Order & Violence

Lecture 8: Processes of institutional change

Chris Blattman
Announcements

• I will cancel the written essay originally due on May 7
• The EVL assignment will be due May 7 before class instead of May 2
  – It is the application of a simple model to the crisis in Venezuela
  – Why has the government been unresponsive to mass protests and exodus (and survived)?
  – What would be the consequences of various policy options
• We will increase the weight of all assignments for your final grade to make up for the cancelled written essay
• This will all be reflected in Canvas in the next 1-2 days
Today

I. The origins of inclusive and coercive institutions (continued)
   – Recap: How initial conditions shaped the rules (through the lens of colonial Americas)
   – But initial conditions are not fate! Subsequent choices and “social conflict” matter

II. Implicit features of most institutional theories
   – Path dependence
   – Critical junctures
   – Inter-group bargaining or “social conflict”

III. Implications for a theory of institutional change
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III. Implications for a theory of institutional change
Began with the most famous and influential hypothesis for explaining political development. But it seems unlikely to be a complete explanation, and it struggles to fit non-European, non-China cases.

State capacity

- Large, stable bureaucracy able to control territory, violence & society
- Smaller, regime-specific structures with limited control over people, territory, violence

Constraining institutions

- Unchecked power
- Constrained power
- State competition and War-making (e.g., Tilly)
- Weak limited access orders
We began to outline an alternative, broader theory of institutional development, one that relies on intergroup bargaining and conflict at its core.

State capacity

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Smaller, regime-specific structures with limited control over people, territory, violence

Constraining institutions

Unchecked power Constrained power

Inter-group bargaining or “social conflict”

Acemoglu & Robinson
North, Wallis & Weingast
Engerman & Sokoloff
Mahoney
I introduced a narrative that commonly underlies theories of this nature: One that relies on elite competition in the face of sudden shocks to the balance of power.

- Most states for most of history start out as (and remain) narrow coalitions of elites.
- These elites seek to set the rules (institutions) to entrench power and privileges.
- These institutions are highly persistent, or path dependent, because they are costly to change once developed and those in power have incentives to preserve them.
- What institutions emerge are influenced by initial conditions and endowments.
- But these institutions stay contested, and sudden political shocks, new technologies, or other events create “critical junctures” where new bargains can be set.
- More open institutions emerge when coalitions get larger, by accident or design:
  - Because technology or economic forces favor broader groups acquiring power.
  - Because of chance decisions and events.
  - Rarely because someone aimed for more inclusive, open institutions for their own sake.
And I began in the middle, with an example based on colonial Americas illustrating the role of initial conditions

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Last class’s Latin American readings in one simplified causal chain

Acemoglu/Johnson/Robinson, Engerman/Sokoloff, Dell

More concentrated elite rule in the colonial power

Economies of scale in the production of the local export commodity

Climate and disease environment hostile to European settlers

Existing densely settled native population

Concentrated ownership of means of production

System of coerced labor
Why do ownership of the means of production and systems of labor matter? They shape the initial rules.

- More concentrated elite rule in the colonial power
- Economies of scale in the production of the local export commodity
- Climate and disease environment hostile to European settlers
- Existing densely settled native population
- Concentrated ownership of means of production
- System of coerced labor
- Political institutions limit participation to the elite
- Economic policies and institutions limit competition
- Highly unequal distribution of resources
These choices have lasting consequences

**Initial colonial choices**
- More concentrated elite rule in the colonial power
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**Long term consequences**
- Lower enfranchisement
- Weaker property rights
- Weaker human rights
- Low economic development
- High inequality
- Weak or late democracy
Contrast to initial conditions that led in a more competitive and free direction

Wider selectorate in the colonial power

No economies of scale in production of the local export commodity

Climate and disease environment similar to Europe

No densely settled native population

Decentralized investment and ownership of means of production

Encourage migration, system of free labor

Political institutions limit elite expropriation

Economic policies and institutions foster competition

Less unequal distribution of resources
Initial colonial choices

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- No economies of scale in production of the local export commodity
- Climate and disease environment similar to Europe
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- Decentralized investment and ownership of means of production
- Encourage migration, system of free labor

Long term consequences

- Demands for enfranchisement
- Stronger property rights
- Stronger human rights
- Higher economic development
- Lower inequality
- Early democracy

- Political institutions limit elite expropriation
- Economic policies and institutions foster competition
- Less unequal distribution of resources
Is this satisfying to you as a theory of institutional change (democratization)?
Why or why not?

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Initial colonial choices

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- Demands for enfranchisement
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III. Implications for a theory of institutional change
Coffee: A tropical crop, efficiently produced at both smallholder and plantation scales
When we hold initial conditions constant, we still observe some very different paths and outcomes (Diaz-Alejandro, Mahoney, Nugent & Robinson, Paige)

Political regimes, 1985

- Central America is a famous and common case
  - Similar climates
  - Similar geographies
  - Same colonial powers
  - Same crops produced

- Very different outcomes mid 1980s
  - Advanced democracies (Costa Rica, somewhat Colombia)
  - Repressive autocracies (Panama, Guatemala)

Source: Our World in Data based on Polity IV and Wimmer & Min
Former colonies with similar environments and colonial power chose different forms of organization (we’ll examine why in a moment).
These 19th century political and economic choices shaped institutional and economic paths.
Doe this seem like an efficient choice of institutions, in terms of maximizing national wealth or global influence?
This also seems clearly inefficient. Why don’t more efficient, growth-promoting institutions emerge?

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Economies of scale

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Economies of scale in the production of the local export commodity

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Climate and disease environment hostile to European settlers

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What is path dependence?
Another example: Business agglomerations
And another: The QWERTY keyboard
“Path dependence”

• Steps in one direction induce further movement in that direction
• As a consequence...
  – Small events can have large impacts on the outcome
  – Allows a role for both chance and systematic forces.
  – Specific patterns of timing and sequence matter
  – Difficult to reverse, but not necessarily irreversible
• How could path dependence contribute to inefficient institutions?
What drives path dependence?

• Self-reinforcing
  – Leads to complementary technologies, organizations, or institutions
  – Those who benefit have incentives to maintain advantage

• Fixed costs of setting up = switching costs
  – Once you’ve paid it, costly to switch

• Learning effects = switching costs
  – Akin to a fixed cost of starting

• Spillovers and coordination
  – Positive externality from coordinating on one place, technology, organization, or institutions
This was a story of path dependence

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Why might institutions be path dependent?
What are sources of path dependence in this scenario?
Why might institutions be path dependent?

• Self reinforcing
  – Elites have incentives to preserve their privilege
  – They can foster complementary institutions and organizations to solidify rule
    • Military, economic system, political rules...

• Institutions are costly to develop, and it’s costly to re-coordinate, so switching costs are high

• Helps to have one set of “rules of the game”. Otherwise some rules are less useful.
  – Advantages to coordination, collective action

• Trying to defect from the status quo alone can be costly
  – e.g. Laws enforced by punishment, to deter free riders and defectors
This illustrates another piece of the common narrative

- Most states for most of history start out as (and remain) narrow coalitions of elites
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  - Rarely because someone aimed for more inclusive, open institutions for their own sake
- Most theories overstate their explanatory power and understate chance
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Critical junctures

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The choice of the keyboard, operating system, or tech company location were crucial decision points.
A first critical juncture: The organization of colonial extraction
(Engerman & Sokoloff)

Free smallholders?

Plantations and coercive labor?
Another key juncture in Latin America: Rapid and relatively unexpected early 19th century decolonization

- Year of independence

- How does this compare to other decolonization episodes
A third important juncture:

The massive expansion of global trade and European demand for new commodities
This is the juncture in which Central American countries choose how to organize coffee production.
Former colonies with similar environments and colonial power chose different forms of organization.
These choices turn out to be path dependent

- Repressive authoritarian regime, among poorest country in Latin America
- Militarized, semi-autocratic regime
- Militarized, semi-autocratic regime
- Democratic, relatively equal, higher-income
- Democratic, relatively equal, medium-income
At various junctures, elites made policy choices that shaped the choice of land concentration and free labor markets in coffee-producing areas

- El Salvador and Guatemala:
  - Role of pre-19th century land distributions
    - Pre-coffee elites were already large landlords
  - Guatemala likely influenced by large native populations who could be exploited
  - More militarized society
    - Partly because elites had faced previous threats from one another (and other neighbors)

- Costa Rica and Colombia
  - Large amounts of undeveloped land
  - Economic interests not threatened by smallholders
    - Pre-coffee elites were more commercially focused (e.g. gold export in Colombia) and chose to monopolize finance and exportation rather than agriculture
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This is the central dynamic in Acemoglu, Johnson and Robinson’s more general “model”: Institutions are the product of competition between groups with power, over and over again over time.

How is this model different to AJR’s? How is it similar?

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In the AJR framework, political institutions and the distribution of resources are subject to shocks at critical junctures.

New colonial opportunities

(No) Economies of scale in production of the local export commodity
Climate and disease environment (friendly) hostile to European settlers
(No) Existing densely settled native population

AJR view shocks as changing the balance of power between groups in society
Political and economic institutions may change as a result of this competition

Imagine a technological shock this century where the theoretically efficient distribution of resources would be extremely concentrated in a few hands. What would you predict happens to democracy?
Imagine a technological shock that facilitates mass social mobilization? What would you predict happens to an autocracy? How will the autocracy respond?

Political institutions

De jure political power

De facto political power

Economic institutions

Economic performance

Distribution of resources

Social media
This is the final piece of the narrative: shocks change the balance of power between elite groups (or between elites and non-elites) who must bargain over political and economic institutions

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AJR’s conclusion: What does this mean for the evolution of institutions?

• Will institutions be efficient?
  – Will the most effective institutions evolve over time? Rarely.

• Will institutions be accidental?
  – (This is what Acemoglu Johnson and Robinson, or AJR, call “incidental”)
  – Tilly’s argument is often used as an example of accidental institutions

• Or will institutional choices be strategic?
  – If these choice are path dependent, the stakes are huge
  – Self interested, farsighted actors should seek to shape them
    • People who are disadvantaged struggle against the institutions and try to get power for themselves
    • Elites who are advantaged try to maintain them
  – This is what AJR call the “social conflict view”
  – We should expect institutions to be the subject of intense political competition
Should we expect **violent** social conflict as a result of these shocks and competition between groups?

What would our conflict model say?
Next class, we will begin to formalize this process with a simple model: EVL

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The point of this discussion is not to argue that geography and land concentration are “deep” determinants of institutions, but rather that they shape elite choices

• Initial conditions influence institutional choices
  – Geographic and environmental
    • The disease environment (Acemoglu & Robinson)
    • Crop suitability (Engerman & Sokoloff)
    • Types of minerals available (Dell, Engerman & Sokoloff)
  – Population distribution
    • Large native populations (Engerman & Sokoloff, Mahoney, Paige)

• Nonetheless, at various junctures, elites make policy choices that shaped the direction of development dramatically
  – Degree of land concentration
  – Style of mining and agriculture to promote
  – Degree of migration to allow