nomos theory of social change. Since past attempts to explore the field of culture have suffered due to their inability to convert interesting, intuitive supposition into a robust model, I will try to create a means to categorize and compare different belief systems, and suggest how these will evolve into institutions. This model will be intuitive, useful, and tractable.

I will attempt to utilize this model in the field of development, specifically the impact of cultural exchange, as we see in the EU. I hope to offer a testable alternative to the top-down institutional explanation for development, by offering a claim that true change occurs due to the emergent order that results from changes in belief systems, and I’ll show how these changes occur. In other words, I shall build a conclusive system, and then focus on the elements of Nomos.

Ultimately, I hope to create a replicable tool to analyze the policies that try to change behavior.

I. The Process of Social Change

“Culture” is notoriously hard to define, and anthropological literature tends to focus on language systems, or that different groups have different tools for the same task. With regard

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1 This phrase is part of the Mercatus Center mission statement.
to economics, the term is complex, multifaceted and multi-dimensional. Here, we shall use culture to embody norms, customs, beliefs, perceptions, and attitudes that can be demonstrated through action and/or introspection. Since these beliefs will be emergent phenomena, it should be studied as a process, not an essence.

...→ Beliefs → {Myths} → Institutions → {Management} → The State of Nature → {surprise} →...

...→ A → {D} → B → {E} → C → {F} →...

In constructing a theory of social change, I will firstly define the three concepts of “Beliefs”, “Institutions”, and “The State of Nature”. I will then develop the three links that join them, namely “Myths”, “Management” and “Surprise”.

A. Beliefs

The chain of influence presented above is similar to that of Mantzavinos, North and Shariq\(^2\), their work on learning and institutions is closely related to the model I am presenting.

A conclusive model for social change, however, requires a fuller discussion of the mechanisms that link beliefs to institutions, and empirical work to validate such claims. Whilst an inductive study will be utilized to formalize specific details, the theory will be largely borrowed. I will present modified insights of Cultural Theory\(^3\) to define a belief system, and how this maps into an institutional structure. It begins with an a-priori foundation.

Since economics is the science of allocation, it rests upon the basis of two principles: needs and resources. Needs are subjectively defined, and therefore alter depending on the preference of the individual. They will be a function of other people’s designs, and are social

\(^2\) Mantzavinos, North and Shariq (2004)
\(^3\) See Wildavsky 1998, Thompson, Ellis and Wildavsky 1990, Thompson & Schwartz 1990
constructions. A resource is a means to fulfill one’s needs, and can change form through space and time. Being malleable, I will treat both needs and resources as adaptable to one’s environment. Since both are potentially (but not necessarily) manageable, it becomes clear that an individual faces four strategies with which they can deal with economic phenomena. This list is mutually exclusive, and exhaustive.

<table>
<thead>
<tr>
<th></th>
<th>Bias</th>
<th>Needs</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>i.</td>
<td>FATALIST (F)</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>ii.</td>
<td>EGALITARIAN (G)</td>
<td>Yes (-)</td>
<td>No</td>
</tr>
<tr>
<td>iii.</td>
<td>BUREAUCRAT (B)</td>
<td>No</td>
<td>Yes (-)</td>
</tr>
<tr>
<td>iv.</td>
<td>ENTREPRENEUR (E)</td>
<td>Yes (+)</td>
<td>Yes (+)</td>
</tr>
</tbody>
</table>

i. Fatalist

**Def:** *Acceptance of the belief that all events are predetermined and inevitable*.

This might be a result of poverty, and lacking the resources that require management. It might be a result of disenchantment, and being outside of a collective. Belief in the predetermined makes it rational to react to situations, rather than instigate them.

**Nomos Theory Def:** *A fatalist will neither manage needs nor resources.*

ii. Egalitarian

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4 I have altered the names of two of the biases presented in Cultural Theory. “Individualists” become “Entrepreneurs” and “Hierarchists” becomes “Bureaucrats”. I have also clarified and modified the definitions of each.

Def: In accordance with the principle that all people are equal and deserve equal rights and opportunities⁶.

An egalitarian will view resources as finite and hence concentrate on managing needs. This requires changing the behavior of others, because the free-rider problem and assumption of equality, mean that the egalitarian tries to create an encompassing group. This might lead to militancy, in the quest to convert others and make them adhere to their constraints.

Nomos Theory Def: An egalitarian attempts to alter the behavior of people outside of their group.

iii. Bureaucrat

From Bureaucracy, Def: Management or administration marked by hierarchical authority among numerous offices and by fixed procedures⁷.

Since needs are taken as given, it is the function of a bureaucracy to manage goods/capital.

Nomos Theory Def: A bureaucrat is an agency to distribute resources.

iv. Entrepreneur

An entrepreneur is one who utilizes information discrepancies for profit⁸ and specifically is motivated by financial gain. This self-interest will manage resources, and also facilitate expanding needs.

Nomos Theory Def: An entrepreneur is an individualist whose incentives are internalized.

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⁶ Compact Oxford English Dictionary
⁸ See Kirzner 1973
With regards to the fabled “pie of prosperity” a fatalist will await a serving and make that portion last. An egalitarian will lament greed and attempt to cajole the other groups into thinking they’re full. The bureaucrat will attempt to control the slicing of the pie and will claim to do so “fairly”. The entrepreneur is chiefly responsible for the size of the pie and wants as large a slice as possible.

It is important to establish the forces that govern the population size of each belief system, since the model is one of change, and not of categorization. We do not want to label things in a pot, since everyone utilizes a mixture of strategies. We’re trying to uncover the conditions that make them switch from one belief system for another, in a given situation, and the order that would result. An individual’s belief system will be governed by:

- Contact with other beliefs - either from within or outside of his own nationality - and the internal debate between conflicting ideologies
- The “pull” that results from institutional structures that reduce the costs of a particular belief system

And unless the feedback mechanism creates surprise, they will proceed without change.

In a world of Knightian Uncertainty, it is not optimal to treat every situation afresh. Consequently:

“Mental models gradually evolve during our cognitive development to organize our perceptions and keep track of our memories. As flexible knowledge structures, they are typically formed by an organism in pragmatic response to a problem situation, in order to explain and interpret its environment...

When environmental feedback confirms the same mental model many times, it becomes stabilized, in a way. We call this relatively crystallized mental model a
“belief”; and we call the interconnection of beliefs (which can be either consistent or inconsistent) a “belief system”.

Mantzavinos, North and Shariq 2004 (p.76)

Notice the importance of feedback between the belief system and the environment. This is the surprise mechanism, which we will explore later.

With the four options I have presented, we can see why belief systems emerge. With respect to Cultural Theory these are types of “cultural bias.” Hereafter, I will use “belief” and “bias” as theoretically equivalent.

B. Institutions

We know that institutions matter. The difficulty is making them susceptible to analysis\(^9\) and the intention to do so requires a clear, workable definition. According to Commons, “we may define an institution as collective action in control, liberation and expansion of individual action.”\(^10\) Similarly, “shared solutions to recurrent problems of social interaction (i.e. institutions).”\(^11\) Therefore, almost by definition, an institution is the emergent phenomena which results when groups of people share a belief system. Under methodological individualism, there is no organic institution that exists separate from the beliefs, preferences and culture of the sum of its individual parts. For this reason, an institution will be an embodiment of individual beliefs, and can be analyzed within the same framework with which we define these beliefs.

Nomos Theory Def: A type of management system.

\(^9\) Williamson 1996


\(^11\) Mantzavinos, North and Shariq (2004) p.77
Consequently, an institution is malleable and inherently tending toward change over time. While it may be the case that an entrepreneurial institution gradually decays and is replaced by an egalitarian institution, our attention is not limited to such cases of rise and fall. To do so would be to miss the subtle yet wide applicability of this model. A change in cultural beliefs can affect an entrepreneurial institution and develop it into an egalitarian one.

An “entrepreneurial institution” is difficult to categorize, therefore as a proxy I will look at organizations. We could say that “Institutions are the rules of the game; organizations are the players”\textsuperscript{12} or indeed that an organization is a type of institution. I suppose it could be argued that a belief system is an institution. This would merely take to the limit the argument of the Nomos model. However, in order to analyze we must separate and the study of organizations is the means to do so.

We can therefore construct the following table:

<table>
<thead>
<tr>
<th></th>
<th>Belief</th>
<th>Strategy</th>
<th>Institution</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>i.</td>
<td>FATALIST (F)</td>
<td>Not manage</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>ii.</td>
<td>EGALITARIAN (G)</td>
<td>Alter the behavior of all</td>
<td>Consumer groups</td>
<td>Greenpeace</td>
</tr>
<tr>
<td>iii.</td>
<td>BUREAUCRAT (B)</td>
<td>Distribute resources</td>
<td>Local government</td>
<td>Liverpool City Council</td>
</tr>
<tr>
<td>iv.</td>
<td>ENTREPRENEUR (E)</td>
<td>Internalized incentives</td>
<td>Capital market</td>
<td>London Stock exchange</td>
</tr>
</tbody>
</table>

It is important to note that most organizations are a blend of all four beliefs. A modern corporation will be made of several elements: factory workers (fatalist); project managers

\textsuperscript{12} Mantzavinos, North and Shariq (2004) p.77
(egalitarian); a legal department or secretaries (bureaucrat); and CEOs and upper management (entrepreneur). This is because all biases are reliant on each other, since they all contain some truth. The purpose is not to categorize organizations as an end in itself. Rather, to do so as a necessary starting point from which we can understand the forces that dictate the direction in which the institution will evolve.

C. The State of Nature

We live in Knightian Uncertainty. The State of Nature is the true condition of the economy, be it fragile, robust, whatever. It is in the interests of all to approximate as closely as possible, however, since it is in constant flux we can never arrive at “truth”. In fact we can only ever know what it isn’t: falsification can only fail to disprove. The State of Nature is a constantly changing phenomenon as a consequence of activity within the system. The managing institution will be an approximation of reality, but will alter that underlying reality. The structure will be dynamic, but as a whole coherent. We can picture a flock of Starlings where the apparent cohesion belies a multi-directional inherent unrest; order is defined as predictability, not stability.

D. Myths of Nature (linking Beliefs to Institutions)

There are four stylized “possible” states of nature, and at any one time the real economy will be some mixture of all four. I use the term “economy” as a summation of all instances where decisions are being made. If the choice is regarding a specific issue, such as “the sale of apples on Saturday”, there will be a specific state of nature that may or may not be the same as the economy-wide state. Again, our task is to determine the margins that create change. The four states are given below:

[Images of graphs labeled Benign, Ephemeral, Tolerant, Capricious]
Each diagram poses a possible equilibrium. Whether we think of an equilibrium as a place of rest, a “natural” pull, an evenly rotating system, a state with coordinated plans… our present use is on a high enough metaphorical level to insulate the term from issues of definition. The four myths of nature do not imply anything other than the possible misapprehensions of the actors that hold them. The system is considered fragile or robust depending on the effects of an exogenous shock that moves the ball sideways.

In *Divided we Stand*\(^{13}\), it was claimed that the four cultural biases are aligned to a specific myth of nature. If the environment is capricious, a fatalist strategy is rational.

<table>
<thead>
<tr>
<th>Belief System</th>
<th>Myth of Nature</th>
</tr>
</thead>
<tbody>
<tr>
<td>i FATALIST (F)</td>
<td>Capricious</td>
</tr>
<tr>
<td>ii EGALITARIAN (G)</td>
<td>Ephemeral</td>
</tr>
<tr>
<td>iii BUREAUCRAT (B)</td>
<td>Tolerant</td>
</tr>
<tr>
<td>iv ENTREPRENEUR (E)</td>
<td>Benign</td>
</tr>
</tbody>
</table>

Indeed each cultural belief system is defined as rational given that the actor’s belief about the environment. We, therefore, have a system of plural rationality. Since we expect institutions to reflect the beliefs of it’s participants, an increase in the population size of the entrepreneurial belief will increase the strength of entrepreneurial institutions. Again, using organizations as a proxy for institutions, we can investigate this claim.

**Method**

Organizations will have some form of constitution, be it a written mission statement or records of action. Their employees can be interviewed to establish which of the cultural belief systems they adhere to. Of course we must be cautious, and wary that differences

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\(^{13}\) Thompson & Schwartz *“Divided we Stand”* University of Pennsylvania Press 1990
in definitions and interpretations could lead to misinformation. Scenario interviews would be a vehicle to proceed, as would operational codes (see Aligica 2003). The Nomos model predicts that genuine belief systems and the institutions that employ them will correlate.

E. Management (linking Institutions to the State of Nature)

The economoy is an ecosystem of complex coordination. The structure is not fixed: the State of Nature is dictated by the institutions that individuals create to provide order amidst a sea of uncertainty. As the rules change, so too does the game.

Consider the Great Barrier Reef: the petri dish of the debate on global warming. Some (entrepreneurs) might argue that the system is benign, whilst others (egalitarians) would say that it’s ephemeral. All would agree, however, that treating the system as if it is benign, will alter the State of Nature. If we consider the Great Barrier Reef to be bountiful and forgiving, the system will come under much strain. If we dare not tread near if for fear of tipping it over the edge, the edge will be considerably reduced. Returning to the diagrams that expore the Myths of Nature, we can introduce the managing system by imaging that the ball has a gravitational pull\(^\text{14}\). If the State of Nature was ephemeral, the egalitarian’s management institution will ‘suck’ up the landscape so that it becomes benign. Not only will the managing institution directly affect the mid-point of the State of Nature, but it will also alter the size of the market, which creates a horizontal force on the end points of the diagram.

\[^{14}\text{In Cultural Theory, this is “the Hermit’s Myth”, see Thompson, Ellis and Wildavsky 1990, Ch 1}\]
The competing belief systems will dictate the strength of these forces. The fatalist belief is self-confirming, and they do not create institutions as we've defined them. If the population of fatalists increases, however, the economy will become capricious, therefore *ceteris parabus* an increase in fatalists will stretch the diagram horizontally. The entrepreneur will pull the ball upward, whilst the egalitarian will push it downward. The bureaucrat will stretch the economy inward.

**F. Surprise**\(^{15}\) (linking The State of Nature to Beliefs)

The justification and necessity of a belief system is to have a reliable response with which to process new information. When action leads to unexpected results we are surprised, and this surprise is the signal to alter our beliefs. For surprise to exist there must be some conflict between our Myth of Nature and the State of Nature, our ex-post contradicts our ex-ante. Here, learning is the updating of our beliefs.

> "In sum, whether creative choice or learning will take place depends crucially on the environment feedback that the individual mind receives while trying to solve its problems"

Mantzavinos, North and Shariq (2004) p.76

Surprise can take the form of either factual evidence, or personal experience. The former is relatively easy to analyse since facts tend to be objective, however surprise requires enough facts to tip the person into a different belief. This could take the form of a singular, important surprise, or the summation of several small surprises. It is this tipping point that is essential to a Nomos model since this is the mechanism that creates flow between the four

\(^{15}\) See Thompson, Ellis and Wildavsky 1990, Ch 4
belief systems. And it is this flow that generates the endogenous institutional change. We are analyzing the margins between strategies to illuminate how modification occurs.

<table>
<thead>
<tr>
<th>Belief</th>
<th>Expectation</th>
<th>Experience</th>
<th>New Belief</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. FATALIST (F)</td>
<td>-Unpredictability</td>
<td>Runs of bad luck</td>
<td>G</td>
</tr>
<tr>
<td></td>
<td>-Inconsistancy</td>
<td>Repeated runs of bad luck</td>
<td>B</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Runs of good luck</td>
<td>E</td>
</tr>
<tr>
<td>ii. EGALITARIAN (G)</td>
<td>-Collapse</td>
<td>Caution doesn't work</td>
<td>F</td>
</tr>
<tr>
<td></td>
<td>-Negative-sum game</td>
<td>Others prosper</td>
<td>B</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others prosper</td>
<td>E</td>
</tr>
<tr>
<td>iii. BUREAUCRAT (B)</td>
<td>-Faith in experts</td>
<td>Experts wrong</td>
<td>F</td>
</tr>
<tr>
<td></td>
<td></td>
<td>System collapse</td>
<td>G</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Competition</td>
<td>E</td>
</tr>
<tr>
<td>iv. ENTREPRENEUR (E)</td>
<td>-Effort leads to profits</td>
<td>Effort unrewarded</td>
<td>F</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total collapse</td>
<td>G</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Partial collapse</td>
<td>B</td>
</tr>
</tbody>
</table>

For a more intuitive illustration of this typology, consider some career decision within the realm of economics:

- Entrepreneur to Bureaucrat: Max Weber’s “beaurocratization”, within a growing company and being increasingly organizational. Lawrence Summers.
- Bureaucrat to Entrepreneur: Someone who leaves public office to become a consultant, “gamekeeper turned poacher”. Stanley Fisher.
- Entrepreneur to Egalitarian: Finding and rejoicing in a platform to become a prominent figure as an activist. Paul Krugman
• Egalitarian to Entrepreneur: An expelled activist who lands on their feet, or someone who “sells out”. Bjorn Lomborg.

• Bureaucrat to Egalitarian: The heretic, or whistleblower. Joseph Stiglitz.

Etc.

Each belief system contains the seeds of destruction and renewal, and there is a possible migration between any two types. The interaction between a belief and the State of Nature will create surprise, and an internal exchange system.

The relative populations of each belief system is not wholly decided by the extent of surprise, however. If the object of our enquiry is an economy, then the belief groups will contain the entire population. If there is immigration or emigration from the system, the relative population sizes will alter accordingly. The act of immigration is an entrepreneurial decision, since it costs/benefits of the decision are born heavily by the actor. An immigrant might have “E” as a natural characterisitic, thereby increasing the population of entrepreneurs, strengthening the benign myth of nature, and management institutions will emerge accordingly. The State of Nature will respond, and will offer one of two responses. Perhaps, the hard work will pay off, and the immigrant finds a job in a restaurant, or finds enough capital to create his own. The benign myth is a close approximate to reality, confirming the immigrant’s toil. He settles as a self-made entrepreneur. Alternatively he lands in a less hospitable region and his only means of work is as cheap labour. His productivity is not being accurately monitored and the immigrant switches from “E” to “F”, where this is to be expected. My own research in Ethnic Entrepreneurship supports such a hypothesis.

External adjustments in the composition of belief systems are not solely due to migration, however. Any contact with the belief system of a “foreign” person will possibly create a switch. This will be explored further in section IV.

II. Path Dependancy
Thus far the analysis has been Positive. It would be wrong to prescribe a preferred political system too hastily, since the beliefs and institutions described are merely vehicles for change, for multiple situations. By this I mean that we must be cautious before describing “an economy” as predominantly entrepreneurial, or “a person” as a fatalist. The terms are verbs, not nouns.

A capitalist society will, (like a corporation), be a blend of all four types, and within that society there’ll be infinite States of Nature. This being the case, there can be no “prescription” or “desired end”, rather a “platform” upon which means can be pursued with accurate incentives. The flow between belief systems is triggered by some “tipping point”, and we have established that an increasing belief system (via institutions) will alter the cost structure faced by individuals, and might create a pull toward that category. As we have seen, this could also be due to an increasing propensity to engage with that belief type, tapping into an inclination to conform. These mechanisms (via interpersonal contact with an alternative belief, or via changes in the institutional structure that makes you switch) suggest the presence of path dependency. There are two possible paths, and a suggested midpoint between them:

- Sustainable system-
  This will be characterized by a mixture of all beliefs, and crucially, mobility between them. Low barriers between beliefs will act as automatic stabilizers in face of a fluctuating State of Nature. Also, this facilitates the interdependency of the beliefs; a rise in E (small businesses) will be accompanied by a demand for B (office staff, lawyers etc.)

- Stagnant system-
  The only system that is self-confirming is the fatalist’s myth, and so an economy that reaches a particular concentration of F will become stagnant\(^{16}\). The fatalist acts as compost for the other three beliefs who each have incentives to feed off them.

\(^{16}\) For more on a fatalist system, see Banfield. “Moral Basis of a Backward Society”
The barriers to surprise will determine whether the fatalist switches to E (mercntilism), B (socialism), G (revolt), or a sustainable combination of all three.\textsuperscript{17}

- **System collapse**

  If E, G or B achieve such power that they manage to restrict the flow of beliefs their myth is left unchecked. The USSR demonstrated the fate of a bureaucratic state which suppresses all wealth creators (E) and critics (G), and running itself into the ground.

  Barriers to switching are primarily controlled by the legislature. Fatalism is the cheapest belief to arrive at, since all it requires is the loss of hope. Egalitarians require freedeom of speech and access to media. Entrepreneurs require access to capital and ability to create a new business. Bureaucrats require an initial institutional structure that allocates resources, but this institution is perhaps the cheapest to perpetuate once established, as Parinson’s Law predicts. Note that the legislature is a bureaucratic institution, and will therefore be populated by those with a natural dispositition for the task. The crucial aspect to a sustainable system is how the bureaucracy is used. The fatalists will not posses the collective will, or have the resources necessary to control the legislature. Small scale entrepreneurs will want to be left alone, but larger ones might find benefit in lobbying for government privileges such as regulation or trade protection\textsuperscript{18}. The egalitarians are precisely the interest groups likely to lobby for political laws, however, and talk of a “nanny state” is evidence of egalitarian control of the legislature. The sustainable path will therefore be a constrained legislature that allows bureaucracy to fulfill it’s universally acknowledged worth, but prevents capture from interest groups (egalitarians) or corporations (entrepreneurs). Notice also, that since lawyers

\textsuperscript{17} The Other Path that Hernando De Soto offers fits precisely into this framework. He (an entrepreneur) offers the path of capitalism, rather than the Shining Path of terrorism.

\textsuperscript{18} The concept of “Political Entrepreneur” is consistent with the Nomos model, but not worth pursuing here. It demonstrates the connections between belief systems, and divergence between rhetorical debate and action.
are bureaucrats themselves, the battle for the legislature fuels bureaucracy further, increasing it’s natural tendency to grow.

III. Cultural Development

Consider a fictitious developing country, Molvania. According to our model, there are two sources for Social Change: belief systems, and institutions.

![Diagram](image)

The circles show the model thus far: a reciprocal feedback mechanism between belief systems and institutions. The first source of social change would be macro policy designed at altering the institutions of Molvania. This might be a foreign country altering trade policy to give Molvanian exporters a level playing field (increase E), or a new tourist board (increase B). A new constitution will be a combination of measures aimed at establishing some blend of reforms. Critically, Nomos theory points out that any such constitution will transfer the
author’s own myth of nature. In the case of the American constitution, the authors were (unrepresentatively) intelligent, and relatively benevolent. Such a design is fundamentally flawed when devised in front of the veil of ignorance, as most transition countries are. This is a top-down, planned approach.

A second approach is to facilitate cultural contact, and permit the resulting spontaneous consequences of a change in belief systems - a Nomos approach. Cultural contact occurs in many ways, but here are some measurable examples:

- Culture emersion
  This is the amount of time Molvanians have spent in a foreign culture
- Personal contact
  Whether a Molvanian knows someone who has experienced cultural emersion
- Commodity exchange
  Experience from buying/selling with a foreign culture
- Media
  The amount of television, film, radio or newspapers the Molvanian is subject to
- Education
  School/college curricula will show another source of cultural contact. Book sales and the preponderance of ideological works transmit belief systems via Nomos.

Not only would the observation of such cross-pollination offset the need for as much macro policy, it won’t create the unnatural increase in bureaucracy that follows the implementation of other people’s planning. If the main barrier to a sustainable system is too much bureaucracy, the last thing Molvania needs is to appease lending authorities by employing more civil servants.

IV. Conclusion
This paper has presented more questions than answers. In 2009 Turkey will join the EU and provide a real example of cross-cultural contact. The outcome will have broad repercussions for the future path of economic development, and economists cannot shirk the challenge of providing the best means possible to ensure that future transitions not only hold, but also offer a sustainable and prosperous opportunity. In the age of Globalization, a theory of social change is much needed.

This Nomos model is a potential vehicle to adopt as a strategy amidst such turbulence. There are two paths open, if the speculative ruminations in this essay digest nicely. The foundation of Nomos theory can be consolidated by an exploration of past literature. Here are some examples:

- The benign myth of nature ⇒ John Locke’s natural Law
- The ephemeral myth ⇒ Thomas Hobbes, James Buchanan

These two extremes are found in the classic texts on political economy. The tolerant myth is a consequence of the more modern conceit that government has control over the economy, and will therefore be less prevalent than notions of Leviathan. We’d expect even less mention of the capricious state, as it offers less for susceptible analysis unless, as here, it serves as a complement and contrast to other states. Also,

- Bureaucracy ⇒ Gordon Tullock
- Entrepreneurship ⇒ Israel Kirzner

The Nomos theory can also be applied to past works charting change, and offer reinterpretations of classic models such as Schumpeter’s *Capitalism, Socialism and Democracy* and Mancur Olson’s *The Rise and Fall of Nations*. Both point to the internal relationship between entrepreneurship and bureaucracy that arises through time.

Aside from consolidating the foundations, it is possible to test the implications of a Nomos model. As any belief, the bias creates its own myth of nature, and success will be the extent to my surprise when the model is applied to reality! The best way to test the model, and acquire the observations necessary to make it replicable and transferable, is to descend from my ivory
tower, step out through the window, and enter the field. Once there, techniques such as scenario interviews, experiments, and agent based models can be used

If the supposition behind this theory is validated, then the materials gathered will be an invaluable resource with which to turn intuition into a workable vehicle to better understand the relationship between institutional growth and cultural belief systems. It will demonstrate the impact of ideology upon transition economies, and highlight the importance of cultural collision in generating a natural law based basis for change.
Diagrams:
V. Bibliography

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b. Further Reading


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