

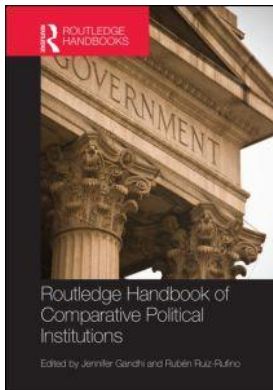
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5

FORMAL AND INFORMAL INSTITUTIONS

Hans-Joachim Lauth

Introduction

“Generally, the idea that there is a dividing line between institutions that are entirely ‘formal’ on the one hand and entirely ‘informal’ institutions on the other is false” (Hodgson 2006: 18). Hodgson’s surprising statement is a call for scholars to engage a set of issues. First, there is a need for definitions of formal and informal institutions that allow them to be clearly distinguished from one another (Hayoz 2013). Second, it is important to debate the relationship between formal and informal institutions. In doing so, we should distinguish between different types of informal institutions and their varying complexities.¹ Third, it is important to understand the implications of formal and informal institutions for regime type (autocracy vs. democracy) and vice versa. In this context, the question about the generation, creation, and survival of informal institutions is also addressed. Finally, the chapter discusses methodological approaches towards formal and informal institutions. For this purpose, the chapter reflects on the use of typologies that cover formal institutions and which are widely used in the study of governance systems. The starting point of the following considerations is the finding by Helmke and Levitsky that “informal structures shape the performance of formal institutions in important and often unexpected ways” (2004: 726).

Institutions

Since Aristotle, comparative analyses of institutions have focused on the structures outlined in the constitutions of the countries being studied. Scholars have not explicitly distinguished between organizations (such as parliament or government) and systems of law (such as the electoral system or the constitution itself). The classic studies of institutional research focus on the interests that gave rise to legal structures and rules. Even while scholars were attempting to demonstrate how constitutions worked in reality, institutionalist approaches fell short of incorporating informal rules and institutions in a coherent theoretical manner. This only began to change in the 1980s and was part of the wider debate about the discussion of neo-institutionalism (Peters 2005: 3–21). Critiques of the classical institutional approach offered numerous possibilities for developing institutional research further. Scholars began to regard institutions as dependent and not just as independent variables. Scholars also began to engage in comparative analyses

to a much greater extent. Finally, scholars also started to examine those institutions that did not have a legal and formal background and incorporated these institutions into their analysis.

Definition

The starting point of the definition of institutions is similar in all neo-institutionalist approaches. Like Douglass North (1990: 3), I regard an “institution as a norm or set of norms that have a significant impact on the behavior of individuals” (concerned by or included in the institution). Institutions thus constrain the actions of individuals. Although North did not emphasize the role of sanctions, in the neo-institutional debate one can find different interpretations of constraints that are linked with them.

General agreement exists that institutions restrict individual behavior to some extent (Peters 1999: 18). The extent and the mechanisms through which this occurs vary. Some authors (March and Olson 1984) highlight the internalization of norms during processes of primary or secondary socialization (family, kinship—school, military, companies). In this case, not following the rules causes a guilty conscience, and deviations are sanctioned by an internal mechanism. External sanctioning mechanisms also exist (social discrimination or exclusion, loss of status, arrest, etc.). Rational choice perspectives include the latter, as rational choice approaches have included the possibility of suffering from disadvantages when rules are not followed. In this case, actors violating the institutions will not benefit from incentives linked to the institution.

Common to all types of enforcement mechanisms is that defecting from the rules set by informal institutions implies losses for rule-breaking individuals. To avoid a catch-all category, which includes all sorts of inconveniences (caused by a particular sanction mechanism), it seems convincing to consider rules as institutions only when they maintain (their own) external sanction mechanisms. This obviously applies to formal institutions.²

Even if sanctions are a defining feature of institutions, they are not the only reason why actors follow institutions. Actors follow institutions because they regard them as given or “natural.” Actors also follow institutions because they display a legal character or because they regard them as legitimate. In accordance with North, these reflections on sanctions and the reasons why actors follow rules relate to the main purpose of institutions: “Within an institutional perspective, a core assumption is that institutions create elements of order and predictability” (March and Olson 2006: 4). Summarizing all of the above, institutions are defined as follows: Institutions constitute a set of rules. The set of rules implies rights and responsibilities. The set of rules also creates and shapes a social order in such a way that the behavior of all actors involved in that social order is predictable. Institutions affect performance by voluntarily following the rules or being motivated by the threat of sanctions.

Formal vs. informal institutions

To differentiate between formal and informal institutions, the following serves as a useful point of departure: *Informal institutions* are institutions that are *not formally codified* in official documents (in constitutions or laws). *Formal institutions* are officially codified in written documents. Thus, regulations are included which have the status of constitutional clauses and laws, but also standing orders and norms that have legal consequences. According to this line of thought, all private contracts or rules of associations which are protected by the state are formal institutions.

Formal institutions are guaranteed by state agencies and deviations from these institutions are sanctioned by the state. Informal institutions also have sanctions in place. These sanctions include either mechanisms of social exclusion or mechanisms that restrict access to much-needed goods

and services. Informal institutions are known and recognized publicly; however, they are often codified. Their authority stems from various sources. First, informal institutions are socially accepted, which provides them with a basic degree of legitimacy. The fact that these informal institutions are socially acceptable also serves as a major source of motivation for actors when they follow the patterns of social conduct prescribed by these informal institutions. Actors pursue different purposes when they enter these patterns of conduct; purposes can be defined either narrowly or broadly. These purposes can be linked to outputs as well as to certain patterns of behavior. Institutions facilitate interaction between individuals and groups. They foster stability by creating known and accepted behavioral structures that cannot be changed by individual people. Even if actors disagree with these structures, they obey them because, in accordance with rational calculation, the costs involved in rejecting them can only be offset when behavioral alternatives are available.

In contrast to formal institutions, which receive legitimacy from the state and—at least in democratic regimes—from the sovereignty of the people, most informal institutions emerge through social actions without guidance (“invisible hand”); another intentional way of emergence is discussed later. While the nature of formal institutions can be shaped and changed by actors with rule-making authority (Mayntz and Scharpf 1995), this is unusual in the case of informal institutions, as these depend on deeply rooted social practices. They (mostly) do not possess a central body that directs and coordinates their actions. If informal institutions are no longer recognized as such, they cease to exist. By contrast, ineffectual formal institutions continue to be in demand and, formally at least, continue to remain in place. These considerations correspond with the proposed definition by Helmke and Levitsky (2004: 727): “We define informal institutions as *socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels.*” The most significant characteristics of formal and informal institutions are presented in Table 5.1.

Although institutions constitute social phenomena at the macro level, they cannot be properly understood without an understanding of what happens at the micro level. Informal norms exist only if they are rooted in the beliefs and/or attitudes of individuals. Their acceptance is not necessarily based on a positive normative assessment. The existence of an informal institution merely indicates that the institution is expected to function. Whether or not the institution and its output are regarded as good is irrelevant. We find informal institutions in the beliefs and attitudes of individuals. If not found there, they do not exist. The individual foundations of informal institutions help explain their slow transformation. While formal institutions can be changed solely by state authorities, the process of change within such socially-based institutions is extremely lengthy, as informal institutions are internalized by the participating actors and reproduce themselves by shaping future behavioral expectations. Despite their unofficial nature,

Table 5.1 Formal and informal institutions

Categories	Formal institutions	Informal institutions
Formally codified	Yes	No
State sanctions	Yes	No (social sanctions)
Legitimation	Sovereignty of the people (democracy) or state authority	Self-creation (social acceptance)
Modus of change	Action of political decision makers	Change of incentives / public discussions / by force
Timing of change	Short-term	Long-term (mostly)
Coordinating center	Yes	No (or seldom)

informal institutions can be understood and described precisely at the analytical level, as they display specific functioning logic and rules of identity that distinguish them from others.³ As stated by Zintl (1993: 89): “We are dealing with systems which have a clear difference between the internal and external perception of actors as well as in terms of the type and density of interactions, not simply with statistical aggregates.”

Differences between informal institutions and related concepts

This short discussion has emphasized the differences between formal and informal institutions. Regarding their ideal types (on the methodological level), the difference is not only in degree, as noted by North (1990: 46). The reflections also demonstrate that informal institutions are more than a residual category, including all non-formally codified patterns of behavior. To highlight this further, informal institutions are distinguished from other concepts in the following discussion.

Informal institutions are more than *regularities* (in the sense of habits or routines, like the specific sequence of the United States primaries), or structures (like patterns of social stratification), or fashions and trends (if most people wear the same style of clothes during a particular season, we do not consider that to be an informal institution). Regularities and structures are important aspects of informal institutions, but these do not constitute sufficient characteristics.

In many neo-institutional approaches, *cultural patterns* and routines are treated as informal institutions. There seems to be no difference between informal institutions and culture. Equating informal institutions with culture, however, would mean ignoring important particularities. Informal institutions and culture are never identical. Although it is very difficult to find a generally accepted definition of culture, all existing definitions share two features. First, culture indicates a broad concept including rules, values, traditions, and customs. Together, these indicate patterns of a collective identity, which in turn provide a specific interpretation (or construction) of the world and motivate the adoption of common lifestyles (or frame the horizon of possible actions) to a certain degree. Culture as a whole, however, does not determine individual actions in the same (concrete) way that informal institutions do. Second (and closely linked to this first point), while informal institutions can be enforced through sanctions, cultural patterns lack sanctioning mechanisms. Even when actors do not act in accordance with their respective cultural patterns, they are not sanctioned for their deviations by the cultural norms in place. A third aspect must be included: the distinction between values and expectations. In the words of Helmke and Levitsky (2002: 38): “Informal institutions reflect shared expectations, but not necessarily shared values.” In this sense, informal institutions denote the cognitive side of culture.

Culture and informal institutions are overlapping concepts. Informal institutions can be understood as an integral part of cultural patterns. Some social phenomena, such as customs, include both. Not all types of customs should be understood as institutions, however. In some cases, customs relate to the routine behavior of individuals or small groups. They have no specific meaning for others. Customs can also include the routines of very large groups. This does not mean that these customs constitute informal institutions (for example “many people are used to participating in elections” or “many people are used to going on vacation”). Such customs can be changed on the individual level easily because the transaction costs of doing so are rather low. On the other hand, customary law definitely indicates a type of informal institution.

Informal institutions are also not the same as *informal politics*, although some authors use the concepts interchangeably (Eisenstadt 2003). Informal politics include different sets of actions, which must not necessarily be linked to institutions. Informal actions can be based on rules, but they can also have a spontaneous or erratic character. Examples of informal politics are coalition

discussions, corporatist meetings, or private talks behind closed doors. Similar to cultural patterns, informal politics have no noteworthy sanctioning mechanisms in place.

Informal institutions are only one part of the world of informality. As the considerations about other expressions of informality have shown, the differences between informal institutions and these other expressions are significant, but not substantial. In this regard, it is possible that regular practices, informal practices, and politics can be transformed into powerful informal institutions.

Relationship between formal and informal institutions

The relationship between formal and informal institutions varies significantly. Informal institutions and formal institutions may: (1) compete with each other; (2) reinforce each other; or (3) maintain a neutral relationship. Only the first two cases are scholarly relevant. Relationship type (2) indicates a case common in many established democracies, where formal and informal rules reinforce each other. Informal institutions provide guidance in situations where the existing framework of formal institutions does not apply. Informal institutions can also mitigate the rigidity of formal institutions. In cases where formal and informal institutions compete with each other (relationship type (1)), formal institutions are weakened. Informal institutions change, weaken, or undermine the rules laid out by formal institutions. Whenever this occurs to a considerable degree, formal institutions no longer have the capacity to influence the behavior of actors significantly. Thus, formal institutions can no longer guarantee the desired behavior of actors.

Competition between formal and informal institutions can even lead to displacement or the elimination of formal institutions. It can also cause a precarious coexistence between the two. In such situations, informal institutions depend upon the existence of formal institutions. Informal institutions exist at the expense of formal institutions and exploit formal institutions for their own purposes. Informal institutions either partially occupy formal institutions or penetrate them completely. Thus informal institutions are parasitic institutions. Corruption is an example of such an informal institution. Informal institutions should be understood as “penetrating” environments (Powell and DiMaggio 1991: 13). They evade any quantitatively oriented empirical analysis to a considerable degree, as they do not change the letter of the law of formal institutions. In this way, informal institutions are also often invisible.

Helmke and Levitsky offer an alternative distinction between formal and informal institutions (2004: 728). They differentiate between four types of informal institutions: (1) complementary; (2) substitutive; (3) accommodating; and (4) competing. It is not entirely convincing to distinguish types of informal institutions on the basis of their relationship with formal ones, as this makes any classification dependent on a particular context (a point to which I subsequently return). Two of the four types conceptualized by Helmke and Levitsky correspond to the relationships outlined above. When formal and informal institutions are mutually reinforcing, they are complementary. When informal and formal institutions compete with one another, they are in a competing relationship. Helmke and Levitsky’s substitutive type corresponds to a situation where formal and informal institutions complement each other. In that case, it is not clear whether formal institutions are merely ineffective or whether they are missing.

Helmke and Levitsky’s accommodating type is intriguing. Here, informal rules do not impair formal rules directly, but alter the outcome of the formal rule in place. As stated by Helmke and Levitsky (2004: 729): “they contradict the spirit, but not the letter, of the formal rules.” However, the examples chosen by the authors to illustrate the accommodating type indicate that this type can be classified as the complementary type when we differentiate between two levels of

abstraction (governance vs. regime type). In the concrete example, coalition presidentialism, which is based on informal coalition agreements, contradicts the spirit of presidentialism (as a form of governance), but, as a democratic institution, not the democratic spirit. So, the accommodating type is equal to the complementary type when the intention of the informal institution aligns with the normative intention of the formal institution. Coalition presidentialism can also be linked with other forms of informal institutions, like “perverse elite agreements” (Thierey 2011: 17) and “clientelism.” These may not always constitute illegal acts, yet they clearly are not in accordance with the democratic spirit.⁴ In cases where the intention of these institutions does not align with democratic ideals, such informal institutions must be classified as competing and not as accommodating ones. A deeper examination of Helmke and Levitsky thus reveals that the normative character of informal institutions should not be ignored. A typology of informal institutions should also be based on the internal features of institutions and not on the relationship between formal and informal institutions.

Types of informal institutions

The previous considerations have mentioned various expressions and forms of informal institutions, which are only one part of the world of political informal institutions. Categories are necessary to structure the complexity we are faced with in the formal world. The social science literature provides different examples that classify informal institutions. Some are characterized by a high *level of abstraction*, such as trust or distrust (Putnam 1993). The existence of such basic norms (dispositions of conduct) has a significant effect on actor behavior in various areas.⁵ Others are linked to special circumstances (*low level of abstraction*), or express a very specific meaning in certain situations. An example would be the specific manner in which ordinary citizens had to greet each other during the Third Reich in Germany.⁶ Vendetta (a blood feud) is another example of this type of informal institution, which determines a specific reaction of a family or clan to a capital crime. All of these behavioral traits are embedded in a particular context. These informal institutions have no relevance beyond a specific context. A third type of informal institution (located at the meso level of abstraction) constitutes informal rights systems, systems of corruption or clientelism. These institutions are more specific than the first type, but cover a broader spectrum of action than the second type.

So, informal institutions such as clientelism and corruption incorporate different subtypes of informal institutions, as illustrated in the following. Each of these specific subtypes has a specific meaning. This is illustrated in the case of clientelism, where we can distinguish between (1) kinship, (2) mafia, (3) autocratic cliques and clientelistic parties, and (4) nepotism. In the case of corruption, we can distinguish between two subtypes. The subtypes are based on the different characteristics corruption can assume. In one instance, societal actors try to influence political decisions by offering a material contribution (*bribe*). In another instance, state officials ask citizens to provide financial resources, and, in return, the state official fulfills an administrative task he would otherwise be required to fulfill anyway (*extortion*). In addition to subtypes, it is possible that aggregated institutions—such as clientelism and corruption—form common patterns at a higher level of abstraction. Such informal institutional combinations can extend up to the level of a hidden constitution; they can structure a system of rent-seeking or cronyism, or a neopatrimonial system.⁷ The degree of abstraction of an institution is determined by the variety of actions the institution enables. The higher the level of abstraction, the greater is the range of actions covered. The scope of different actions shrinks with the declining degree of abstraction. The use of the category of abstraction mirrors the idea of Sartori, who classifies formal institutions along the ladder of abstraction.

Besides their level of abstraction, and similar to the differentiation between democracy and dictatorship, informal institutions can be differentiated along a second normative-based category: by their connection to *civic traditions*. The latter find their expression in the defense of universal rights that are assigned to all human beings. By contrast, non-civic traditions maintain the idea of difference and, with it, particularistic patterns, as O'Donnell (1996) highlights. In general, an ongoing dispute exists between universalism, on the one hand, and particularism, on the other. Trust, solidarity, tolerance, and fairness are basic codes ingrained in long-held civic traditions. The particularistic view is marked by distrust, egoism,⁸ intolerance, or unfairness (at least vis-à-vis unfamiliar and foreign groups). The former is called “civic pool” (CP), the latter “anti-civic pool” (ACP). More specifically defined institutions at lower levels of abstractions can be linked with either one of them.

Beyond the already mentioned informal institutions, one can include additional examples of both the *civic pool* and the *anti-civic pool*. Inside the CP, we find elements such as unwritten constitutional conventions that can be observed in Great Britain. Although this example is widely used in the literature and is viewed as an exceptional example, informal rules (as expressions of an informal constitution) can be observed in other political systems as well. The consociational systems of Austria and Switzerland or coalition presidentialism in Brazil and in Chile come to mind.

At the same time, it is possible to observe a larger number of specific informal rules that affect the legislation and administration of a country. These specific and informal rules coexist productively with formal institutions. They adjust the content of the formal rules that are designed to structure the administrative procedure. The actual legislative power of the American president and a coalition agreement of governmental parties (as in Germany, for example) are two examples among many. Another informal institution in the civic tradition is civil disobedience. This institution is a special case: Although its legitimacy is strongly based on civic values and norms, it is by definition illegal.

A further example is customary law, which is compatible with the rule of law. Certain customs, however, can be incompatible with the principle of the rule of law. Customary law includes all non-codified rules and modes of behavior that the state or private tribunals can sanction. This includes traditional, secular, and religious systems of law, such as Islamic law (Sharia). This encompasses a very broad field with hundreds of various (sub)types. Several of the informal institutions associated with these systems of law are compatible with the rule of law; several are in conflict with the rule of law or contradict their central principles. Folk traditions continue to belong to customary law, the adherence to which can even be enforced in non-state or even partially state-controlled tribunals, as can be observed in various West African countries.⁹

An important new area has developed in the field of business relations, especially at the international level, where conflict arbitration is conducted by private entities. These arbitration mechanisms have created business law, well known in the self-regulation of the banking system (Basel Accords). Informal systems of law can also be observed in neighborhood networks, where these systems regulate specific aspects of social security (self-help networks, saver and migrant clubs, or burial societies). Such networks exist in many developing countries. Self-help networks constitute informal institutions that, in terms of their understanding of the law, correspond to arrangements made under the rule of law (or that imitate this understanding).

Violence as a means of influencing the political process is another tool the ACP offers political actors. For violence to qualify as an informal institution, it need not be applied on a permanent basis. It is sufficient if actors threaten to use violence whenever political decisions are about to be made. As is the case with other institutions, different variants of violence can be identified. They differ in terms of their aims, their *modus operandi*, and their effect. The following situations

Table 5.2 Map of informal institutions

Level of abstraction	Civic pool universalism	Anti-civic pool particularism
High	Trust / solidarity	Distrust / egoism
Middle	Tolerance / fairness	Intolerance / unfairness
	Conventions	Hidden constitution (delegative code)
	Informal parts of constitutions	Customary law in tension with the rule of law
Low	Customary law compatible with the rule of law	Corruption, clientelism, power threat / threat perception (organized crime)
	Civil disobedience	
	Administration rules, representation quotas	Vendetta

can be defined as “identifiable forms of violence-based participation”: the threat of a *coup d’état*—which Valenzuela (1992) refers to in his brilliant discussion of “perverse institutions”—riots and organized crime.

The contrast between CP and ACP institutions in Table 5.2 is somewhat exaggerated. As customary law indicates, certain institutions can be found in both categories. Or, at the very least, some subtypes straddle the zone between both (for example clientelism in the middle or the headscarf at the lower level). It is also debatable whether the basic codes (i.e. institutions with a high level of abstraction) should be understood as institutions. They have external enforcements in place, but these sanctions do not always apply. For this reason, the term “basic codes” seems more appropriate than “institutions” (although neo-institutional approaches refer to them as institutions). To distinguish the world of informal institutions alongside the two dimensions outlined in Table 5.2 is one way in which to classify informal institutions.

Regimes types and informal institutions, developments, and performance

Regime types—like democracies and autocracies—constitute special institutional arrangements, which regulate the access, distribution, and organization of political power. The respective regulations constitute formal institutions, which clearly have a strong impact on citizens (Fishman 1990: 428). In all regime types, formal and informal institutions can have different relationships with each other, as indicated previously.

Scholars examining the relationship between formal and informal institutions should note that these relationships differ regarding the regime type. In democracies, informal institutions such as clientelism and corruption constitute a conflictive relationship. In autocracies they can be classified as complementary, as the study of neo-patrimonial and sultanistic regimes demonstrates. In totalitarian regimes, however, clientelism and corruption oppose formal institutions, as they challenge the control of the ruling class over the political system. The same reasoning applies once we create subtypes of clientelism and corruption, and we relate them to different subtypes of democracy and autocracy. As a result, the relationship between formal and informal institutions is not always the same, but depends on the regime type in place. The same institution can lead to very different outcomes in different government systems.

This finding is particularly relevant for the study of transition processes. Whenever political transitions occur, formal institutions change. As a result, the relationship between formal and informal institutions changes accordingly. Informal institutions, such as clientelism, are central pillars of authoritarian rule. During and after the transition process, the same informal institutions may hamper democratization. Other informal institutions—such as violent intimidation by

organized crime—have the same effects as prior to the transition. The transition phase will also give rise to new informal practices and institutions whose implications are ambivalent.

To know whether informal rules support or hinder democracy requires a nuanced analysis. The impact of informal institutions on democratic institutions—institutions that ensure and regulate the three defining features of democracy, namely freedom, equality, and political and judicial control—is key to the analysis. All of the informal institutions inside the ACP affect democracy in a negative manner. Other informal institutions (such as coalition presidentialism or civil disobedience) can improve the quality of democracy; they can serve as functional equivalents of (distorted) formal participation channels (Lauth 2000). Thus informal institutions do not always diminish the quality of democracy. The impact of informal institutions on democracy varies to a certain degree. As the example of customary law has shown, informal institutions can actually support democratic institutions. Clientelistic participation can express a positive defensive reaction by allowing more popular political participation than in formal democratic institutions controlled by elites.

Thus, the struggle for democracy is not located on the grounds of distinction between formal and informal institutions, but rather inside the informal arena itself. Due to the many ways in which informal political institutions function and the inability of a democracy to escape their influence, it is necessary to emphasize that without the inclusion of informal institutions an analysis of the functioning of a democracy remains incomplete. The same reasoning applies to autocratic regimes.

While the situation is more straightforward when informal institutions undermine democracy,¹⁰ informal institutions that belong to the CP undoubtedly support formal democratic institutions or serve as a safeguard against the rigidity of formal institutions. To understand democratic consolidation processes and to understand how defective democracies work in practice, it is necessary to study informal institutions. The study of fledgling democracies requires an equally thorough analysis of all informal institutions. Empirical research needs to start by identifying the complete set of institutions of any given political system. This task sometimes seems inexhaustible given the complex dynamics of the institutional network that constitutes the regime (for an example, in the case of Russia, see Gelman 2003; Ledeneva 2006). Structuring and analyzing the coexistence of formal and informal institutions is the next research step for which the above presented categories should be helpful; this analysis should provide a better understanding of the dynamics of young, as well as established, democracies.

Are informal institutions more important in autocracies than in democracies, as Köllner (2012) indicates? There is some evidence of this, as most definitions of authoritarian rule refer explicitly to informal rules. Yet we cannot generalize from these definitions, as we still know very little about the role of informal institutions in dictatorships: Empirical findings on informal institutions are rare (Radnitz 2011: 354). However, we can say for sure that analyses of political transformation processes should not be confined only to formal institutions. Successful democratic transformations always also require the transformation of informal institutions. Hybrid regimes and defective democracies constitute additional and important fields of research.

Do political regimes account for the creation and survival of informal institutions? There are various reasons for the rise of informal institutions. Most arguments about their emergence have already been discussed in the neo-institutional debate, which draws attention to differing explanations (Jancsics 2014) that are applicable to informal institutions (examples include reduction of transaction costs, fixed expectations, order and stability, power, and interests). By taking this debate seriously, two principal ways of generation can be distinguished. One refers to a more or less intended process (“invisible hand”) where informal institutions fulfill the realization of common needs (Giordano 2013). Such institutions can arise from informal practices and can also

indicate weak formal institutions. Another way arises intentionally due to specific interests (“visible hand”). Again, there is a broad spectrum of different forms. They can be compatible or even necessary for the democratic process (such as coalition agreements, representation quotas) or can undermine it (such as rules of organized crime). One specific creation of informal institutions is noted by Köllner (2012: 7). They offer attractive alternatives for political elites because they can expand the capacities of the elites to act and react. Informal institutions frequently mean little accountability and transparency. Thus, informal institutions constitute mechanisms through which political elites can sustain their own power and domination. Indeed, elites are interested in the survival of these institutions as well. Besides the interests of actors, mechanisms of path dependency are responsible for the survival of informal institutions. Nevertheless, they change and can be changed. Whether they can successfully be guided depends on the appropriateness of the given mean regarding the specific situation.

It is certain that informal institutions influence the outcomes in political, social, and economic areas. Following the logic of the previous considerations, it is obvious that the outcome differs depending on the type of informal institution, as well as on the constellation and relations with formal institutions. As these change equally in the process of transformations, the outcome does, too, as indicated previously. Likewise, the effects of informal institutions can vary along the different areas (political, social, economic) as—for example—the discussion about corruption can underline (Debiel and Gawrich 2013). For the complex situation of research, the application of clear concepts, types, and classifications is necessary for the stringent analysis. An interesting finding of many studies on informal institutions is that, independent of the variance of the types, all show a common principle: the rule of reciprocity. One could argue on the basis of this finding that informal institutions would promote or even be the basis for interpersonal trust. This is certainly true in many situations, but one should not forget that informal institutions can also be enforced and that many interactions are exclusive. In that sense, interpersonal trust can be supported inside closed groups, but not as an overlapping universal trust, which is appropriate for social capital.

Methodological reflections

Although political science research has increasingly acknowledged the relevance of informal institutions, empirical comparative research still focuses predominantly on formal institutions. A major reason for this is the availability of data. Data on formal institutions is readily available, which makes even qualitative research possible. This is not always the case with informal institutions, where empirical data remains difficult to obtain. Moreover, the study of informal institutions necessitates laborious case studies that require sociological and ethnological research methods. Numerous empirical studies highlight the importance of informal institutions (Ganev 2007; Grzymala-Busse 2010; Thiery 2011). These studies can be combined with studies on informal governance (Christiansen *et al.* 2003; Christiansen and Neuhold 2012).

With a few notable exceptions (Helmke and Levitsky 2006), the study of informal institutions has not yet led to the emergence of theoretical constructs. A typology of informal institutions can provide a point of departure for a new research program on informal institutions. Systematizing empirical findings could also lead to an improved capacity of political actors to control or even steer informal institutions. Scholars engaging in this kind of research should not forget to identify the respective window of opportunity, i.e. the moment when informal institutions could be changed by political actors. It is also well known that political change often requires a long time to manifest itself. Therefore, political strategies should be analyzed over much longer periods of time than is currently the case.

This is not the appropriate time to debate the fundamental causes of stability and change. However, one should note that such a debate must uncover a complex interdependent relationship between the two types of institutions. Formal and informal institutions should be examined as dependent and independent variables. A change in one part of the institutional design has direct implications for the legitimacy, efficiency, and effectiveness of the political system. Formal institutions can experience change through informal institutions. Scholars have long noted that these changes differ according to the particular political context. But scholars must still identify the extent to which change—in the formal set-up of a political regime—affects informal institutions, and how informal institutions are altered by changes within the world of informal institutions that constitute themselves.

Finally, I would like to draw attention to several other methodological and theoretical implications. As outlined, one of the major accomplishments of political science has been the systematic analysis of formal institutions. These analyses have given rise to several classification typologies: presidential vs. parliamentary and consensus vs. majoritarian systems. None of these schemes accounts for informal institutions. Instead, they assume that formal institutions are capable of governing the political system on their own. This assumption is not very plausible. As noted, formal and informal institutions are connected. Informal institutions have a variety of means at their disposal to affect the logic of formal institutions. Hence scholars must examine the empirical validity of conventional political science assumptions to avoid conceptual stretching (Lauth 2013). The study of (formal and informal) institutions requires additional alternative typologies with subtypes (as types of defective democracies). It further requires an awareness of the context-specific effects resulting from the interplay between formal and informal institutions.

Conclusion

Institutions are relevant, because they shape our social order. Political actors follow the content of the rules institutions establish, be they formal or informal rules. Informal institutions are part of every political system; their relationship with formal institutions is difficult to decipher. Predicting the effects of informal institutions becomes easier by classifying informal institutions with the help of typologies and by systematically thinking through their relationships with formal institutions. But this is only a first step. As empirical studies show, the interactions between formal and informal institutions differ from situation to situation. This is true regarding the number of institutions involved but also regarding the extent to which the institutions are capable of influencing the actors involved. Formal and informal institutions filter political action. However, they are only partially able to determine the outcome of a political process (Köllner 2012: 15). To account for these outcomes, we need to consider the preferences, interests, and ideas of the actors shaped by these institutions (and how the actors in turn shape these institutions).

No political system can survive without informal activities. Hodgson (2006: 18) has highlighted this: “To put it differently, legal or ‘formal’ institutions that do not have strong ‘informal’ support are unsupported legislative declarations rather than real institutions. This does not mean that legal rules are unimportant but that they become important by becoming incorporated in custom and habit.” However, this statement does not mean—as his first quotation at the beginning of the chapter suggests—that it is impossible to separate both worlds analytically. A separation between formal and informal institutions is urgently required to examine empirically how both interact. Informal institutions constitute only one part of the informal world, yet a decisive part. It is impossible to understand political processes without including existing informal institutions in the analysis. In some cases, the impact of informal institutions could be small;

in other cases, they can “dominate” the game. Accordingly, an identification of strong and weak institutions should also be part of any institutional analysis (Levitsky and Murillo 2009). The empirical findings further emphasize that informal institutions are not endangered species. Traditional institutions are still part of modern political environments, and new informal institutions continue to emerge. This calls for additional future research into the role of informal institutions.

Notes

- 1 For example, corruption constitutes a simple set of rules. Clientelistic networks are already more complex. Neo-patrimonial states are even more complex and require sophisticated analysis. These types of states constitute a very specific combination of formal and informal rules. To examine neo-patrimonial states, an entire set of formal institutions has to be analyzed—outlined in the constitution of a state—in conjunction with a set of informal institutions.
- 2 This does not mean that internal sanctions have to be absent. They can also exist in the case of formal institutions (not obeying the rule of law can create such internal mechanisms). The meaning here is simple: internal sanctions build no defining characteristic of an informal institution.
- 3 The understanding of “functioning logic” or “rule of identity” is based on the idea that the following criteria are present in a specific form and inner connection. First, they must be recognized by certain symbols or elements that indicate their existence. Second, there are specific forms of interconnection or interaction. Third, each institution is linked with a special purpose, which allows its functional description. These criteria mark clearly identifiable and classifiable action patterns.
- 4 “Perverse elite agreements”—i.e. elite agreements on political rules that do not accord with or even transgress the constitution—supplement the role of other informal institutions. Such agreements allow for elite conduct that leaves transgression of basic constitutional rules unchecked (Thiery 2011: 17).
- 5 “Basic norms” or “basic codes” are effective in the sense of general norms or general dispositions of perception and behavior. They structure the system of interaction of the entire society and its subsystems.
- 6 The example of the Islamic headscarf as a specific institution is problematic. It can not only serve as an expression of fundamentalist conviction, but also as a cultural custom or even a fashion accessory. The numerous meanings attached to these symbols make interpreting them precisely very difficult.
- 7 “Neopatrimonialism is a mixture of two co-existing, partly interwoven, types of domination: namely, patrimonial and legal-rational bureaucratic domination.... Formal structures and rules do exist, although in practice the separation of the private and public sphere is not always observed. In other words, two role systems or logics exist next to each other, the patrimonial of the personal relations, and the legal-rational of the bureaucracy.... The patrimonial penetrates the legal-rational system and twists its logic, functions, and output, but does not take exclusive control over the legal-rational logic. That is, informal politics invades formal institutions. Informality and formality are intimately linked to each other in various ways and by varying degrees; and this mix becomes institutionalized” (Erdmann and Engel 2007: 105).
- 8 To regard “egoism” as part of the anti-civic pool seems surprising because keeping one’s own interests in mind is one of the basic beliefs of the liberal tradition. Free markets rely on many of the views Adam Smith outlined. According to the liberal tradition, however, “egoism” is limited by sympathy for other human beings, while from the perspective of non-civic traditions egoism is unlimited and serves as a synonym for greed.
- 9 The archaic custom of the blood feud (vendetta) can only be included under customary law to a limited extent, as the roles of plaintiff and judge are normally embodied in one person. What can be included more easily, however, are “kangaroo courts” or “mafia courts,” whose basic concern is the violation of an unwritten “code of honor.” Such institutions are to be understood as political ones, not because they can be classified as part of the political system, but rather because through their violation of the exclusive authority of state they combat the central feature of the political system, thus forming at least partial opposition to the state.
- 10 The negative impact of cooperation among various forms of clientelism and corruption on democracy has been explained by O’Donnell (1993: 1359f) in the “brown areas” theorem and through the concept of “delegative code” (1996), which is similar to Croissant and Merkel’s (2004) “illiberal code.” The mafia is another example of a combination of different types of informal institutions (corruption, clientelism, and threat of violence).

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