

# Order & Violence



## 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

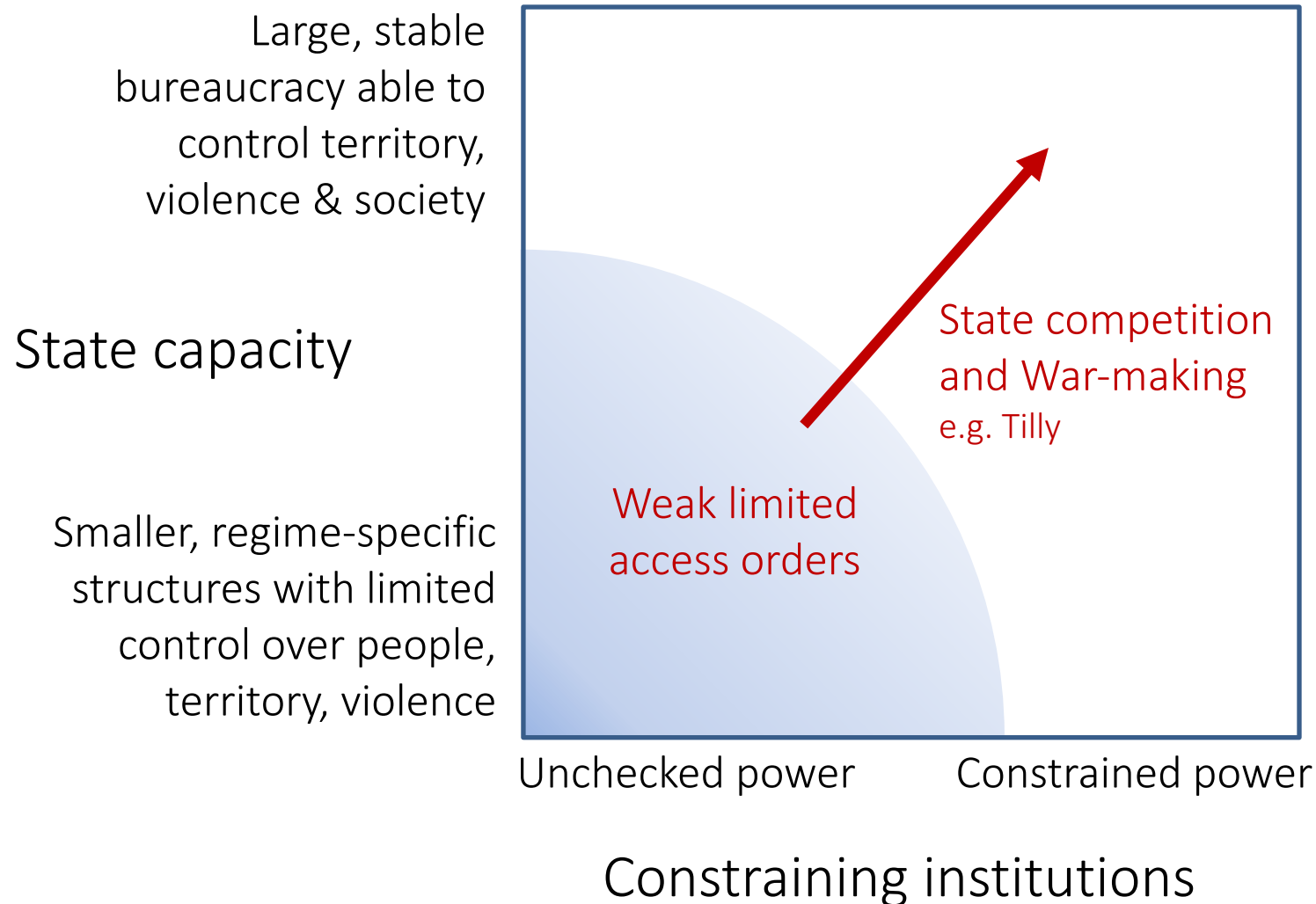
# Today

- 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

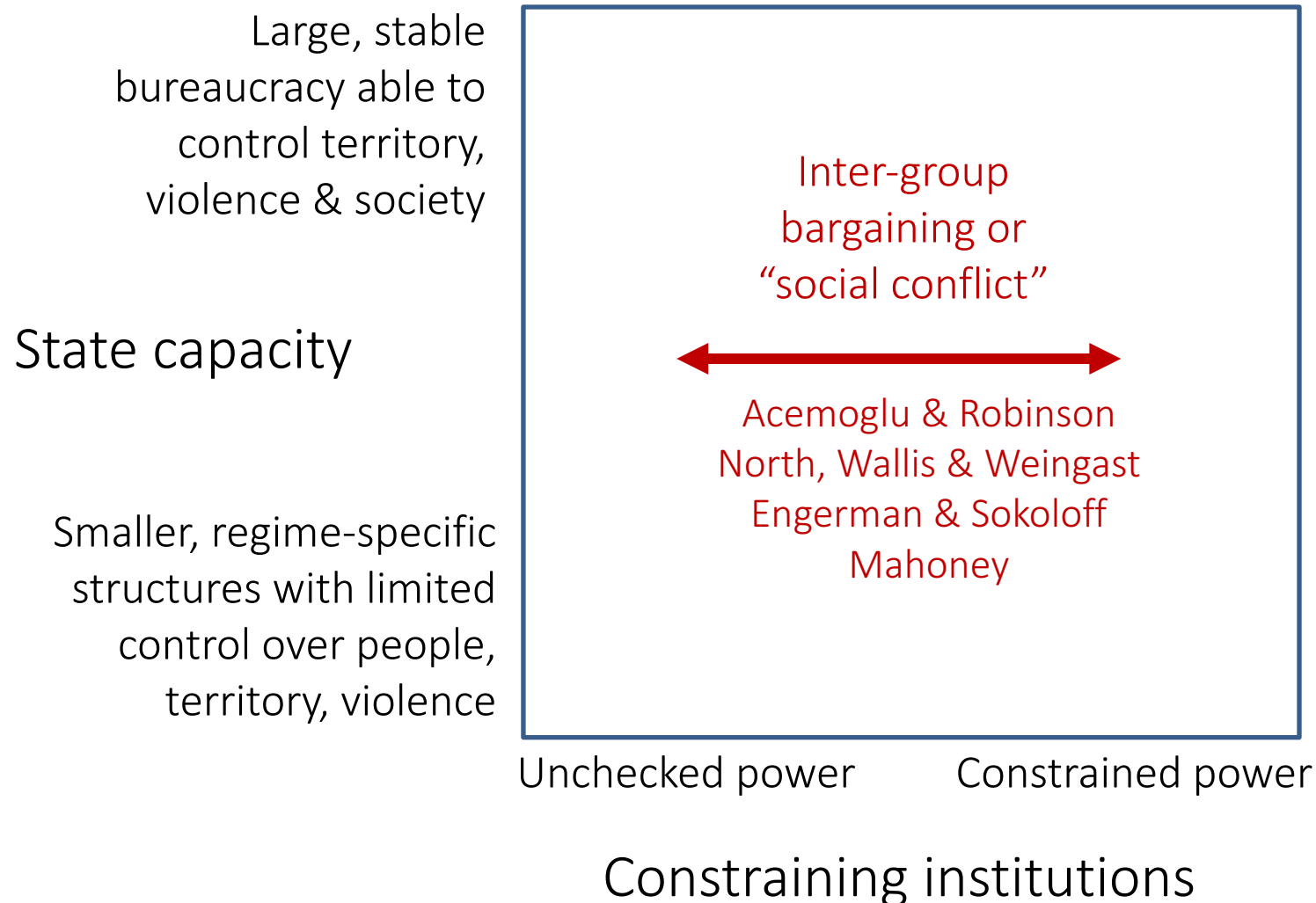
- I. The origins of inclusive and coercive institutions
  - Recap: How initial conditions shaped the rules (through the lens of colonial Americas)
  - But initial conditions are not fate! Subsequent choices and “social conflict” matter
- II. Implicit features of most institutional theories
  - Path dependence
  - Critical junctures
  - Inter-group bargaining or “social conflict”
- III. Implications for a theory of institutional change

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



We began to outline an alternative, broader theory of institutional development, one that relies on intergroup bargaining and conflict at its core



## 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

- 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



# 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



Concentrated  
ownership of  
means of  
production

Economies of scale  
in the production of  
the local export  
commodity



Climate and disease  
environment hostile  
to European settlers



System of  
coerced labor

Existing densely  
settled native  
population



# 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



Concentrated ownership of means of production



Political institutions limit participation to the elite

Economies of scale in the production of the local export commodity



Economic policies and institutions limit competition

Climate and disease environment hostile to European settlers



System of coerced labor



Highly unequal distribution of resources

Existing densely settled native population



# These choices have lasting consequences

## Initial colonial choices

## Long term consequences

More concentrated elite rule in the colonial power



Concentrated ownership of means of production



Political institutions limit participation to the elite

Economies of scale in the production of the local export commodity



Economic policies and institutions limit competition



Lower enfranchisement

Low economic development

Climate and disease environment hostile to European settlers



System of coerced labor



Highly unequal distribution of resources

Weaker property rights



High inequality

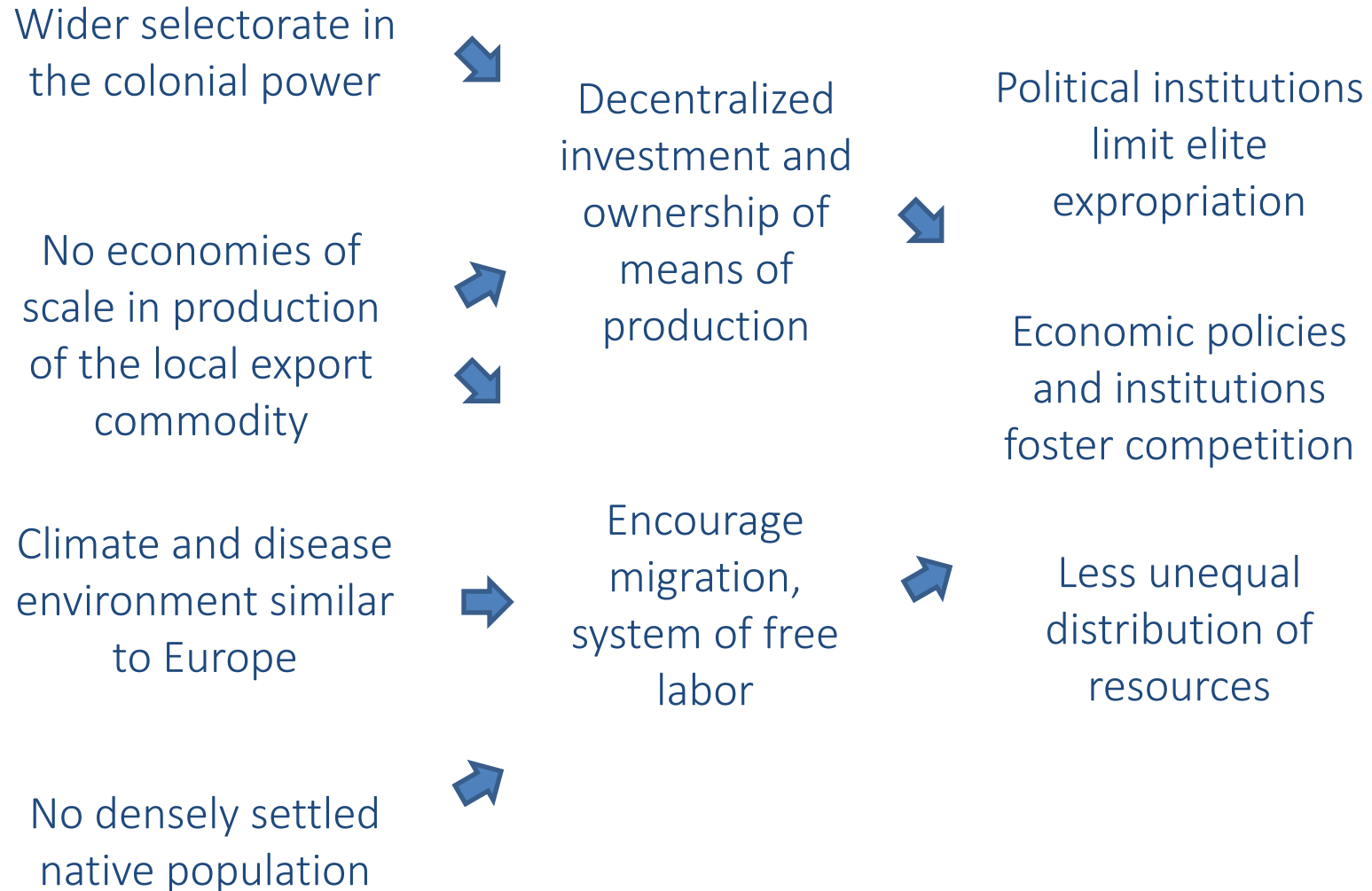
Weaker human rights

Weak or late democracy

Existing densely settled native population



# Contrast to initial conditions that led in a more competitive and free direction



## Initial colonial choices

Wider selectorate in the colonial power



Decentralized investment and ownership of means of production



Political institutions limit elite expropriation

No economies of scale in production of the local export commodity



Economic policies and institutions foster competition



Demands for enfranchisement



Higher economic development

Climate and disease environment similar to Europe



Encourage migration, system of free labor



Less unequal distribution of resources

Stronger human rights

Early democracy

No densely settled native population



## Long term consequences

# Is this satisfying to you as a theory of institutional change (democratization)?

Why or why not?

## Initial colonial choices

## Long term consequences

Wider selectorate in the colonial power



Decentralized investment and ownership of means of production



Political institutions limit elite expropriation



No economies of scale in production of the local export commodity



Economic policies and institutions foster competition



Demands for enfranchisement



Higher economic development

Climate and disease environment similar to Europe



Encourage migration, system of free labor



Less unequal distribution of resources

Stronger human rights

Early democracy



No densely settled native population

## I. The origins of inclusive and coercive institutions

- 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

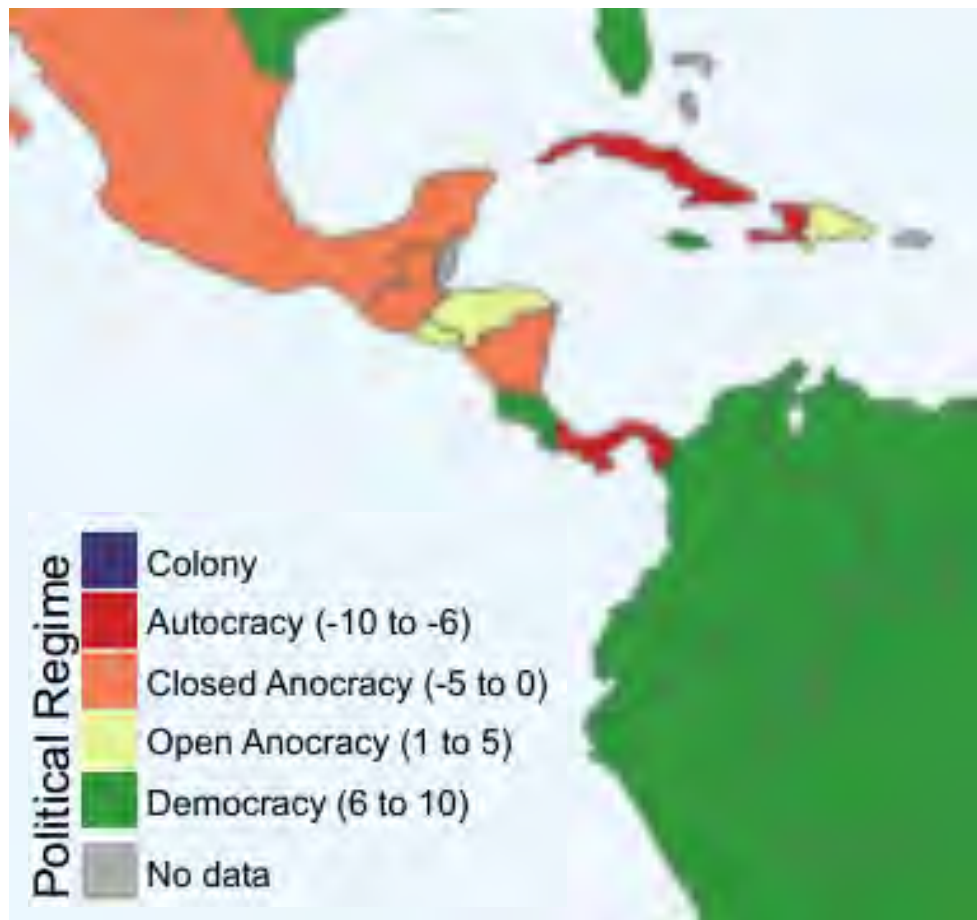
Coffee: A tropical crop, efficiently produced at both smallholder and plantation scales





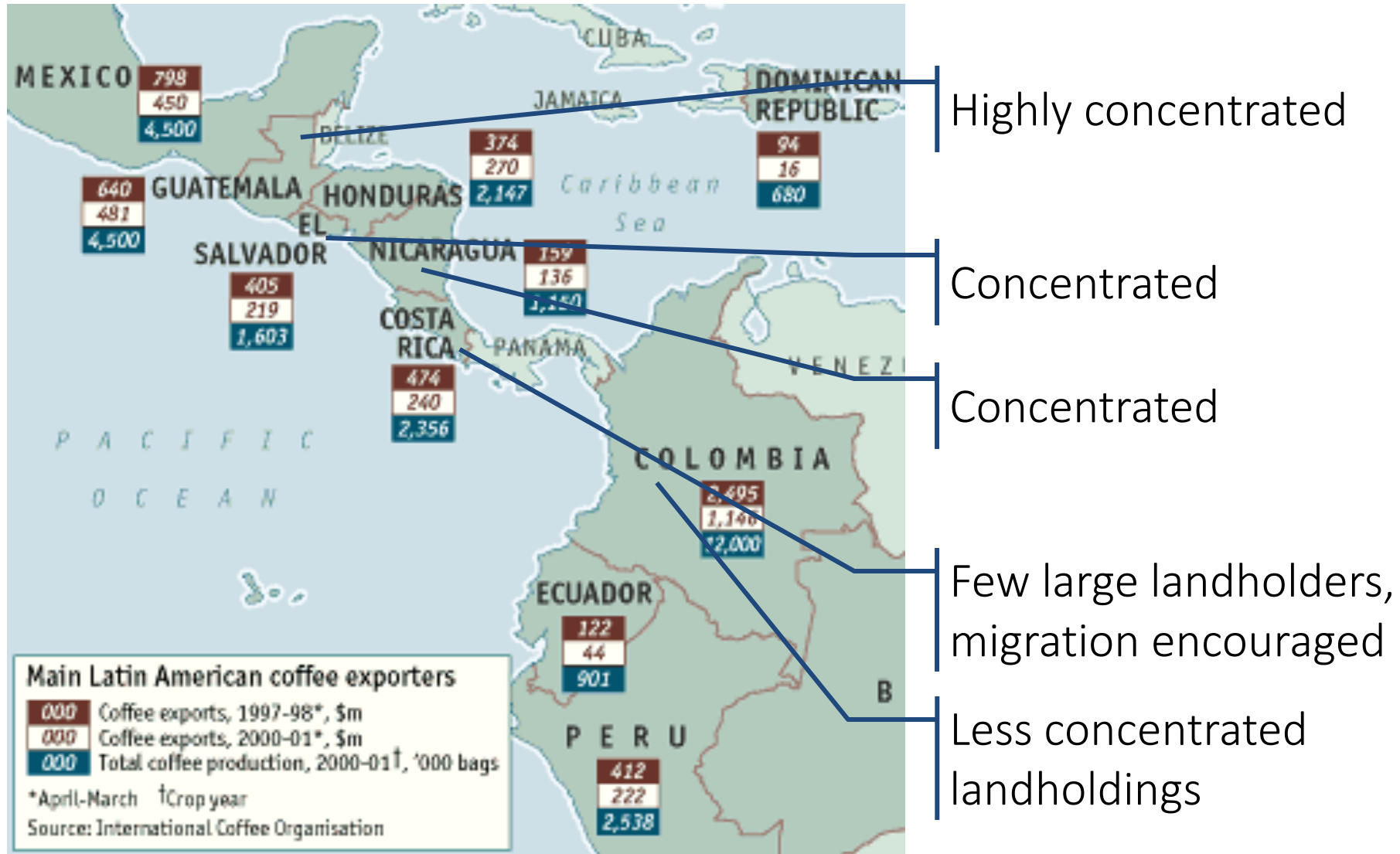
When we hold initial conditions constant, we still observe some very different paths and outcomes (Diaz-Alejandro, Mahoney, Nugent & Robinson, Paige)

## 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)

Former colonies with similar environments and colonial power chose different forms of organization (we'll examine why in a moment)



# These 19<sup>th</sup> century political and economic choices shaped institutional and economic paths



Repressive authoritarian regime, among poorest country in Latin America

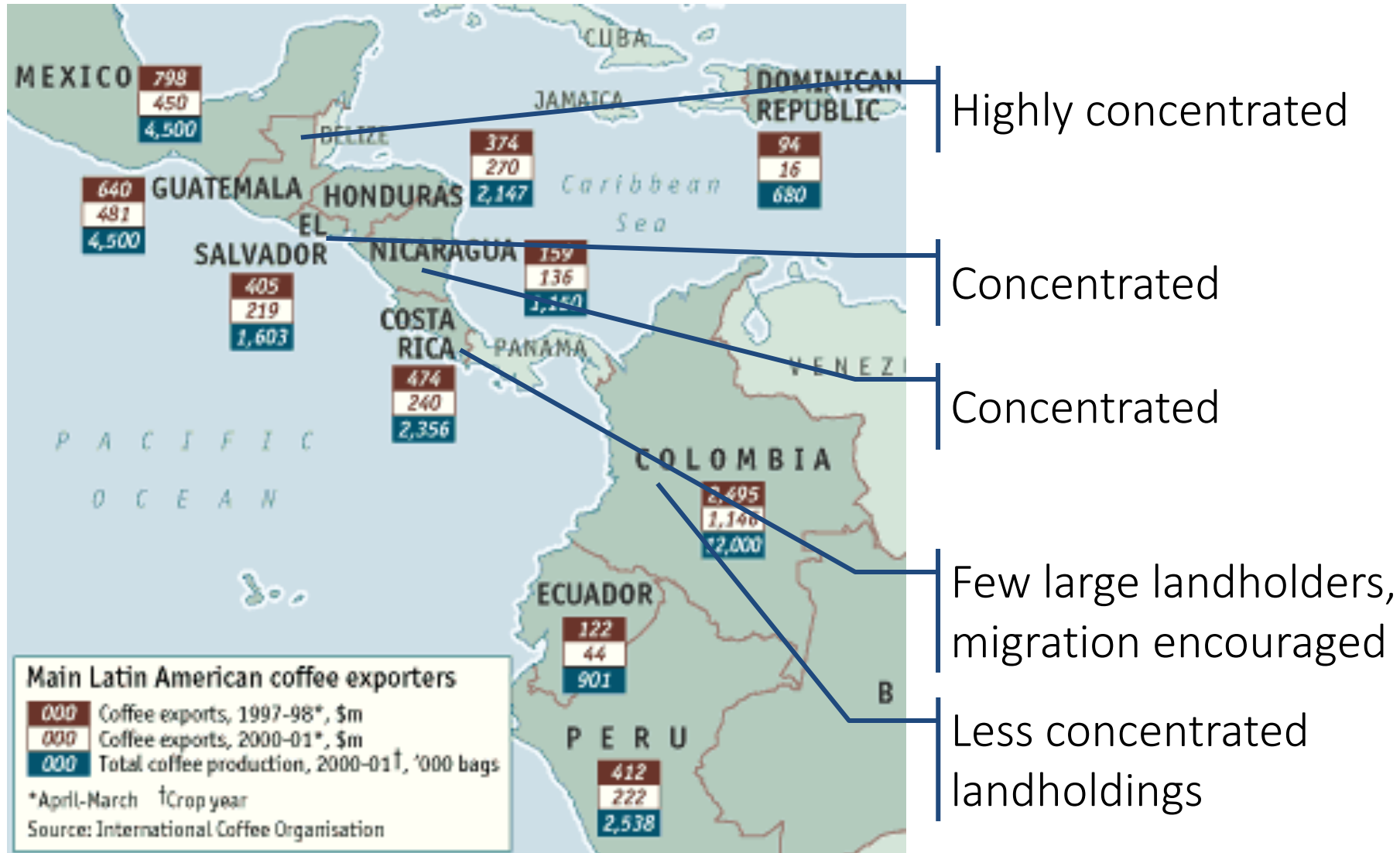
Militarized, semi-autocratic regime

Militarized, semi-autocratic regime

Democratic, relatively equal, higher-income

Democratic, relatively equal, medium-income

Does 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?

## Initial colonial choices

## Long term consequences

More concentrated elite rule in the colonial power



Concentrated ownership of means of production



Political institutions limit participation to the elite

Economies of scale in the production of the local export commodity



Economic policies and institutions limit competition



Lower enfranchisement

Low economic development

Climate and disease environment hostile to European settlers



System of coerced labor



Highly unequal distribution of resources

Weaker property rights



High inequality

Existing densely settled native population



Weaker human rights

Weak or late democracy

- I. The origins of inclusive and coercive institutions
  - 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

What is path dependence?

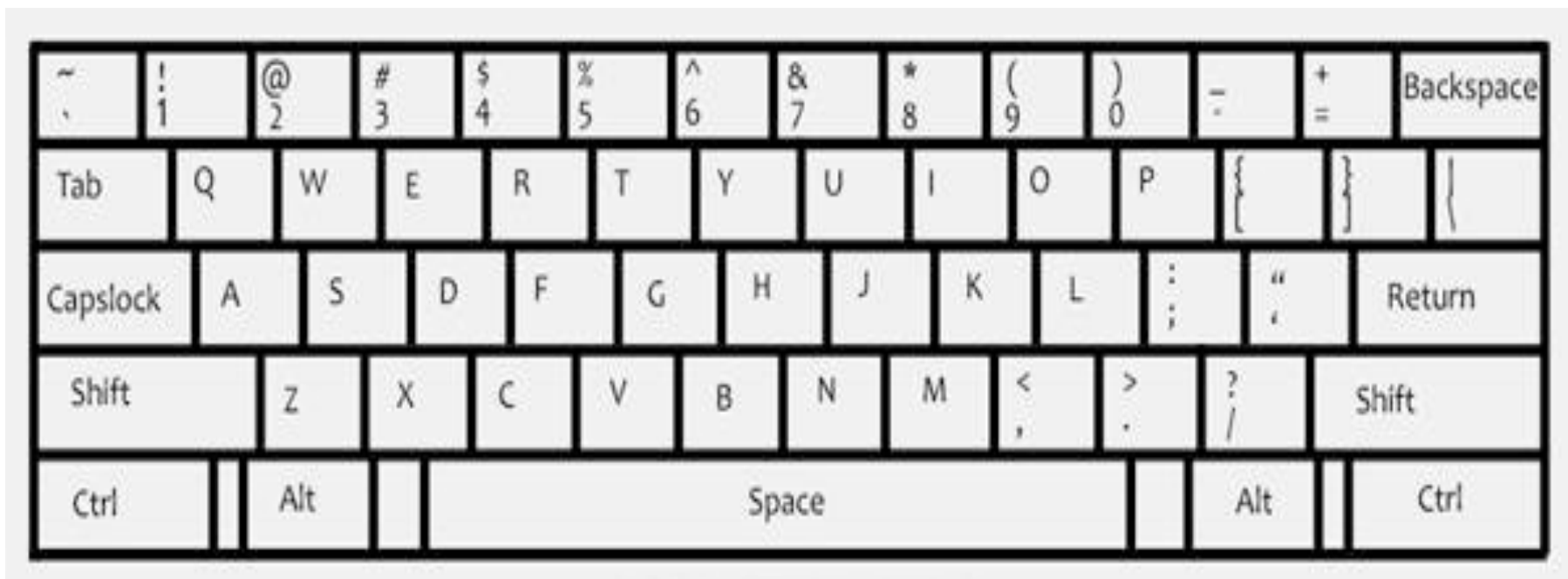


## Another example: Business agglomerations





## 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

## Initial colonial choices

## Long term consequences

More concentrated elite rule in the colonial power



Concentrated ownership of means of production



Political institutions limit participation to the elite

Economies of scale in the production of the local export commodity



Economic policies and institutions limit competition



Lower enfranchisement

Low economic development

Climate and disease environment hostile to European settlers



System of coerced labor



Highly unequal distribution of resources

Weaker property rights



High inequality

Weaker human rights

Weak or late democracy

Existing densely settled native population



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
- 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
- Most theories overstate their explanatory power and understate chance

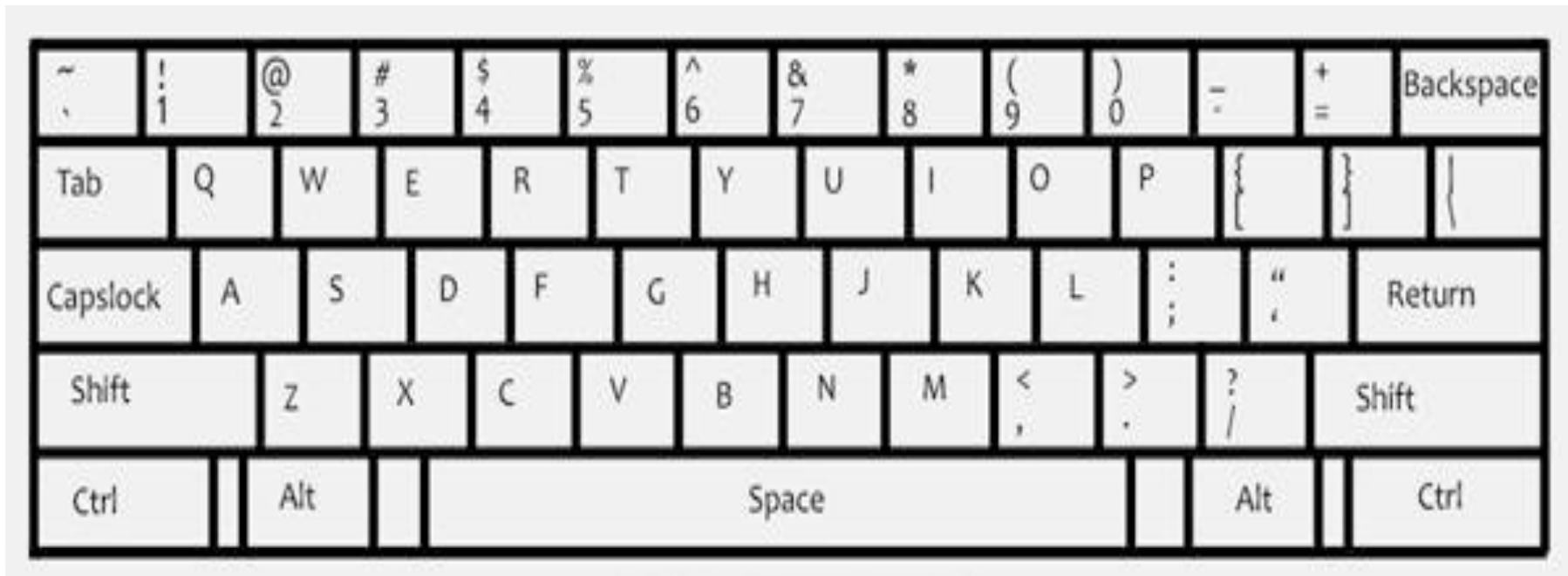


- I. The origins of inclusive and coercive institutions
  - Recap: How initial conditions shaped the rules (through the lens of colonial Americas)
  - But initial conditions are not fate! Subsequent choices and “social conflict” matter
- II. Implicit features of most institutional theories
  - Path dependence
  - Critical junctures
  - Inter-group bargaining or “social conflict”
- III. Implications for a theory of institutional change

# Critical junctures

- 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
- Most theories overstate their explanatory power and understate chance

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



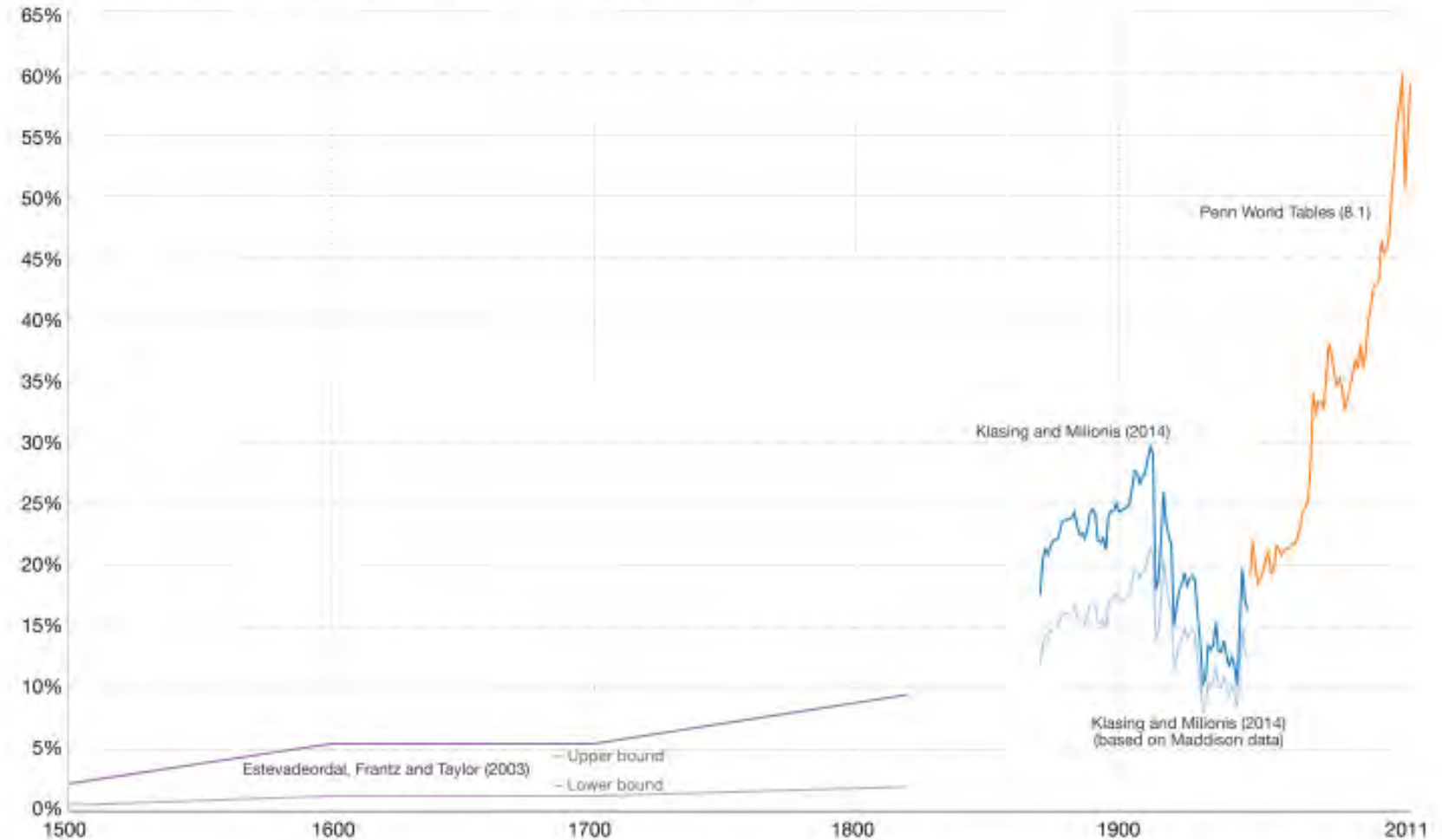
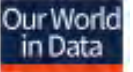
- How does this compare to other decolonization episodes

# A third important juncture:

The massive expansion of global trade and European demand for new commodities

## Globalization over 5 centuries (1500-2011)

Shown is the sum of world exports and imports as a share of world GDP (%)  
The individual series are labeled with the source of the data



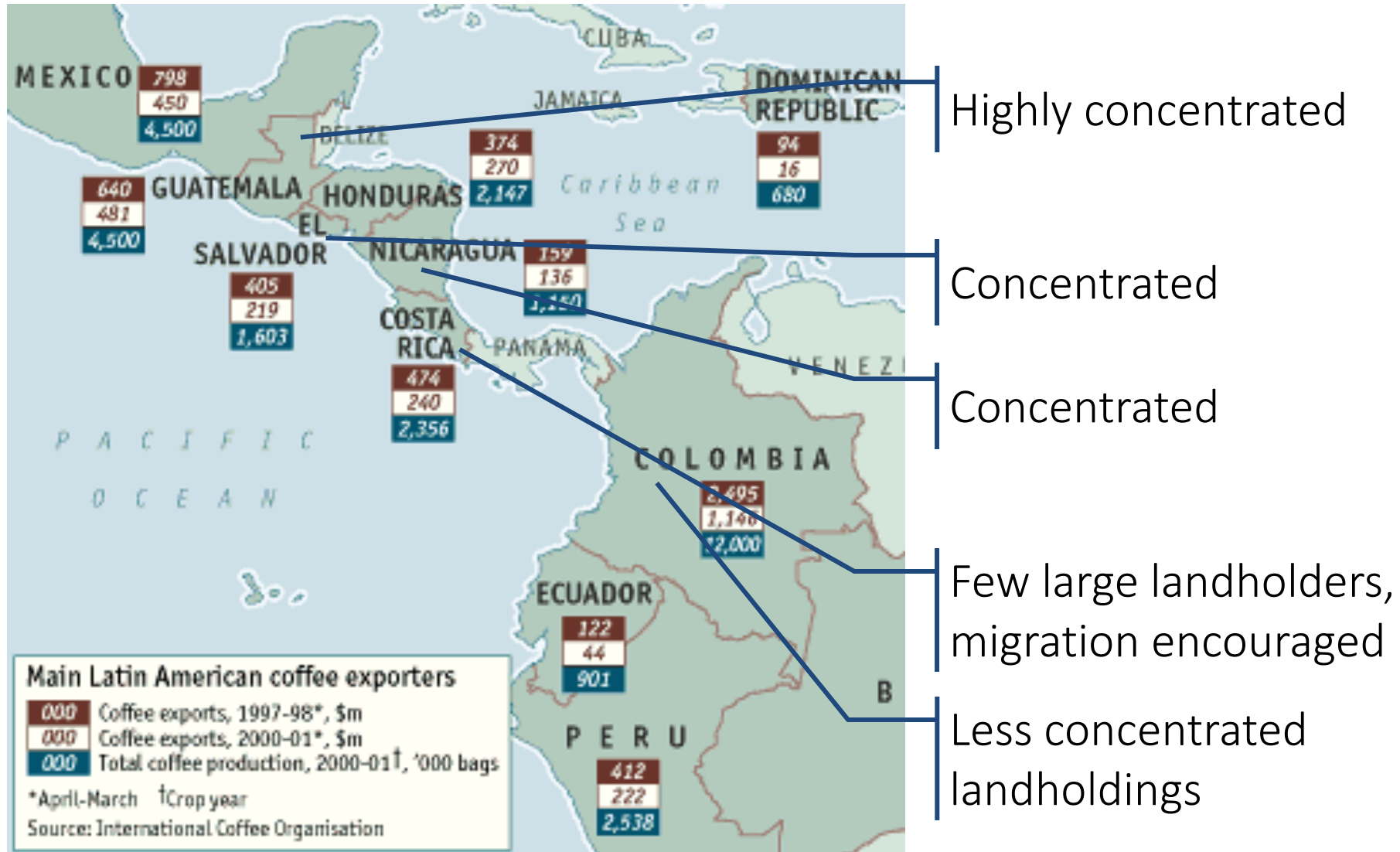
Data sources: Kiasing and Milionis (2014), Estevadeordal, Frantz and Taylor (2003) and the Penn World Tables Version 8.1  
The interactive data visualization is available at [OurWorldinData.org](http://OurWorldinData.org). There you find the raw data and more visualizations on this topic

Licensed under CC-BY-SA by the author Max Roser.

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

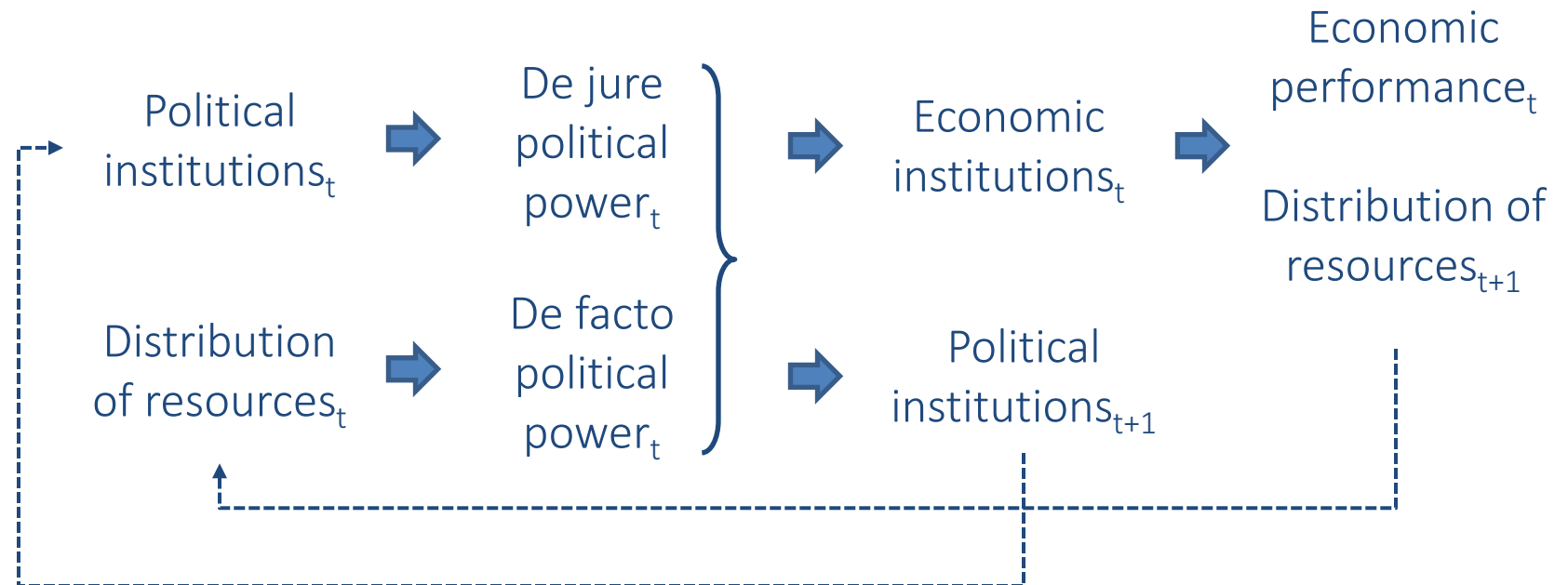
Democratic, relatively equal, medium-income

# At various junctures, elites made policy choices that shaped the choice of land concentration and free labor markets in coffee-producing areas

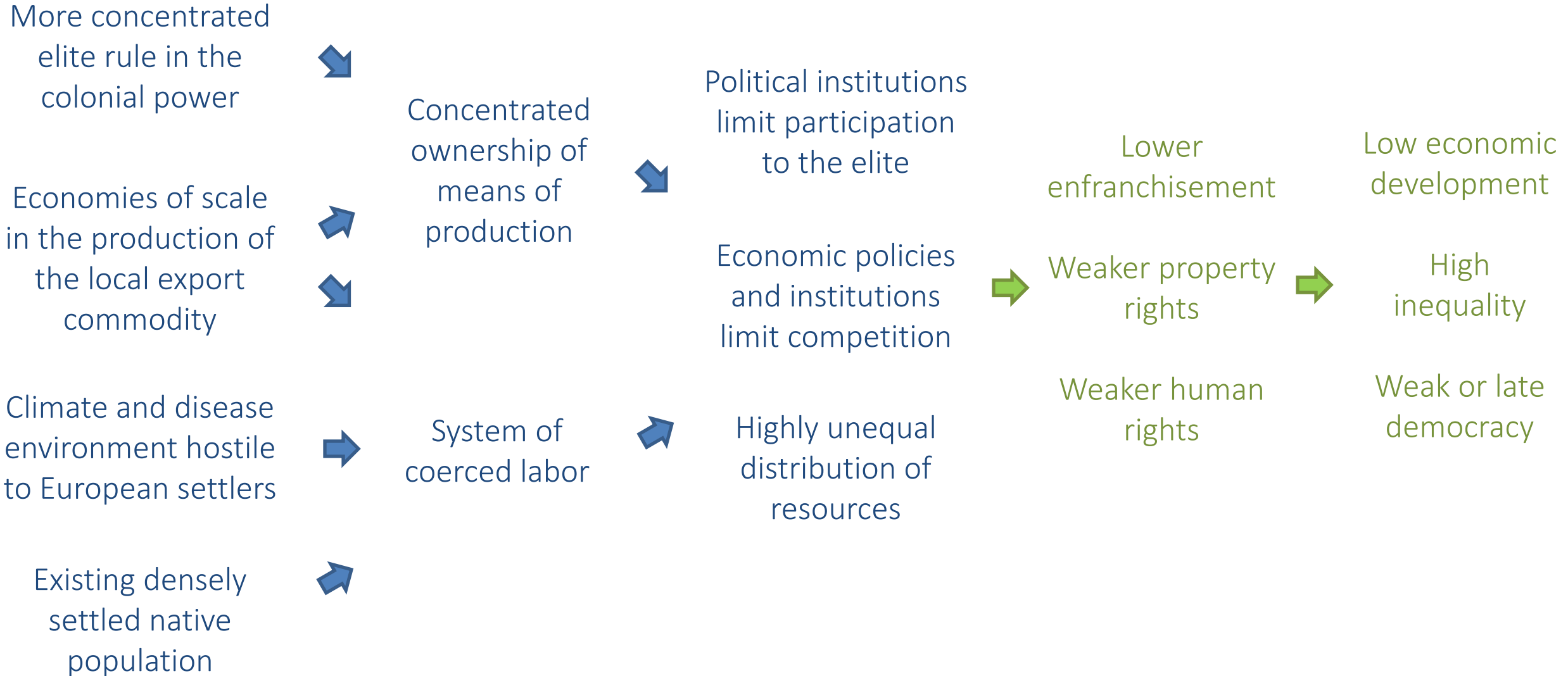
- El Salvador and Guatemala:
  - Role of pre-19<sup>th</sup> century land distributions
    - Pre-coffee elites were already large landlords
  - Guatemala likely influenced by large native populations who could be exploited
  - More militarized society
    - Partly because elites had faced previous threats 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

- I. The origins of inclusive and coercive institutions
  - 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

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?



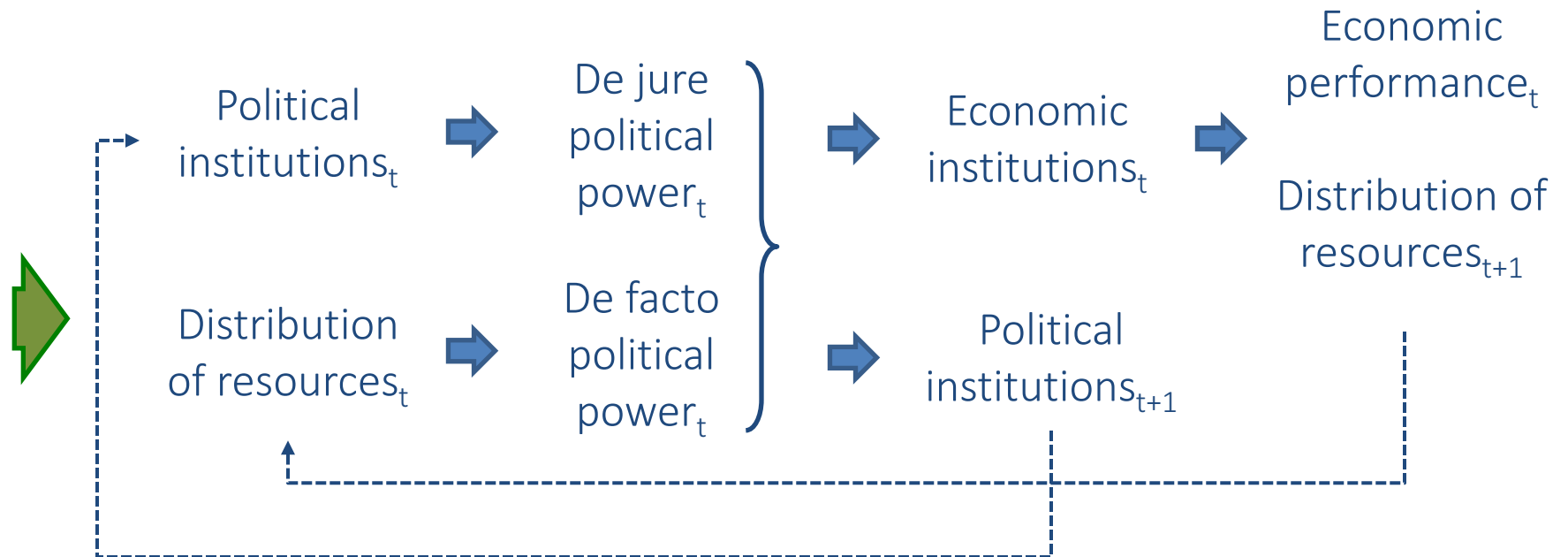
# In the AJR framework, political institutions and the distribution of resources are subject to shocks at critical junctures

## New colonial opportunities

(No) Economies of scale in production of the local export commodity

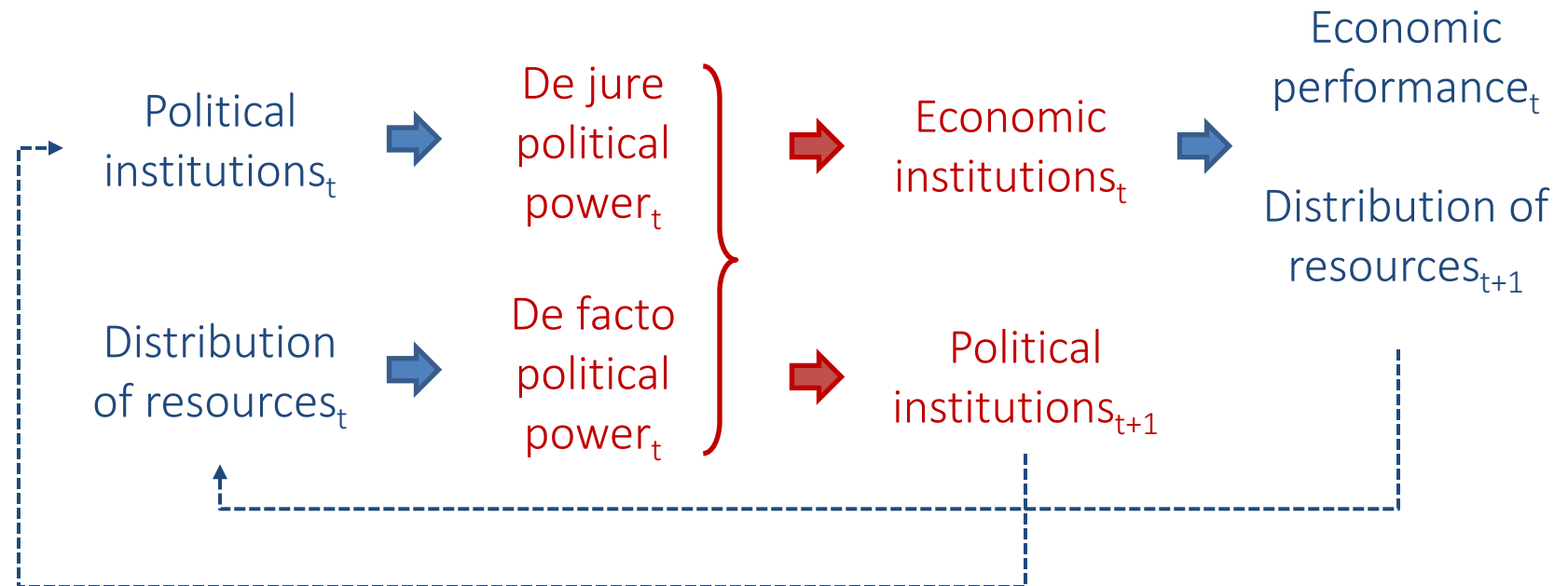
Climate and disease environment (friendly) hostile to European settlers

(No) Existing densely settled native population



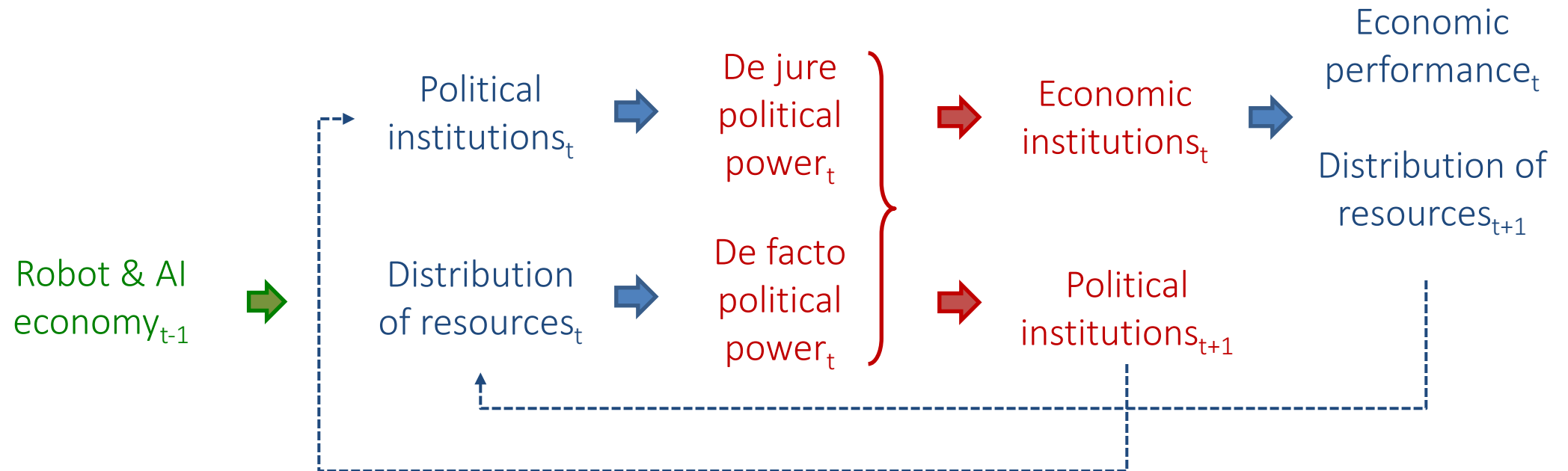
# AJR view shocks as changing the balance of power between groups in society

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?

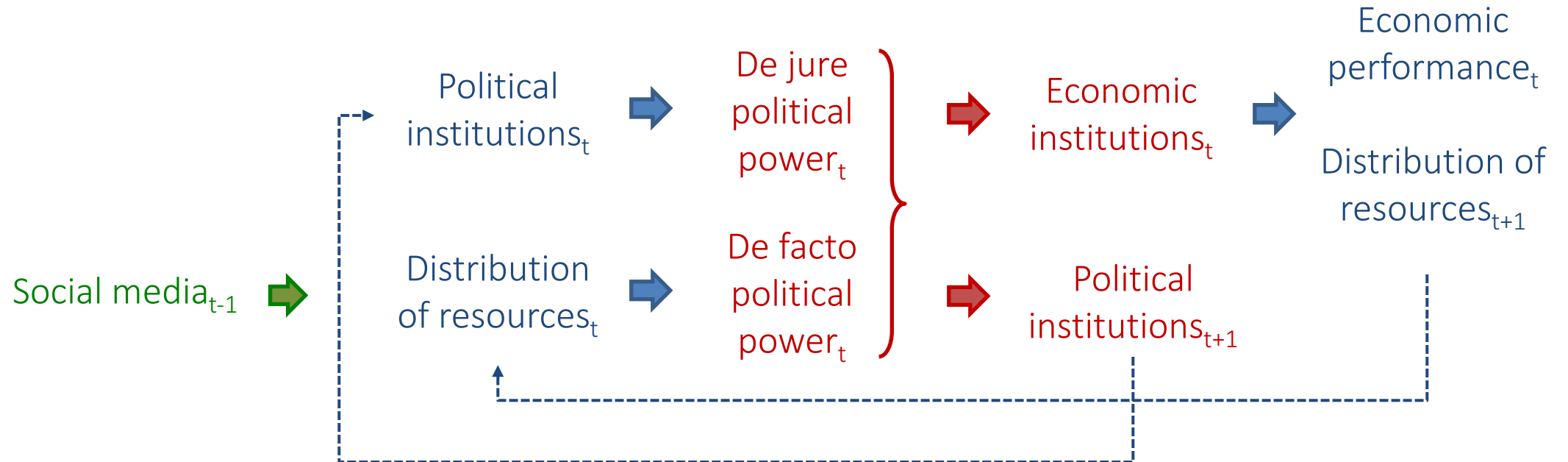




Imagine a technological shock that facilitates mass social mobilization?

What would you predict happens to an autocracy?

How will the autocracy respond?



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

- 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

- I. The origins of inclusive and coercive institutions
  - 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

## 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 out conflict model say?

## Next class, we will begin to formalize this process with a simple model: EVL

- 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

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