

Institutional change and institutional persistence

Daron Acemoglu^a, Georgy Egorov^{b,c}, and Konstantin Sonin^d

^a*Massachusetts Institute of Technology, Cambridge, MA, United States*

^b*Northwestern University–Kellogg School of Management, Evanston, IL, United States*

^c*NBER, Cambridge, MA, United States*

^d*University of Chicago, Chicago, IL, United States*

13.1 Introduction

A central question of social science is the way in which history influences current outcomes. This is doubly true for institutional investigations, since institutions, as constraints on human behavior and a framework for coordinating expectations, are only meaningful if they are at least to some degree durable.¹ Few commentators or social scientists doubt that the U.S. Constitution, ratified on June 21, 1788, and its first 10 amendments, the Bill of Rights, adopted on December 15, 1791, have shaped U.S. institutions and society ever since (Holton, 2008). But why and how have they had this lasting effect? They could have been completely cast aside or ignored. Indeed, every newly independent South American country also adopted a constitution, in many cases a few decades after and often modeled on the American one (Billias, 2009). But all of them have been superseded by new constitutions, in most cases very different in intent or form than the original one.

Indeed, change is as much a part of our experience as is persistence. Though the U.S. is an exemplar of institutional persistence, there is little similarity between how politics worked in the United States at the end of the 18th century and how it is organized today, and even the laws look very different. So how and why have U.S. institutions persisted? More importantly, what determines when institutions persist and when they change?

This is partly an empirical question. The persistence of the U.S. Constitution has many peculiarities. It originally specified, among other things, that slavery was legal, and slaves could be owned and had no rights, certainly no voting rights. And yet they would count as 3/5th of a free person when it came to apportioning voting power and resources across the 13 original colonies. Fortunately, these provisions have since been thrown out, even if we all think that the Constitution has had a durable impact on our politics. The Constitution has persisted partly because of the Union's victory in the Civil War in 1865, which did fundamentally change some of its provisions (but at the same time also reaffirmed the unity of the country against the secessionist South). The broad consensus on the persistence of the U.S. Constitution notwithstanding, these provisions have since been thrown out. So even in this canonical example of institutional durability, persistence, and change have been interwoven.

¹ See below for the most common definitions of “institutions” in the literature.

In fact, the story of American institutional persistence is even more complex than that. The Civil War was fought largely on the question of slavery, and even before the Confederate armies were defeated, on September 22, 1862, President Abraham Lincoln issued the Emancipation Proclamation, declaring that slavery would end. Following victory, the Thirteenth, Fourteenth, and Fifteenth amendments freed the slaves, granted citizenship and equal protection to all freedmen, and made the denial of the vote on the basis of “race, color, or previous condition of servitude” illegal — as radical a change in institutions as one can imagine. Though these amendments and the stationing of Northern troops in the South ushered in the period of Reconstruction, during which Blacks made important economic, social, and political progress, this was short-lived. Reconstruction was replaced by Redemption, in which the reactionary forces set about to “redeem” the South. This meant the reimposition of many of the slavery-era economic practices, forcing Blacks into low-wage, low-skill, and coercive labor relations on large plantations (Wiener, 1978). Redemption turned into Jim Crow, in which an extreme form of social and economic discrimination was coupled with systematic economic subjugation and complete political disenfranchisement of Blacks, the Fifteenth amendment notwithstanding (Woodward, 1955; Wright, 2013).

The peculiarities of American persistence and change are the subject matter of a voluminous history literature, as are many other questions of institutional persistence. Nevertheless, a conceptual framework is useful for orienting ourselves. Though no other historical episode has the same exact features as the circuitous history of slavery in the U.S. South, we can understand the economic and political reasons for why certain groups wanted to reimpose coercive labor relations on Southern Blacks and why and how they succeeded (and why and how, ultimately, their project failed with the sweeping changes of the Civil Rights era).

The aim of this essay is to provide conceptual tools for clarifying some of the factors underpinning institutional persistence and institutional change. Our purpose is to present a simple framework that can help elucidate the channels of persistence and change in institutions across a range of historical episodes. For this reason, we eschew mathematical formalism and refer the reader to Acemoglu et al. (2015, 2018) for more formal treatments (as well as to Roberts (2015), Lagunoff (2001), Battaglini and Coate (2007), Acemoglu et al. (2008), and Acemoglu and Robinson (2008) for related and complementary frameworks) as background to the more informal discussion here.

Our framework is a simple dynamic game-theoretic model, with society consisting of a number of groups of individuals who have preferences over policy and over institutional arrangements (which determine what types of economic relations are possible, for example). Individuals are potentially forward-looking and may care not just about current outcomes but also the future. Institutions (most closely corresponding to political institutions, though they may have social elements as well) determine the distribution of political power in society. This generates another indirect preference over institutions — individuals would be better off with institutional arrangements that empower their group in both policy choices and decisions over future institutional decisions. This desire to influence future institutions is of course related to the reason why Southern elites in the mid-19th century were willing to secede from the rest of the U.S. and when that was not possible, fight a major war, in order to have a say on future institutions (Potter, 1976; Weingast, 1998).

Using this framework, we first highlight the simplest type of institutional persistence, which we call “institutional stasis”. This is an unchanging institutional equilibrium: the same institutional arrangement we start with repeats itself over and over again. There are several reasons for institutional stasis, but the most important one is that power begets power. That is, groups that are empowered by

current institutions benefit from these institutions and thus use their power in order to maintain them, in the process reproducing their own power over the future institutions. In the case of the U.S. South, these dynamics were certainly important. Large plantation owners were the group that held the greatest power in the antebellum period, and this group was both fairly cohesive and convinced that the political and economic institutions undergirding slavery were in their best interest. Their grip on power and cohesiveness were sufficiently powerful that even after Reconstruction, they were able to maintain much of their political power (Wiener, 1978).

Nevertheless, as our discussion so far has already indicated, when people informally talk of the U.S. Constitution having had a durable effect, this type of stasis is not necessarily what they have in mind — the U.S. society has been anything but unchanging, and the institutional changes in Latin America or the Caribbean have been even more sweeping. Yet, many social scientists' views of institutional persistence are shaped by this type of institutional stasis and the power-begets-power dynamics. For example, Engerman and Sokoloff's famous thesis on the institutional problems of Latin America emphasizes how colonial practices created economic inequality, and this economic inequality empowered the rich segments of society, leading to institutional persistence (Engerman and Sokoloff, 1997). There are certainly examples of this type of institutional stasis, including some in Latin America (see below our discussion of Guatemala), in the U.S. South itself before the Civil War, and in North Korea today. However, as we discuss below, most institutional persistence in Latin America did not take this form, and even when inequality was persistent and had institutional roots, this was neither because the same elites kept power nor because the economic system perpetually remained the same. In practice, persistence often takes a much richer and varied form than institutional stasis.

To understand these richer institutional dynamics, we begin with an evaluation of the forces that lead to change in the first place. We emphasize two interlinked factors and how our framework sheds light on their functioning. First, there may be an incongruence between political and economic arrangements. Stasis does not follow simply from the fact that power begets power; it also requires that those who are so empowered want to maintain the current institutional arrangements. But imagine that groups that are empowered under current institutions prefer a different set of institutional arrangements. This could be, for example, because of economic reasons: repressive institutions may create major economic costs, which even the group controlling political power may want to avoid. An example of this phenomenon from recent history is the (political) elite-driven reform movement in the Soviet Union that gathered steam in the 1980s. There was no necessity that the Soviet Union would start unwinding and ultimately collapse in three short years between 1989 and 1991. The Communist Party certainly had sufficient political control and coercive power to keep things as they were, and there were many who wanted to do so. But sufficiently powerful constituencies became convinced that the economic costs of this strategy would be prohibitive and decided to engineer a reform process instead. Their plan was to undertake limited reform, modernizing the economy but maintaining the communist regime more or less intact (Roland, 1991). But the reality of institutional change was more complicated, as we discuss below.

A classic historical example of this type of institutional reform is North and Weingast's theory of the Glorious Revolution as an institutional commitment to repaying government debt, which then unleashed a process of deeper political change (North and Weingast, 1989). Many Marxist theories of the transition from feudalism to capitalism also fall within this broad category, emphasizing the internal

contradictions of the feudal system, especially once towns and proto-industries started flourishing.² Yet another example of this logic is the theory of democracy in Lizzeri and Persico (2004), where the elites may decide to broaden the franchise because within-elite competition in a regime with a narrow franchise becomes increasingly costly to themselves.

Second, even if the politically powerful have no direct economic benefits from initiating institutional change, the threat of political reactions from non-elites can induce them to do so. Economic and political conditions in almost every society are in constant flux. This is particularly true in nondemocratic political systems, where the control of elites over the political system depends on the inability of the disempowered majority to organize and solve their collective action problem. Changes in the *de facto* power of non-elites occur occasionally, however, and both such changes themselves and their anticipation can become powerful drivers of institutional change. For instance, following episodic periods of unrest or revolutionary fervor, major institutional changes may be imposed upon the elites (as the imperial aristocracy of Russia experienced in the midst of the Russo-Japanese war in 1904-05 and even more starkly, after the Bolshevik revolution in 1917, see Service, 2005). Alternatively, the elites may realize that they need to initiate reform themselves in order to prevent even worse outcomes. Acemoglu and Robinson (2000, 2006b) argue that the emergence of democracy in many countries in Europe and some in Latin America during the 19th and early 20th centuries illustrates this logic. In their theory, when citizens solve their collective action problem during temporary windows of opportunity, they acquire *de facto* power to challenge the prevailing system. Elites may then wish to make a commitment to a political system that will be more responsive to their demands as a way of placating these actions. Democratization is an effective commitment device of this sort, because it distributes political power more equally in society (Acemoglu and Robinson, 2006b).

These sources of incongruence between economic and political considerations do not always lead to institutional change, however. This is because of the possibility of what we call “strategic stability”: politically powerful groups may refrain from institutional change because they are concerned about subsequent institutional dynamics. This idea has emerged in the literature in a number of distinct forms. Fernandez and Rodrik (1991) pointed out that inability to ensure *ex post* redistribution of gains may induce risk-averse agents to block reforms that have uncertain returns, thus ensuring institutional stability. Acemoglu and Robinson (2006a) argued that what they call the “political loser effect” (the fear of losing political power) can often be a paralyzing force against institutional reform, even when such reform can bring economic benefits and even military improvements. Acemoglu et al. (2012) provide a general theory of “slippery slopes” that formalizes this type of strategic stability. Our framework provides a simple way of thinking about strategic stability and its implications. Several historical examples, as we discuss in greater detail below, feature this type of strategic considerations in the institutional calculus of powerful groups. An obvious case is the process of reform in the Soviet Union, which we mentioned above. The reformers’ plan was to limit political change, while modernizing the economy and improving the allocation of resources within the communist system. But once the process of reform was underway, it went much further and faster than the communist reformers wished or could have foreseen (Fischer, 1994; Treisman, 2011). Thus, if preserving the Soviet Union and its

² In the Introduction to *A Contribution to the Critique of Political Economy*, Marx formulated the theory of revolutions as follows (Marx, 1911): “At a certain stage of development, the material productive forces of society come into conflict with [...] the property relations within the framework of which they have operated hitherto.” See also Aston and Philpin (1987).

political system was an important priority for the reformers, they might have had reason to strategically block the early reforms, even if these were beneficial, because they would have been a first step towards a slippery slope. Indeed, many of the autocratic leaders of the former Soviet republics, such as Azerbaijan, Belarus, Turkmenistan or Uzbekistan, have been reluctant to embrace deep economic reforms, perhaps learning from Russia's experience.

Acemoglu and Robinson (2006a) also emphasized that the unwillingness of many elites in absolutist Russia and Hapsburg Empires in the early 19th century to embrace industrialization and railroads was related to their concerns about losing political power once the process of industrialization was underway. Similarly, as argued by Acemoglu et al. (2010a), many African leaders may have refrained from building strong armies, despite their need for military power against uprisings and internal enemies, because they viewed this as a first step towards a slippery slope in which the military would become more powerful or even capable of engineering a coup against them.

One other interesting set of circumstances that can lead to institutional persistence is miscoordination. Even though institutional change that may be beneficial to many citizens and organized groups may be possible, it often requires some trust and coordination between groups, especially trust that nobody will try to hijack the process. This dynamic leads to multiple equilibria: when trust is missing, the process of institutional change may never get off the ground, creating a form of institutional stasis. If the different groups trusted each other, a better institutional arrangement, with power sharing between groups, would be an equilibrium as well.

Our discussion so far has followed much of the economics and political science literatures, focusing on institutional stasis (extreme institutional persistence) as the (typical) conceptual model for thinking about the durability of institutions. Reality is much more complex, however. Institutions are subject to continuous change as very few societies experience immutable conditions for even short periods of time. Thinking of institutional persistence as stasis is thus unsatisfactory at best and potentially misleading at worst.

What might institutional persistence mean then? A more general notion of persistence is proposed in works on path dependence (Pierson, 2000; Mahoney, 2000; Thelen, 1999). We follow these studies, and especially Acemoglu and Robinson (2012), by using their notion of "path-dependent change" as another, often more relevant, notion of persistence in institutions. By path dependence we mean that the process of institutional change is shaped by historical conditions and initial institutional choices. Two societies that start with somewhat different institutions (potentially similar, but still with small differences) may end up with very different trajectories. This may entail distinct institutional dynamics and possibly divergent economic outcomes.

We distinguish two types of path-dependent change: intrinsic and extrinsic. Intrinsic path-dependent change results from internal dynamics. Small differences can put a society in the basin of attraction of very different institutional equilibria. Yet even more interesting may be extrinsic path-dependent change, whereby small differences are amplified by shocks. We discuss several examples of path-dependent change, emphasizing how they provide a more nuanced and useful notion of persistence than the more dominant institutional stasis view in the economics literature. In particular, we illustrate extrinsic path-dependent change with brief discussions of: Brenner (1976)'s thesis about why the Black Death and the subsequent population collapse had very different effects on institutions in different parts of Europe (Aston and Philpin, 1987); Acemoglu et al. (2002)'s discussion of industrialization opportunities leading to a huge divergence across former European colonies with different institutional structures in the 19th century; Acemoglu and Robinson (2019)'s discussion of the divergent trajectories

of Guatemala and Costa Rica following improvements in shipping technology that enabled a coffee boom in both economies; and Putnam (1993)'s arguments about divergence between the north and the south of Italy.

We end the paper with a brief discussion of three related major topics, which we cannot do justice to in this essay, but can briefly touch up on. These are:

(1) *Designing persistence in institutions*: Since institutions can be both persistent and on their way to change, powerful coalitions may wish to introduce additional institutional safeguards to slow down or prevent change. We discuss both theoretical ideas and some applications in this context.

(2) *Social mobility and institutional dynamics*: Another force that can either destabilize institutions or contribute to their stability is the interplay between social mobility and institutional preferences. When those who do not have political power in an institutional arrangement expect to be upwardly mobile and benefit from the same institutional structure that is now keeping them down, they may be less willing to take action against it. This would be an example of anticipated social mobility further stabilizing existing institutions. Building on Acemoglu et al. (2018), we show, however, that anticipated social mobility may also destabilize certain regimes, in particular democracy. This would happen, for example, when the current median voter expects to be in a different social position in the future and may then want to initiate a process for shifting political power towards their future position.

(3) *Culture and institutions*: There has been a resurgence in research on the role of cultural factors in economic and institutional development in recent decades (see Roland, 2004, Alesina and Giuliano, 2015, and Tabellini, 2010, for overviews). The interplay between culture and institutions is another potent force that can generate both institutional change and persistence. On the one hand, when cultural change naturally occurs under the auspices of a given institution, it may be a force towards undermining the same institutions. On the other hand, culture may adapt to an institutional environment, further cementing its hold in society. We explain how these ideas can be embedded into our simple framework.

While this essay is not a survey, it is still useful to mention some of the approaches to institutions we build upon.³ Our work, as well as much of the literature in this area, builds on Douglass North's seminal work on institutions. North (1990) defined institutions as "the rules of the game in a society, or more formally, are the humanly devised constraints that shape human interaction", which is the perspective we adopt in this essay.⁴ Also relevant to our focus here is Ostrom (2005)'s distinction between "operational rules", which correspond to policy choice in our model, "collective choice rules", which govern the change of operational rules, and "constitutional rules", which govern the change of collective choice rules.⁵

In adopting a dynamic game-theoretic approach, we do not mean to deny the importance of other factors, including evolutionary forces and bounded rationality considerations, in shaping institutions. The evolutionary perspective dates back to Veblen (1899), who argued that "the evolution of social

³ See, for example, Acemoglu et al. (2005), Persson and Tabellini (2000), Kingston and Caballero (2009), Besley and Ghatac (2010), and Brousseau et al. (2011) for overviews of recent work in this area.

⁴ A more encompassing definition of institutions is provided in Aoki (2001), who defined them as systems of beliefs over possible actions of others; effectively, an institution is a focal point in a coordination game. This perspective is also adopted in Greif (2006). Such definitions are less well adapted to formal game-theoretic analyses and do not make it easy to distinguish the role of institutions as setting rules from the equilibrium play.

⁵ Other game-theoretic analyses that build on a similar distinction include Acemoglu and Robinson (2001, 2008), Barbera and Jackson (2004), Lizzeri and Persico (2004), and Acemoglu et al. (2012), all of which model collective choices on both policies and future institutions.

structure has been a process of natural selection of institutions”, and is today more often associated with Hayek (1973), who argued that institutions (rules of conduct) “have evolved because the groups who practiced them were more successful and displaced others”. Williamson (2000)’s seminal work emphasizes the role of bounded rationality and the use of simple rules to help in this context. Hodgson (2004) combines bounded rationality and evolutionary considerations. Though these approaches constitute important directions for the literature, they significantly multiply the set of institutions that can be stable, and as such do not provide as natural a starting point for our analysis as fully game-theoretic models, where individuals and groups can secure institutional change if they can build a sufficiently powerful coalition to support it.

The rest of the paper is organized as follows. In Section 13.2, we introduce our general framework. In Section 13.3 we discuss institutional stasis through the lenses of our model. Section 13.4 turns to various factors that push towards institutional change and illustrates these with a variety of historical examples. Section 13.5 introduces our notion of strategic stability and explains how such considerations can stem institutional change. Section 13.6 turns to the issue of path-dependent change, explaining both how institutional stasis is often an imperfect model of how institutions persist and how and why path-dependent change takes place in practice. Sections 13.7, 13.8, and 13.9 discuss designing persistence, social mobility, and culture and institutions, while Section 13.10 concludes.

13.2 General framework

In this section, we present a(n informal) framework that will help us exposit the main ideas of this essay. The framework draws on our previous work, in particular, Acemoglu et al. (2015), but here we suppress all but the most essential technical aspects to simplify the exposition.

Consider a society consisting of n groups of individuals such that group i has share α_i . We represent economic preferences with a policy space, and preferences of all individuals within a group are the same and do not change over time, and we assume that they have bliss point b_i and utility function from policy p given by:

$$u_i(p) = -(p - b_i)^2 + a_i, \quad (13.1)$$

where a_i is a term that depends on the institutional arrangement currently prevailing that may impact individual payoffs (see below). Later, we will allow these preferences to change over time, either because the economic structure changes (e.g., what a landowner may think about industrialization may change over time with developments in agricultural markets and relative prices) or because of social mobility. We also allow for political shocks that shift power from one group to another. We do not introduce expectations and stochastic events explicitly to simplify the notation.

Total individual payoffs are given by a discounted sum of (13.1), with discount factor $\beta \in [0, 1)$.

Suppose that $\{b_i\}$ is increasing in i , which implies that groups are ordered, for example from left to right or on some other ideological or economic dimension. Our focus is on institutions that determine decision-making rules and constraints. We denote these institutions by s^j , and model them in the simplest possible way, by assuming that under each institution, different groups receive a certain “weight” in collective decision-making. Namely, under institution s^j , group i has weight w_i^j ; we might think of an institution where all weights are equal as democracy, whereas an institution where only one group,

say group i , has positive weight as the dictatorship of group i . It is often sufficient to look at the case where these weights are indicators 0 or 1, i.e., some groups are enfranchised and some are not.

As explained in Acemoglu et al. (2015), one could look for the Markov Perfect Equilibria of this game, or more simply (and essentially equivalently), focus on Markov Voting Equilibria (MVE), which are, loosely speaking, given by effective median voters' choices over institutions anticipating the decisions of future effective median voters. In that paper, we showed that such MVE exist and are well-behaved under relatively weak assumptions, and here we do not get into these technical details.

Suppose that we start with institution s^j in the beginning of period t and that both policy decisions and institutional choices (for example, whether there will be an institutional reform) will be determined with the power distribution implied by the institution. We simplify the discussion here by assuming that both decisions are taken by the “effective median voter”, i.e., by an individual from group $k = k(s^j)$ such that neither the groups to the left of k nor the groups to its right constitute a weighted majority (with weights given by the current institution s^j). Observe that because policy is not a state variable, policy choices will always be dictated by the preferences of the effective median voter. In other words, given the effective median voter group k , we will have policy given by this group's bliss point, $p = b_k$. Institutional choice is generally more complicated.

Institutions matter for individual payoffs through two channels. First, institutions determine the distribution of political power and thus who will set policy today and in the future. Second, they may also matter directly for payoffs, for example because they set the rules of economic interactions or enable different types of innovations or investments. This can be captured in our framework by making the term a_i above a function of the current institution, i.e., $a_i(s^j)$.

13.3 Institutional stasis: power begets power

The simplest form of institutional persistence, and the one that most discussions of persistence gravitate around, is one in which once an institution gets put in place (either by design or randomly), it self-replicates — creating a type of stasis, lack of any meaningful change. The most obvious reason why this would happen in the model is because of a close congruence between political power and economic interests (combined with a lack of shocks that disrupts this congruence). The next result informally summarizes this possibility:

Result 13.1 (Institutional stasis). Suppose that under institution s^* the effective median voter is in group i^* ,⁶ with bliss point b_{i^*} and $a_{i^*}(s^*) \geq a_{i^*}(s)$ for all other s , then we will have institutional stasis — group i^* will always choose to remain with institutions s^* and thus continue to be the effective median voter.

In other words, the group that is in power is happy with the current institutions and thus uses its power to maintain these institutions. There are certainly examples of such institutional stasis in history (and these examples and this type of reasoning often shape the way that many economists think about persistence). For example, the U.S. South before the Civil War had an institutional structure that both

⁶ More explicitly, s^* empowers a set of groups $I = \{i_1, \dots, i_n\}$, and the (weighted) median voter within this set of politically active groups is in group i^* .

economically and politically empowered the planter elite, who owned the largest plantations and the greatest number of slaves (Potter, 1976). Until the Civil War (and to some degree thereafter), this elite was able to maintain the same institutional structure, thus retaining its power (Acemoglu and Robinson, 2008; Wiener, 1978). As mentioned in the Introduction, this was because the planter elite was cohesive and well organized, had its political power reinforced by the slavery system, and had a clear interest in perpetuating that system (Genovese, 1976; Fogel, 1994). The case of institutional persistence in Guatemala is even more extreme, with the descendants of the original conquistadors of the area retaining political power and maintaining a similarly coercion-based economy well into the 20th century (Acemoglu and Robinson, 2012, Chapter 11). Feudal institutions, which lasted well into the 19th century in some parts of Europe, are another example of an arrangement empowering a narrow elite, which then worked hard to maintain this system from which it benefited economically and politically (Bloch, 1964).

Result 13.1 gives the simplest form of stasis — from the fact that power begets power. Another reason for this type of institutional persistence would be multiplicity of equilibria (and miscoordination), which we discuss later.

Though institutional stasis is simple to understand and may be what many think of when they start imagining institutional persistence, it is not the most common or most interesting form of persistence. This is for the obvious reason that institutions, like much else, never remain completely stationary. This motivates the rest of our inquiry in this essay, attempting to understand how institutional change and in what ways initial institutional choices shape later outcomes.

Before we delve deeper into different types of institutional persistence, we also make an important observation:

Observation. Meaningful institutional persistence necessitates multiple steady-state institutions.

This observation is very intuitive.⁷ If there was a unique steady-state institution, meaning that ultimately all institutional equilibria converge to some unique s_∞ , then we would not have any notion of institutional persistence, because all institutions would converge to s_∞ . This is not a statement about multiple equilibria — whereby, starting from a given state, multiple equilibrium paths are possible. There might be multiple steady states, but the equilibrium path starting from any institution may be unique (Matsuyama, 1991; Krugman, 1991). For example, starting with highly autocratic government forms, there may be a unique equilibrium in which society converges to an oligarchic institution, while starting with more participatory institutions, the unique equilibrium may involve convergence to democracy (Acemoglu et al., 2015). Or there may be multiple equilibria as we will see below. We will return to the importance of multiple steady states below, but it already highlights an important issue: it is not possible to talk of institutional persistence in models that do not admit multiple steady states.

In the next section, we start with a number of departures from the institutional stasis outcome outlined in Result 13.1. We then introduce a more subtle form of institutional persistence, based on strategic considerations. We subsequently explore various mechanisms for institutional change, and then return to “path-dependent” institutional change.

⁷ Some care is necessary here. There may also be institutional persistence if the limit of equilibrium sequence of institutions is a non-steady-state arrangement, such as a limit cycle, fluctuating between different types of institutions. To keep technicalities to a minimum, in this observation we focus on “multiple steady states”.

13.4 Institutional change

Why would the institutional stasis outcome and Result 13.1 not apply? We outline two possible reasons for this in the next two results.

Result 13.2 (Incongruence between political and economic power). Suppose that under institution s^* the effective median voter is in group i^* , with bliss point b_{i^*} , but there exists s' such that $a_{i^*}(s')$ is sufficiently larger than $a_{i^*}(s^*)$. Suppose in addition that β is small, so individuals are sufficiently myopic. Then starting from institution i^* , we will transition to another institution.

The reason for institutional change in this case is that the group in power under current institutions, group i^* , prefers an alternative institutional arrangement. This could be, for example, because aristocrats who hold political power in a monarchic regime may realize that their economic interests will be better served by bringing new groups into political power. The most famous example of this type of institutional change is discussed in North and Weingast (1989), who argued that the emergence of parliamentary institutions in England were in part a commitment to financial markets that government debt would be repaid. A related example is proposed in Acemoglu and Wolitzky (2020) as an explanation for the emergence of rule of law. In this account, current elites use the rule of law (in particular, relinquishing their own above-the-law status) as a commitment that they will themselves not exploit non-elites and thus encourage greater effort from them. Acemoglu and Wolitzky (2020) give the example of the Meiji Restoration in Japan to illustrate this possibility (see also Ravina, 2020). Threatened by foreign forces, especially the American fleet led by Commodore Perry, Japanese elites decided to defensively modernize their economy. This was deemed impossible as long as the very unequal treatment of elites and non-elites in Japan remained, so important steps towards equality before the law were introduced as part of this modernization drive.

Yet another set of historical examples illustrating Result 13.2 would be the instances in which economic change inexorably (albeit sometimes slowly) shifts political power, thus generating such an incongruence. The early Marxist theories of the collapse of feudalism, and thus rise of early capitalism, fall within this category. Following some of Marx's comments (Marx, 2019), these theories argued that the development of towns and craft industries slowly shifted political power away from the feudal hierarchy (see below on this).

From a theoretical point of view, the two conditions in this result are important. First, we need the alternative institution to be sufficiently better than the current one in order to make sure that the potential loss of political power, and together with it the deviation of current policy from group i^* 's bliss point, is compensated for. Otherwise, this group may prefer to stay in the current institutional environment in order to enjoy policy privileges, even if there are better institutional arrangements for them. Second, the condition that β is small is important as well. Without this condition group i^* may worry about subsequent institutional changes, and this fear may in turn lead to what we are going to call "strategic stability". The requirement that β is small ensures that future, potentially adverse consequences from current change are not going to be the dominant factor influencing decisions, and thus the group that is currently politically powerful will resolve the incongruence between their current economic and future political interests in favor of their economic interests.

Lizzeri and Persico (2004)'s theory of democratization provides another illustration of Result 13.2. In their theory, with limited suffrage, taxes are low, but intra-elite conflict leads to wasteful patronage. Franchise extension increases taxes but also leads to the redirection of spending towards public goods,

potentially improving elite welfare. Lizzeri and Persico (2004) argue that this theory provides a good account of democratization in Britain during the Age the Reform.

The next result presents a second, very different reason for institutional change. It shows how the anticipation of political shocks can be a powerful motivation for institutional change.

Result 13.3 (Threat of revolution). Suppose that under institution s^* the effective median voter is group in i^* , with bliss point b_{i^*} and $a_{i^*}(s^*) \geq a_{i^*}(s)$ for all other s . However, there is a “threat of revolution”, meaning that if the current institutions remain at s^* , then with some probability q political power will shift to another group i' , who will engineer a transition to institutions s' such that $a_{i^*}(s')$ is sufficiently less than $a_{i^*}(s^*)$. Moreover, there exists another institution s^d such that $a_{i^*}(s^d)$ is sufficiently greater than $a_{i^*}(s')$ and institution s^d is itself persistent. Then there will be institutional change.⁸

From a theoretical point of view, the requirement that s^d is itself a persistent state is again related to issues of strategic stability which we discuss below.

Intuitively, the threat of a worse institutional outcome, such as a revolution, motivates the current elite (powerholders) to undertake institutional change as the lesser of two evils. Such engineered institutional changes may prevent the worse transition from the viewpoint of the elite (to s'), either because it makes the revolution less likely or because it convinces the revolutionary groups not to undertake them. One example of this type of institutional change is the theory of the emergence of democracy proposed in Acemoglu and Robinson (2000, 2006b). Elite-controlled institutions may be destabilized because non-elites may sometimes solve their collective action problem and acquire *de facto* power, going so far as credibly threatening a revolution (even though they do not have *de jure* or formal power under such institutions). They will then use this *de facto* power to force a transition to a revolutionary state that has disastrous consequences for the elite. To prevent this outcome, the elite could choose to establish a democracy, as a commitment to better outcomes for non-elites, thus staving off the revolution. Yet in other circumstances, the same revolutionary threat could push the elite towards using repression in order to eliminate challenges to their rule. Acemoglu and Robinson (2000, 2006b) provide detailed historical evidence arguing that the threat of revolution was one of the most important factors in leading to the emergence of democracy in 19th-century Europe, while similar social movements have been met by repression in Central America and Eastern Europe. In the British case, for example, social unrest and protests convinced part of the elite to choose the path of gradual franchise extension, with the explicit aim of placating these demands before they turned into more destabilizing actions, but the response to the revolutions of 1848 differed throughout Europe and involved a range of repressive measures in France, Germany, Hungary, Italy, and Sweden. Econometric evidence on the role of revolutionary threats in the emergence of democracy is provided by Aidt and Franck (2015) and Aidt and Jensen (2014).

We also note that a third type of institutional change originates from anticipation of future social mobility. Since this type of institutional change depends on more strategic considerations, we delay its discussion until later.

⁸ Institutions can change towards s^d or towards another equally preferable institution supported by a powerful coalition.

Also note that in this result, as well as some that follow, stating sufficient conditions using the a terms is simpler. But similar sufficient conditions can be stated in terms of the political bliss points of different groups and how distant they are from each other.

13.5 Strategic stability

We now discuss the possibility of institutional stability emerging from strategic calculations. Namely, we say that there is strategic stability when current institutions are made stable by the calculus of some groups that current institutional changes would later on reduce their political standing or make them unable to resist adverse institutional changes. One example of strategic stability is what Acemoglu and Robinson (2006a) refer to as “political losers” effect: some groups blocking change because they fear losing their political power. A related but somewhat more general form of this is the “slippery slope” considerations studied in Acemoglu et al. (2012). The next result provides one form this strategic stability.

Result 13.4 (Strategic stability). Suppose that under institution s^* the effective median voter is in group i^* , with bliss point b_{i^*} , but $a_{i^*}(s^*)$ is much less than $a_{i^*}(s')$ for some s' , so that there is no institutional stasis. There will be strategic stability if for any such s' , there will be a follow-up transition to institutions $\{s'_1 = s', s'_2, \dots\}$ with limit point s'_∞ such that $a_{i^*}(s'_\infty)$ is much less than $a_{i^*}(s^*)$ and the discount factor β is large enough.

In other words, there is no institutional stasis, and there are some alternative institutional arrangements that would be better for the currently powerful effective median voter. However, once this change, say to institutions s' , occurs, there will be the further rounds of change, taking us to s'_∞ , which is disliked by the current effective median voter. This can be interpreted as a slippery slope as in Acemoglu et al. (2012), because the first step of institutional change pushes us towards a sequence of changes that are disliked by currently powerful groups.

Notice the importance of the assumption that β is sufficiently large. Strategic stability comes from forward-looking calculations. If agents did not care about the future (if β were small), then such considerations would not matter and strategic stability would not arise.

The most common and straightforward application of these ideas is to repression by autocrats, often afraid of changes that would follow any political opening. For example, in 2008, Vladimir Putin, constitutionally barred from running for a third term, handpicked his long-time aide, Dmitry Medvedev, as his successor. Putin himself became prime-minister, vastly expanding the power of this office (Black, 2014). Medvedev received permission to initiate much-needed partial economic and legal reforms and experiment with greater cooperation with the West in foreign policy. However, even partial reforms soon came to be viewed as potentially destabilizing of Putin’s grip on power. In 2012, Putin returned to presidency, and “Medvedev’s liberalization” was reversed. Reforms were cancelled or scaled back. Since the return to presidency, “stability” became the paramount concern of Putin’s government (Åslund, 2019).

A historical example illustrating the same considerations is the resistance of Russian and Hapsburg elites in the early 19th century to railways and industrialization because, even though these would have had major economic benefits, they were judged to unleash political forces that would weaken the political standing of the elites (Gershenkron, 1962; Acemoglu and Robinson, 2006a).

The next example provides a very simple form of strategic stability, drawing on Acemoglu et al. (2012). It also provides more details about why traditional elites may oppose industrialization, as in the case of Russian and Hapsburg Empires, even though such change would have been economically beneficial.

Example 13.1. Suppose there are three groups and that group 1 is the initial elite (monarchy or an oligarchy). We start in an initial institution s^1 , in which this group is the dictator and maintains political power by repression. Because of this repression, the payoffs of all groups are lowered under institution s^1 . An alternative institutional arrangement is s^2 , where political power is shared between this initial elite and industrial interests. In this institutional arrangement, repression is reduced, and payoffs for all groups are higher than under s^1 . But political power may now shift to industrial interests. Suppose, for example, that at each date, with probability $q > 0$, industrial interests will make the political decisions. What they want for their economic interests is to undertake rapid industrialization, by building factories and railways. This however further empowers the third group, the workers, who make up the majority. Once they are sufficiently powerful, then they are able to force a transition to democracy, denoted by s^3 . Suppose that democracy empowers workers, who make up the majority of the population and are thus the effective median voter. Suppose also that democracy gives the workers the highest feasible payoff, which makes democracy a steady-state (stable) institutional arrangement. However, the traditional elite has lower payoff in democracy than under s^1 . This then implies that when the discount factor β is sufficiently large, the initial elite would not like to undertake institutional change starting from s^1 . This implies that there is another steady-state institutional arrangement: s^1 . Intuitively, even though a move from s^1 to s^2 improves the initial elite's payoffs in the short run, the power sharing with industrial interests will ultimately pave the way to rapid industrialization and thus to the emergence of democracy. Because democracy itself is a steady-state institutional arrangement, the initial elite recognizes that democracy arrives, it will last forever. When they pay sufficient attention to future payoffs (β sufficiently large), this makes the initial move unattractive. Notice that it is the combination of strategic reasoning and high discount factor that makes s^1 a steady-state institutional arrangement here. In addition, we can also observe that even though both institutional arrangements s^1 and s^3 are steady states, the equilibrium path is always unique. When we start in one of these institutions, we stay there (and hence there is institutional stasis).

Example 13.1 thus illustrates how strategic stability, or slippery slope concerns, may generate a very strong form of some optimality — Pareto inefficiency. Even institutions that provide higher utility to all groups may not be attractive enough because of (expected) subsequent changes. Another simple historical illustration of these ideas is the role of the army in many less developed economies. Despite multiple internal and external security challenges, many nations, especially those in Africa, have armies that are weak, underprovisioned, and disarrayed. Acemoglu et al. (2010a) suggest that this is because civilian leaders, who are themselves weak, are afraid that strengthening the military further would undercut their own power or even leave them exposed to coups. The logic is again one of strategic stability: the current elite sacrifices the benefits that they can reap from a stronger army because they do not want to risk the institutional trajectory that would leave them with lower power or deposed.

Example 13.1 is one with multiple steady-state institutions, but a unique equilibrium path — meaning that starting from any initial institution, there is a unique equilibrium sequence of institutions and policies. Strategic stability is not confined to such situations. It can also arise when there are multiple equilibrium paths supporting multiple limiting equilibria. The next example illustrates this possibility:

Example 13.2. Suppose there are n groups, and there are $n + 1$ institutional arrangements. One of those corresponds to democracy, which gives the highest utility to all groups. The other n institutions correspond to the dictatorship of one of the groups. The dictatorship of group i gives a somewhat lower utility to this group but a very low utility to all other groups. On the other hand, if society is democratic,

then at each date there is a random variable determining which one of the n groups can undertake a coup and set up its own dictatorship. It can be verified that there are multiple equilibria in this case. In one equilibrium, the group that is first picked sets up its dictatorship and maintains it forever, because it is afraid that, if it chooses to transition to democracy, other groups will undertake a coup, setting up their own dictatorship. Another equilibrium is one in which all groups trust each other and nobody attempts a coup, even when they have the chance.

This example thus provides another form of strategic stability of institutions, but differently from the previous example, miscoordination and trust-related issues matter greatly because there is a multiplicity of equilibria. Consequently, institutions that persist in the absence of between-group trust may make way to better institutional arrangements if there is coordination or trust. This example also further qualifies the meaning of institutional stasis: though we may stay in the dictatorship of one of the groups, say group 1, in an equilibrium in which no group trusts others, it is possible for beliefs to change (for example, because of an unanticipated exogenous shocks to beliefs or a new vision or rhetoric) and a very different type of equilibrium behavior to be realized thereafter.

We end this section with another result, which further clarifies the nature of strategic stability and will then be useful in our discussion of designing constitutional provisions in order to increase the stability of institutions.

Result 13.5 (More stable institutions). Institutional arrangements that preclude small changes tend to be more durable.⁹

The intuition for this result is an illustration of the general principle highlighted in Acemoglu et al. (2012): institutions are made stable by the absence of alternative stable institutions that receive sufficient support from powerful constituencies. Hence, stability is made more likely when forming such a coalition supporting alternative institutions becomes more difficult. When small institutional reforms are feasible, they are likely to be less threatening to powerful constituencies, and coalitions in favor of such reforms are more likely to form. But this in turn makes existing institutions less stable. The alternative is an institutional framework that can only be changed in more radical directions. In that case, except under exceptional circumstances, there will be powerful groups trying to block the change, rendering existing institutions more stable.

One illustration of these ideas is from the U.S. Constitution, which has changed little since the Civil War (there have been only a handful of amendments, mostly minor except those leading to the direct election of Senators and the federal income tax). Mittal and Weingast (2013) interpret the post-1877 U.S. Constitution as “self-enforcing”. In fact, the general interpretation among constitutional scholars and politicians has been that the overarching framework imposed by the Constitution is not up for discussion, thus helping with the notion that any meaningful change in the Constitution will be a relatively major one. As a result, Elkins et al. (2009) state: “The United States presents a constitution with formal inflexibility but much informal flexibility”, and conjecture that “... a moderate level of flexibility seems to be a necessary condition for enduring constitutions.”

⁹ Formally, we can express this result as follows: Suppose that institution s^* has the effective median voter in group i^* . Suppose, furthermore, that there are institutions s_{-1}^* and s_{+1}^* where the effective median voter is in the neighboring groups $i^* - 1$ and $i^* + 1$, respectively. Then s^* is more likely to be stable when it is not possible to transition to these neighboring institutions, s_{-1}^* and s_{+1}^* .

13.6 Path-dependent change

In contrast to institutional stasis, most institutional persistence does not involve lack of change, but the possibility that initial institutions shape how that change takes place. This is what Acemoglu and Robinson (2012) refer to as “path-dependent change”. There are two aspects to this definition. The first is a form of path dependence, meaning that initial conditions matter (Pierson, 2000; Mahoney, 2000; Thelen, 1999).¹⁰ The second is that there is actual institutional change. In particular, institutional stasis, though it involves dependence on initial conditions, is not path-dependent change.

To explain these ideas more systematically, let us introduce some notation. Suppose that starting from some institution s , the equilibrium path of institutions can be represented by the stochastic sequence $\{s_1 = s, s_2, \dots\}$. In contrast, suppose that starting from a different institution $s' \neq s$, it is $\{s'_1 = s', s'_2, \dots\}$. If $\lim_{t \rightarrow \infty} (s_t - s'_t) = 0$ with probability one, then we say that there is no path dependence. On the other hand, if this is not the case, then there is path dependence.

Clearly, institutional stasis is an example of path dependence. For instance, if $s_t = s$ and $s'_t = s'$ for all t , we have a simple example of institutional stasis, and by our definition this is path dependent. But it is not path-dependent *change*, since there is no change. Hence, we say that there is path-dependent change so long as $s_t \neq s_{t-1}$ and $s'_t \neq s'_{t-1}$ with positive probability for all $t \leq T$ for some large T . This does not rule out the possibility that as $t \rightarrow \infty$, there may be convergence to a limiting institutional equilibrium, but it requires that, with positive probability, institutions change at least along the transition path.

Why would there be path-dependent change? There are two distinct but related reasons for this. The first is because of internal dynamics, which create change that intricately depends on initial conditions. We refer to this as “intrinsic path-dependent change”. The second is because of the arrival of shocks, so we refer to it as “extrinsic path-dependent change”. In this case, it is the differential response of institutions to a common shock depending on where they currently are that undergirds path-dependence.

The next result explains one set of conditions under which extrinsic path-dependent change arises.

Result 13.6 (Path-dependent change). Suppose that starting from institution s , the equilibrium path of institutions is given by the deterministic sequence $\{s_1 = s, s_2, \dots\}$ and starting from $s' \neq s$, it is given by deterministic sequence $\{s'_1 = s', s'_2, \dots\}$. There is intrinsic path-dependent change if $s'_t \neq s_t$ for all t and $\lim_{t \rightarrow \infty} (s_t - s'_t) \neq 0$. On the other hand, there will be extrinsic path-dependent change, under the following circumstances: suppose that $s'_t \neq s_t$ for all t and $\lim_{t \rightarrow \infty} (s_t - s'_t) \neq 0$, but at each date t , with probability $q_t > 0$ the environment changes, and following this environment change at time T , the resulting sequence of institutional equilibria takes the form $\{\bar{s}_T = s_T, \bar{s}_{T+1}, \dots\}$ or $\{\bar{s}'_T = s'_T, \bar{s}'_{T+1}, \dots\}$. Then there will be extrinsic path-dependent change if $\lim_{t \rightarrow \infty} (\bar{s}_{T+t} - \bar{s}'_{T+t}) \neq 0$.

In other words, intrinsic path-dependent change leads to a different evolution of institutions starting from different initial conditions. In fact, this is true even though there are no shocks and thus we are looking at a deterministic sequence of institutional equilibria. Extrinsic path-dependent change is defined for the case where there is no intrinsic-path dependent change and thus without shocks, equilibrium paths starting from different initial conditions will converge towards the same steady states.

¹⁰ We refer to this as a simple form of path dependence, because it is distinct from some of the more intricate possibilities, for example what Page et al. (2006) refers to as “path dependence”, obtained from path dependence by changing the order of letters to emphasize that the exact sequence of realizations of random variables matters for long-run outcomes.

Yet, the arrival of some shocks on the way to institutional convergence may disrupt the convergence and usher in divergence instead, because the institutional differences at the time the shock hits will fundamentally shape the response to it.

One historical illustration of path-dependent change comes from Acemoglu and Robinson (2019). Despite the many similarities between Costa Rica and Guatemala in the 19th century (which used to be part of the same Kingdom of Guatemala), faced with new maritime trade opportunities, especially for coffee, created by advances in shipping technology, the two countries sharply diverged. When this “shock” took place, there were some small but relevant differences. Guatemala had a more monolithic elite that was able to dominate the economy and politics of the country. They were then able to monopolize most of the coffee-suitable land and set up coercive coffee plantations. In contrast, the somewhat different political equilibrium in Costa Rica, where the landed elite was a little weaker and different urban centers competed against each other, did not enable this type of elite monopolization. Rather than large-scale plantations, in Costa Rica smallholder coffee production took off (Paige, 1998). These economic institutions in turn generated very different political institutional paths, with Guatemala becoming more and more repressive and authoritarian, while Costa Rica developed more participatory institutions, and eventually reached a consolidated democracy. The contrast of Guatemala and Costa Rica therefore provides an example of extrinsic path-dependent change under the presumption that without this major shock, Costa Rica and Guatemala would have remained similar and perhaps at some point achieved institutional convergence, but this potential convergence was disrupted, paving the way to institutional divergence. Acemoglu and Robinson (2012) also interpret the divergent paths of North and South America following the collapse of colonial empires as another example of path-dependent change. After independence, in most of Latin America the old colonial elites and their allies weakened and disappeared (Guatemala and El Salvador are exceptions in this). But their place was not filled by more participatory institutions and more inclusive economic arrangements, but by new elites who took power and set up a different, yet similarly extractive economics system (Coatsworth, 2008).

Some of the theories of transition away from feudalism in Europe also fall within this category. The so-called neo-Malthusian historians (e.g., Postan, 1973; North and Thomas, 1973) emphasized the role of the population declines brought about by the black death and its aftermath in Europe as a major force destabilizing the feudal regime. These theories were criticized by Brenner (1976), who pointed out that similar demographic changes led to different outcomes throughout Europe (Aston and Philpin, 1987). Brenner’s thesis can be interpreted as an example of path-dependence change. Brenner argued that a key variable was the balance of power between lords and peasants, and the shock created by demographic change played out very differently depending on this balance of power. In terms of our framework, this amounts to relatively small differences in the institutional structure (in particular in terms of the ability of lords to dominate peasants) leading to divergent institutional trajectories after a major shock, such as the one generated by the black death episode (see Acemoglu and Wolitzky, 2011 for a formalization of these ideas in the context of an equilibrium model of labor coercion). Finally, another example is provided by Putnam (1993)’s account for the further divergence of the south and the north of Italy from the 1970s onwards, based on differences in culture, social capital and institutions in these two parts of the country reacting differently to the greater autonomy and resources given to local governments.

We conclude this section with a brief mention of a complementary result from Acemoglu et al. (2010b), who study the flexibility advantage of more democratic governance structures. In particular, in this paper we show that increasing the ability of political insiders to block change does not necessarily

lead to worse static outcomes, but reduces the flexibility of institutions to adapt to change. As a result of this lack of flexibility, in the presence of sufficiently frequent shocks, political systems that empower insiders more will significantly underperform, thus illustrating another facet of path-dependent change — differences in initial power distribution can lead to a divergence because it determines whether or not adaptation to this change is possible. A historical example with this flavor is given by Runciman (2017), who suggests that the more democratic British government was able to adapt to the changing conditions of World War I better than the more autocratic German government and military, which found it difficult to switch away from their early strategies that later proved inadequate.

13.7 Designing persistence

Institutional change is often costly for current political incumbents. This raises the possibility that they may try to design new institutional provisions (or attempt “institutional innovations”) in order to create stability, in the process solidifying their privileged position. History is full of examples of such efforts, though not all of them have succeeded.

One canonical approach to this problem is Barbera and Jackson (2004), who introduce (in a two-period setting) the choice of the constitution which determines future voting rules. They observe that simple and desirable decision-making procedures such as a majority rule may result in good policy outcomes, but they may be unstable in that a majority may vote to get rid of a majority rule. On the other hand — and this is the key idea — the rules that determine policy and the rules that determine institutional change may be distinct, and if the constitutional rules the support of a supermajority for institutional change, they may help make an institution stable. Indeed, a typical constitution requires a much higher burden on amendments and constitutional changes than on deciding ordinary policies. Barbera and Jackson (2004) show that majority rule can be made stable if it is coupled with a constitutional unanimity requirements to change it, because there will never be unanimous agreement to change majority rule as there are always some groups that expect to benefit from this decision-making procedure.

This idea can be generalized and applied in our dynamic setting. In the extreme, when there are no constraints on designing constitutional requirements, current incumbents can always design a constitution that replicates their most preferred outcomes by requiring that a change of institutions requires unanimity, thereby granting themselves veto power on institutional change. The next result summarizes one way of formalizing these ideas:

Result 13.7 (Constitutions). Suppose that group i^* is the effective median voter under institution s^* and prefers some other institution s' to s^* (because $a_{i^*}(s')$ is much greater than $a_{i^*}(s^*)$). Suppose also that s^* is the most preferred institution for some other group i' . Then a constitution consisting of institution s^* as the decision-making rule, coupled with a unanimity requirement to change the constitution, is always stable.

The problem of design of constitutions becomes more realistic and interesting when there are constraints on what types of super majority or unanimity requirements can be imposed for constitutional change or when there are changes in the environment for which we cannot write complete contracts (Aghion and Bolton, 2003). For example, there may be significant uncertainty about the conditions that will arise in the future. In such situations, full unanimity may be prohibitively costly (precluding very

beneficial changes necessary to adapt to new environments), but some amount of institutional stability can be achieved by introducing constitutional requirements that necessitate the formation of relatively large coalitions to implement change. One example is provided by the famous Missouri compromise (Weingast, 1997). This compromise tried to create a balance between free and slave states in the U.S. Senate and a critical component of this balance was that in the future free and slave states would be admitted in pairs, so that power would not shift in favor of one of the two constituencies. The breakdown of this compromise, with the admission of Kansas as a free state into the Union in January 1861, paved the way to the Civil War.

Similarly, the National Pact of 1943 in Lebanon stipulated that the most important political positions in the country be held by individuals with certain religious affiliation: the president would have to be a Maronite Catholic, the prime minister a Sunni Muslim, and the speaker of the parliament a Shia Muslim. On top of that, 55% of seats in the parliament would be occupied by Christians and the rest by Muslims. This agreement, even if highly distortionary for selecting good governments, economic policy-making and public good provision, was maintained until demographic changes substantially increased the share of Muslim population. It took a civil war for the factions to renegotiate the pact. The Taif agreement that ended the civil war in 1989 gave equal representation to Christians and Muslims in the parliament and curtailed the power of the Maronite president, but did not dismantle the segmented system that apportions political power across sectarian groups in Lebanon (Bogaards, 2019).

These examples highlight the two major problems with designing stable institutions by increasing the hurdle for changes. The first is that it may make common sense changes more difficult. These changes may reflect omissions or oversights in the original design of an institution. For example, prior to the Twelfth Amendment the U.S. Constitution all but guaranteed that the president and the vice president would represent opposing factions, making effective governance and federal policy much more difficult. Another fallout from creating hurdles for change is the subsequent difficulties that society will face when confronted with a changing environment. In addition to the Lebanese case, the structure of the Sejm (parliament) of the Polish-Lithuanian Commonwealth, which required unanimity for making decisions, illustrates this problem. This unanimity rule made the oligarchic regime of Poland-Lithuania highly stable, but also generated a severe political gridlock (Roháč, 2008). Even in less extreme circumstances, the trade-off between flexibility and stability could be a complex one.

Finally, we can apply some of the lessons highlighted by Result 13.5 above. This result emphasized that institutional arrangements that make small changes infeasible may be more stable. This suggests that, under certain circumstances, ruling out small changes and only allowing radical ones could be one way of increasing the stability of institutions. One way of achieving this may be to create an immutable constitution, so that any significant reforms in laws will necessitate a new constitutional arrangement, which could then lead to sweeping changes. Though not as extreme, the U.S. Constitution, which occupies an almost sacred position in American life and politics, can be considered as an illustration of this principle.

13.8 Social mobility and institutional change

An interesting set of economic and political forces are rooted in social mobility. In terms of our framework, social mobility can be thought of as a pattern of individuals changing their preferences, because their economic station in life is changing. Upward social mobility of some is typically associated with

downward social mobility of others, so forward-looking players should also anticipate changes in their own preferences and the preferences of others. These issues are studied in Acemoglu et al. (2018). Here we provide one result on how anticipation of social mobility alters the nature of political equilibria and can be a force towards either institutional change or institutional inertia.

Suppose, in particular, that individual bliss points, the b_i 's, change over time. This could take the form of each of those following a Markov chain. If the cross-section of preferences starts in the stationary distribution of this Markov chain, then this process of social mobility would be stationary — meaning that the stationary distribution would replicate itself, so for every agent moving up from the bottom to the top, there will be another one that moves down from the top to the bottom. Alternatively, we could start from an arbitrary initial condition, so that the entire distribution of economic (and thus political) preferences would evolve, generating predictable aggregate changes (we may still eventually converge to a stationary distribution, at least in the absence of other shocks).

The analysis of political dynamics in the presence of social mobility considerations is somewhat more intricate, but some of the main ideas can be conveyed with the following result:

Result 13.8 (Social mobility). Suppose that group i^* is the effective median voter under institution s^* and their most preferred institutional arrangement is s^* . Consider social mobility that will change the economic position of individuals in this society. If social mobility is such that members of other groups expect to have preferences close to b_{i^*} in the future, then it makes institution s^* more likely to persist (relative to the case of no social mobility). If, on the other hand, social mobility is such that members of group i^* expect their preferences to shift close to the bliss point $b_{i'}$ of some other group i' (and the discount factor β is not too large), then social mobility makes institution s^* less stable.

The idea that social mobility can help ensure institutional (democratic) stability goes back to the classic work of de Tocqueville (2000) on U.S. democracy. De Tocqueville argued that America had greater social mobility than Europe and people expected their children or grandchildren to be part of the middle class, and singled this out as an important reason why democracy worked better in America than in his home country, France, where the democratic governments that emerged after the 1789 revolution was short-lived. In terms of our Result 13.8, De Tocqueville's theory makes sense when the rich and the poor find it likely that their children will be part of a large middle class that will benefit from and will have political voice in democracy. This idea is also closely related to the role that the perception of upward social mobility can play in shoring up support for pro-rich or pro-middle-class policies among the poor (Benabou and Ok, 2001). However, Result 13.8 also shows that social mobility can destabilize prevailing institutions. In the context of democracy, for example, this may happen because the middle class expects to be poorer in the future, making it less willing to support democracy. One application of the ideas in Acemoglu et al. (2018) is the disenfranchisement of Blacks after Reconstruction in the U.S. postbellum South, which was aided by the belief among the poor Whites that they were themselves upwardly mobile and would benefit from separating their political fortunes from those of Blacks (and would also benefit from the discrimination against Blacks).

Of course, institutions also affect social mobility. This two-way interaction between institutions and social mobility raises many other interesting possibilities. For example, politically powerful groups may actively try to reduce social mobility not just for economic reasons (to maintain their economic a privileged position) but also for political reasons (e.g., if they expect social mobility to destabilize the current institutional arrangement). Conversely, (capitalist or rich) elites may have an interest in either increasing social mobility or creating the impression of greater social mobility in order to build support for policies that favor capital or reduce the taxation of high incomes.

13.9 Culture and institutions

There has recently been a resurgence in research on the role of cultural factors in economic and political development (Roland, 2020, Alesina and Giuliano, 2015, and Tabellini, 2010, and see Acemoglu and Robinson, 2020 for a critique). Our purpose here is not to review this literature, but to highlight another set of factors that can contribute to institutional persistence or institutional change.

The conceptual framework we have is related to Bisin and Verdier (2017), as well as Tabellini (2008), who provide models in which both institutions and culture (interpreted as values children inherit from parents and society) are endogenous and respond to each other.

For simplicity, let us again focus on the a terms in the payoff functions in (13.1) (as before, one could also endogenize the b terms). Suppose that these can change slowly in response to the political, social, and economic incentives generated by institutions.¹¹ Since our purpose here is to communicate the basic ideas (rather than build a micro-founded framework), we summarize these responses by the mappings $\phi_i(a_i(\cdot), s)$ for each $i = 1, \dots, n$.¹² Namely, these mappings specify how the current preferences of members of group i , given by $a_i(\cdot)$, change as a function of the prevailing institutions, s . We will say that the collection of mappings $\{\phi_i(\cdot, \cdot)\}$ is “concordant”, if the $a_i(\cdot)$ ’s change such that each group’s utility from the current state, $a_i(s)$, increases relative to payoffs from other institutions. This collection is “discordant”, if on the other hand the direction of cultural change is such that the $a_i(s)$ ’s decline relative to payoffs from other institutions.

The next result summarizes how cultural change can be a force towards stabilizing a given set of institutions or one that sows the seeds of further institutional evolution.

Result 13.9 (Change and persistence from culture). If cultural change is concordant, then existing unstable institutions can be transformed into steady-state institutions. If, on the other hand, cultural change is discordant, potentially stable institutional arrangements can be made unstable and initiate a process of institutional change.

The intuition for this result is simple but important. Let us start with an institutional arrangement, which as in our Results 13.2 or 13.3 above, is unstable and is expected to make way to different institutions. If this process is slow and culture adapts in the process, it may stabilize these otherwise unstable institutional arrangements. Consider a very hierarchical society, such as the one based on the caste system in India (Ghurye, 1969). When lower castes, which make up the majority of the population, would like to overthrow the rule of the higher caste groups, long-run stability may be impossible to achieve. But this process could be very slow, for example, because lower castes are disorganized or are subject to repression. Nevertheless, without any other adaptations, their political power will grow at some point and the current institutional arrangements will start unwinding. Now imagine that these lower cast members can be convinced that such change is not in their interest, for example, because the hierarchy is divinely ordained or higher castes are better able to rule and will look after their interests. If they are swayed by these ideas, this would be an example of concordant cultural

¹¹ In the economics literature, most recent research builds on the mechanism proposed in Bisin and Verdier (2001), which endogenizes culture during the formative years of children, due to parental or societal influences. Both this mechanism or others that endogenize post-childhood values and norms could be important in the context of our discussion here.

¹² A major simplification here is to make cultural change a function of current institutions, rather than the future path of institutions. We adopt this simplification to facilitate our current discussion.

change: their preferences may endogenously evolve to be satisfied with the current configuration, even though they are economically exploited and politically voiceless under these institutions.

This example highlights how culture can be a stabilizing force for prevailing institutions. But this is not the only possibility: discordant cultural change could alter values and attitudes away from those that support existing institutions. An example of this would be women's liberation movement (Wollstonecraft, 1891; Pankhurst, 2019). Women were in a subservient economic and political position in almost all of the Western world throughout the Middle Ages and early modern period. The prevailing cultural values of the time also convinced many women that this was a tolerable situation (even if many suffered and were unhappy with material or nonmaterial aspects of their lives). Nevertheless, in the course of the 19th century, many women (and some men) started to recognize the injustice of these arrangements and began a campaign of social and political organization for women. This can be interpreted as an example of discordant cultural change, as people started to view the subjugation of women as less and less acceptable, triggering a process of major institutional transformation.

Another interesting example comes from Iraq after the collapse of Saddam Hussein's regime, which had started as a secular dictatorship but had then heavily exploited religious themes in order to gain additional legitimacy (see Bacevich, 2016, and the discussion in Acemoglu and Robinson, 2019). The power vacuum left after Saddam's fall created room for different types of cultural changes. The early sectarian conflicts under the American-imposed quasi-democratic system may have strengthened religious commitments, making the same institutions and cross-community cooperation much harder to maintain. These factors became more extreme after the rise of the Islamic State, which imposed harsher religious controls in parts of the country it controlled (and reactions to the presence of American soldiers may have contributed as well). This example also illustrates an aspect we have not incorporated into our model: beyond current institutions, the expectations of how future institutions will evolve may also impact cultural choices. Hence, choices of religious observance and education may have been influenced by expectations concerning how durable the rule of the Islamic State and other religious groups would be.

13.10 Conclusion

Much of social science and historical analysis of social, economic, and political arrangements builds on the idea that institutions persist. But we are far away from a comprehensive framework that elucidates the rich mechanisms for persistence and change in institutions. In this essay, we provided a simple conceptual framework for clarifying why and how institutions persist and change. The reasons and pathways via which institutions become durable are varied and depend on the historical circumstances facing the country or region in question. Our essay is motivated by the belief that, this richness in detail notwithstanding, there are certain major commonalities that can be useful to highlight.

We developed a dynamic game-theoretic model to organize these ideas. Different groups care both about current policies and institutions and future policies, which are themselves determined by current institutional choices. The discount rate of different groups is a measure of how forward-looking they are and how much they care about the future. Equilibria in this game take the form of (stochastic or deterministic) paths of institutions. Institutional change can happen because of internal dynamics or because of shocks to the economic environment or political power of different groups.

We used this framework first to clarify the simplest form of institutional persistence, which we called “institutional stasis”, whereby a given set of institutions persist over time. One of the most natural reasons for this is that “power begets power”, meaning that existing institutions reproduce the dominance of currently powerful groups, which could then choose to keep these institutions in place.

We emphasized that, though there are examples of this type of stasis and the thinking of many economists and political scientists is shaped by such dynamics, institutional stasis is rare; rather, most institutions are in a constant state of flux. A better approach is provided by the notion of “path-dependent change”, whereby current institutions determine the future trajectory of institutional change, both because of internal dynamics and because even small differences can cause big divergences in the response to shocks. We provided several historical examples illustrating the workings of path-dependent change as well.

We also explored how our framework sheds light on different mechanisms for institutional change, once again illustrating several possibilities through historical examples. But incumbent political groups are not powerless against such change. One aspect of their ability to withstand such change comes from our notion of “strategic stability”: anticipating the subsequent institutional changes, which may go in directions that are detrimental to their interests, can motivate the formation of coalitions opposed to change — because they are concerned about the “slippery slope” that this will create. This type of strategic reasoning, clarified by our game-theoretic setup, has also many examples in history.

Another strategy incumbents can use is to design new institutions in order to bolster existing arrangements, which we also studied using our framework.

Our framework provides new perspectives on the rich interactions between social mobility and institutions as well. The extent of social mobility is determined by prevailing institutions, but influences the evolution of these institutions, too. For example, expectations of upward social mobility may motivate disadvantaged groups to put up with current institutions in the hope that they will be their beneficiaries in the near future. On the other hand, social mobility can also destabilize current institutions, because people expect to have very different preferences in the future and thus may not protect current institutions or they may even actively work to undermine them.

Finally, we used our framework to discuss the interplay between culture and institutions. Among the multitudes of such interactions, we focused on one aspect of this relationship and discussed how different types of cultural change can stabilize or destabilize existing institutional arrangements.

We view our essay as a contribution to the growing and flourishing field of institutional economics. We hope that the general framework we have outlined can be useful to historical and empirical investigations in specific contexts. Such investigations will undoubtedly reveal new forces and may highlight the limits of some of the mechanisms we have summarized here.

References

- Acemoglu, D., Wolitzky, A., 2011. The economics of labor coercion. *Econometrica* 79 (2), 555–600.
- Acemoglu, D., Wolitzky, A., 2020. A Theory of Equality Before the Law. Working paper.
- Acemoglu, D., Egorov, G., Sonin, K., 2008. Coalition formation in non-democracies. *The Review of Economic Studies* 75 (4), 987–1009.
- Acemoglu, D., Ticchi, D., Vindigni, A., 2010a. A theory of military dictatorships. *American Economic Journal: Macroeconomics* 2 (1), 1–42.

- Acemoglu, D., Egorov, G., Sonin, K., 2010b. Political selection and persistence of bad governments. *The Quarterly Journal of Economics* 125 (4), 1511–1575.
- Acemoglu, D., Egorov, G., Sonin, K., 2012. Dynamics and stability of constitutions, coalitions, and clubs. *The American Economic Review* 102 (4), 1446–1476.
- Acemoglu, D., Egorov, G., Sonin, K., 2015. Political economy in a changing world. *Journal of Political Economy* 123 (5), 1038–1086.
- Acemoglu, D., Egorov, G., Sonin, K., 2018. Social mobility and stability of democracy: reevaluating de Tocqueville. *The Quarterly Journal of Economics* 133 (2), 1041–1105.
- Acemoglu, D., Robinson, J.A., 2000. Why did the West extend the franchise? Democracy, inequality, and growth in historical perspective. *The Quarterly Journal of Economics* 115 (4), 1167–1199.
- Acemoglu, D., Robinson, J.A., 2001. A theory of political transitions. *The American Economic Review* 91 (4), 938–963.
- Acemoglu, D., Robinson, J.A., 2006a. Economic backwardness in political perspective. *American Political Science Review* 100 (1), 115.
- Acemoglu, D., Robinson, J.A., 2006b. *Economic Origins of Dictatorship and Democracy*. Cambridge University Press.
- Acemoglu, D., Robinson, J.A., 2008. Persistence of power, elites, and institutions. *The American Economic Review* 98 (1), 267–293.
- Acemoglu, D., Robinson, J.A., 2012. *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. Crown Publishers, New York.
- Acemoglu, D., Robinson, J.A., 2019. *The Narrow Corridor: States, Societies, and the Fate of Liberty*. Penguin.
- Acemoglu, D., Robinson, J., 2020. Culture, Institutions and Social Equilibria: A Framework. Working paper.
- Acemoglu, D., Johnson, S., Robinson, J.A., 2002. Reversal of fortune: geography and institutions in the making of the modern world income distribution. *The Quarterly Journal of Economics* 117 (4), 1231–1294.
- Acemoglu, D., Johnson, S., Robinson, J.A., 2005. Institutions as a fundamental cause of long-run growth. In: *Handbook of Economic Growth*. Elsevier, pp. 385–472.
- Aghion, P., Bolton, P., 2003. Incomplete social contracts. *Journal of the European Economic Association* 1 (1), 38–67.
- Aidt, T.S., Franck, R., 2015. Democratization under the threat of revolution: evidence from the Great Reform Act of 1832. *Econometrica* 83 (2), 505–547.
- Aidt, T.S., Jensen, P.S., 2014. Workers of the world, unite! Franchise extensions and the threat of revolution in Europe, 1820–1938. *European Economic Review* 72, 52–75.
- Alesina, A., Giuliano, P., 2015. Culture and institutions. *Journal of Economic Literature* 53 (4), 898–944.
- Aoki, M., 2001. *Toward a Comparative Institutional Analysis*. MIT Press Books, vol. 1. The MIT Press.
- Åslund, A., 2019. *Russia's Crony Capitalism: The Path from Market Economy to Kleptocracy*. Yale University Press.
- Aston, T.H., Philpin, C.H.E., 1987. *The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-Industrial Europe*. Cambridge University Press.
- Bacevich, A.J., 2016. *America's War for the Greater Middle East: A Military History*. Random House.
- Barbera, S., Jackson, M.O., 2004. Choosing how to choose: self-stable majority rules and constitutions. *The Quarterly Journal of Economics* 119 (3), 1011–1048.
- Battaglini, M., Coate, S., 2007. Inefficiency in legislative policymaking: a dynamic analysis. *The American Economic Review* 97 (1), 118–149.
- Benabou, R., Ok, E.A., 2001. Social mobility and the demand for redistribution: the POUM hypothesis. *The Quarterly Journal of Economics* 116 (2), 447–487.
- Besley, T., Ghatak, M., 2010. Property rights and economic development. In: *Handbook of Development Economics*, vol. 5. Elsevier, pp. 4525–4595.
- Billias, G.A., 2009. *American Constitutionalism Heard Round the World, 1776-1989: A Global Perspective*. NYU Press.

- Bisin, A., Verdier, T., 2001. The economics of cultural transmission and the dynamics of preferences. *Journal of Economic Theory* 97 (2), 298–319.
- Bisin, A., Verdier, T., 2017. On the joint evolution of culture and institutions. Technical report. National Bureau of Economic Research.
- Black, J.L., 2014. *The Russian Presidency of Dmitry Medvedev, 2008–2012: The Next Step Forward or Merely a Time Out?* Taylor & Francis.
- Bloch, M., 1964. *Feudal Society*.
- Bogaards, M., 2019. Formal and informal consociational institutions: a comparison of the national pact and the Taif agreement in Lebanon. *Nationalism and Ethnic Politics* 25 (1), 27–42.
- Brenner, R., 1976. Agrarian class structure and economic development in pre-industrial Europe. *Past & Present* 70 (1), 30–75.
- Brousseau, E., Garrouste, P., Raynaud, E., 2011. Institutional changes: alternative theories and consequences for institutional design. *Journal of Economic Behavior & Organization* 79 (1–2), 3–19.
- Coatsworth, J.H., 2008. Inequality, institutions and economic growth in Latin America. *Journal of Latin American Studies* 40 (3), 545–569.
- de Tocqueville, A., 2000. *Democracy in America* (H.C. Mansfield & D. Winthrop, Trans.). University of Chicago Press, Chicago (Original work published 1835).
- Elkins, Z., Ginsburg, T., Melton, J., 2009. *The Endurance of National Constitutions*. Cambridge University Press.
- Engerman, S., Sokoloff, K., 1997. Factor Endowments, Institutions, and Differential Paths of Growth Among New World Economies. Stanford University Press, Stanford, CA, pp. 260–304.
- Fernandez, R., Rodrik, D., 1991. Resistance to reform: status quo bias in the presence of individual-specific uncertainty. *The American Economic Review*, 1146–1155.
- Fischer, S., 1994. *Russia and the Soviet Union Then and Now*. University of Chicago Press, pp. 221–258.
- Fogel, R.W., 1994. *Without Consent or Contract: The Rise and Fall of American Slavery*. American Studies Collection Norton.
- Genovese, E.D., 1976. *Roll, Jordan, Roll: The World the Slaves Made*, vol. 652. Vintage.
- Gershenkron, A., 1962. *Economic Backwardness in Historical Perspective*. Belknap, Cambridge, MA.
- Ghurye, G.S., 1969. *Caste and Race in India*. Popular Prakashan.
- Greif, A., 2006. *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade*. Cambridge University Press, Cambridge.
- Hayek, F., 1973. *Economic Freedom and Representative Government*. Wincott Foundation, London.
- Hodgson, G.M., 2004. *The Evolution of Institutional Economics*. Routledge.
- Holtton, W., 2008. *Unruly Americans and the Origins of the Constitution*. Hill and Wang.
- Kingston, C., Caballero, G., 2009. Comparing theories of institutional change. *Journal of Institutional Economics* 5 (2), 151–180.
- Krugman, P., 1991. History versus expectations. *The Quarterly Journal of Economics* 106 (2), 651–667.
- Lagunoff, R., 2001. A theory of constitutional standards and civil liberty. *The Review of Economic Studies* 68 (1), 109–132.
- Lizzeri, A., Persico, N., 2004. Why did the elites extend the suffrage? Democracy and the scope of government, with an application to Britain's "Age of Reform". *The Quarterly Journal of Economics* 119 (2), 707–765.
- Mahoney, J., 2000. Path dependence in historical sociology. *Theory and Society* 29 (4), 507–548.
- Marx, K., 1911. *A Contribution to the Critique of Political Economy*. CH Kerr.
- Marx, K., 2019. *Capital: Volume One*. Dover Publications.
- Matsuyama, K., 1991. Increasing returns, industrialization, and indeterminacy of equilibrium. *The Quarterly Journal of Economics* 106 (2), 617–650.
- Mittal, S., Weingast, B.R., 2013. Self-enforcing constitutions: with an application to democratic stability in America's first century. *Journal of Law, Economics, & Organization* 29 (2), 278–302.
- North, D., 1990. *Institutions, Institutional Change and Economic Performance* Cambridge University Press. Cambridge University Press.

- North, D.C., Thomas, R.P., 1973. *The Rise of the Western World: A New Economic History*. Cambridge University Press, Cambridge.
- North, D.C., Weingast, B., 1989. Constitutions and commitment: the evolution of institutions governing public choice in seventeenth-century England. *The Journal of Economic History* 49 (4), 803–832.
- Ostrom, E., 2005. Doing institutional analysis digging deeper than markets and hierarchies. In: *Handbook of New Institutional Economics*. Springer, pp. 819–848.
- Page, S.E., et al., 2006. Path dependence. *Quarterly Journal of Political Science* 1 (1), 87–115.
- Paige, J.M., 1998. *Coffee and Power: Revolution and the Rise of Democracy in Central America*. Harvard University Press.
- Pankhurst, E.S., 2019. *The Suffragette: The History of the Women's Militant Suffrage Movement, 1905-1910*. Good Press.
- Persson, T., Tabellini, G., 2000. *Political Economics: Explaining Economic Policy*. MIT Press, Cambridge, MA.
- Pierson, P., 2000. Increasing returns, path dependence, and the study of politics. *American Political Science Review*, 251–267.
- Postan, M.M., 1973. *The Medieval Economy and Society: An Economic History of Britain, 1100-1500*, vol. 1. Univ. of California Press.
- Potter, D., 1976. *The Impending Crisis, 1848-1861*. Harper & Row.
- Putnam, R.D., 1993. *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton University Press.
- Roberts, K., 2015. Dynamic voting in clubs. *Research in Economics* 69 (3), 320–335.
- Roháč, D., 2008. The unanimity rule and religious fractionalisation in the Polish-Lithuanian Republic. *Constitutional Political Economy* 19 (2), 111–128.
- Roland, G., 1991. The political economy of transition in the Soviet Union. *European Economy* 49, 197–216.
- Roland, G., 2004. Understanding institutional change: fast-moving and slow-moving institutions. *Studies in Comparative International Development (SCID)* 38, 109–131.
- Roland, G., 2020. *Culture, Institutions, and Development*. Princeton University Press.
- Runciman, D., 2017. *The Confidence Trap: A History of Democracy in Crisis from World War I to the Present*. Revised Edition. Princeton University Press.
- Service, R., 2005. *A History of Modern Russia from Nicholas II to Vladimir Putin*. Harvard University Press.
- Tabellini, G., 2008. Institutions and culture. *Journal of the European Economic Association* 6 (2–3), 255–294.
- Tabellini, G., 2010. Culture and institutions: economic development in the regions of Europe. *Journal of the European Economic Association* 8 (4), 677–716.
- Thelen, K., 1999. Historical institutionalism in comparative politics. *Annual Review of Political Science* 2 (1), 369–404.
- Treisman, D., 2011. *The Return: Russia's Journey from Gorbachev to Medvedev*. Free Press.
- Veblen, T., 1899. *The Theory of the Leisure Class: An Economic Study of Institutions*.
- Weingast, B.R., 1997. The political foundations of democracy and the rule of law. *American Political Science Review* 91 (2), 245–263.
- Weingast, B., 1998. *Political Stability and Civil War: Institutions, Commitment, and American Democracy*. Princeton University Press, pp. 148–193.
- Wiener, J.M., 1978. *Social Origins of the New South: Alabama, 1860-1885*. Louisiana State University Press.
- Williamson, O.E., 2000. The new institutional economics: taking stock, looking ahead. *Journal of Economic Literature* 38 (3), 595–613.
- Wollstonecraft, M., 1891. *A Vindication of the Rights of Woman: With Strictures on Political and Moral Subjects*. Fisher Unwin.
- Woodward, C.V., 1955. *The Strange Career of Jim Crow*. Oxford University Press.
- Wright, G., 2013. *Sharing the Prize*. Harvard University Press.

This page intentionally left blank

Copyright © 2021. Elsevier Science & Technology. All rights reserved.