The Political Economy of Social Norms*

Leonardo Bursztyn† **Georgy Egorov**‡

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Abstract

This chapter reviews the growing economics literature on how social norms affect political behavior and institutions, how political institutions may change social norms, and the joint evolution of social norms and political institutions. We suggest that social norms regarding political expression can shape the informational environment in which democratic institutions operate, affecting their functioning and stability. We conclude with some important open questions and directions for future research.

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†University of Chicago and NBER, bursztyn@uchicago.edu

‡Kellogg School of Management and NBER, g-egorov@kellogg.northwestern.edu

1 Introduction

Motivation

When Nicolae Ceausescu's fierce dictatorship finally fell in Romania, the catalyst was not a particular economic crisis or a conflict – it was an extreme reversal of social norms. On December 21, 1989, Ceausescu held a large rally in Bucharest, intending to showcase his control following limited-scale protests in the city of Timisoara. As he spoke from the balcony of the Central Committee building, the crowd – initially brought in on organized buses and expected to applaud and cheer – began to boo and jeer. Visibly confused, Ceausescu tried to calm the unrest by raising his hands and offering promises, but the chants of anger only grew louder. It was a shocking moment: decades of forced obedience broke down in seconds. This public act of defiance, broadcast on live television, shattered the decades-old social norms regarding political expression in Romania. The regime fell within days, with Ceausescu and his wife captured, tried, and executed.

Just as social norms can spur political change, political change can rapidly reshape social norms. A well-documented example is the shift in what Americans perceived as acceptable to express publicly following the 2016 U.S. election, which includes anti-immigrant views (Bursztyn et al., 2020b) and doubt in integrity of elections. This offers a striking example of how political dynamics can lead to a sudden realignment of social expectations across large segments of the population.

How, then, do politics and social norms influence one another, and what explains the joint evolution of social norms and political institutions? In this chapter, we seek to address these questions by reviewing a growing literature that examines the political economy of social norms. We complement the review with a simple model highlighting the importance of social norms in ensuring democratic stability and discuss open avenues for future research.

What are social norms?

Different disciplines have emphasized various aspects of social norms, but for the purpose of this review, it is useful to set out a working definition and clarify our scope. In economics, explicit definitions are often lacking, with many papers using the term informally or interchangeably with related concepts. In this chapter, we conceptualize social norms as a set of rules shared within a group that are maintained through sanctions on violators or rewards to those who comply. Unlike legal norms, social norms are not codified in formal documents; rather, they may be thought of as shared expectations that enable group members to reward conformity and punish deviance. This definition centers on *injunctive* norms – standards of what people *should* do, backed by sanctions – as distinct from *descriptive* norms, which concern what most people actually *do* (Gelfand et al., 2024). The two interact closely; and because individuals' beliefs about either may be inaccurate, much of the evidence we review concerns perceptions – and misperceptions – of norms. Social norms are thus a central component of the broader concept of culture, which encompasses customs, historical narratives, social institutions, art objects, and other shared experiences that shape group identities and guide behavior through collective expectations. The relationship between the two concepts can be made more precise: culture may be viewed as a repertoire of attributes whose combinations – cultural configurations – acquire social meaning within a political equilibrium (Acemoglu and Robinson, 2025). In this language, social norms are the sanction-backed rules embedded in the prevailing configuration. The distinction matters for dynamics: because configurations can be reassembled, both culture and the norms it supports can change discontinuously, rather than only through gradual evolution – a theme we return to in Sections 3 and 4. Like other aspects of culture, social norms are both transmitted from the older generation to the younger one and learned through peer-to-peer interactions and observation of others' behavior. Throughout this review, we will focus on literature that explicitly refers to social norms or uses closely related

concepts tied to informal rules and shared beliefs about appropriate behavior.[1]

Another essential factor in the functioning of social norms is how individuals learn and internalize them. Socialization plays a central role: primary socialization occurs within families, while secondary socialization occurs later in life, through schools, workplaces, peer groups, and other social experiences that shape expectations about acceptable behavior. Because many of these settings — public schooling, military service, state media — are designed or regulated by political authorities, socialization is one channel through which political institutions can shape norms, whether as an intended goal or as a byproduct. This shaping may occur both through enforcement of formal laws or through informal mechanisms, such as disciplinary practices in schools. We return to these interactions in Section 3. In addition, norms affect the expression of ideas and aggregation of information, and they can either correct or entrench collective misperceptions, which may affect how individuals interact with political institutions and how they learn about social norms later. The informational role is further developed in Section 3 and formalized in Section 5.

Chapter Structure

This chapter is organized as follows. In Section 2, we review the literature that studies the political consequences of social norms. We look at how social norms that guide different aspects of human behavior shape political outcomes, including voter turnout, campaign contributions, protests, and political violence. We also examine the impact of social norms on political institutions such as legal enforcement, bureaucratic effectiveness, and international governance. In Section 3, we reverse the direction of causality and examine the literature on the political determinants of social norms, highlighting institutions that shape

[1] We acknowledge the studies that conceptualized social norms differently. Analytical sociology emphasizes that individuals' own reactions to compliance or deviations from social norm (such as feeling proud or embarrassed) play a role in fostering compliance (Elster, 1989). Within economics, social norms are sometimes thought of as equilibria in games of strategic interaction, especially in games with multiple equilibria (see, e.g., Young (1998); Lewis (1969); Bicchieri (2005) for theoretical studies and Bicchieri and Xiao (2009); Reuben and Riedl (2013) for empirical evidence, as well as Axelrod (1986); Maynard Smith and Price (1973); Binmore and Samuelson (1992) for related work on learning and evolutionary stability).

norms, both as intended and unintended outcomes. This section covers the roles of institutional design, policies, laws, economic conditions, and political entrepreneurs. In Section 4, we review existing work on the joint evolution of social norms and political institutions. In Section 5, we build a simple model to highlight how social norms surrounding political expression may affect the stability of democracy through an information channel. Finally, in Section 6, we point to important open questions for future research.

2 Political Effects of Social Norms

Social norms shape how people behave in society, including their political actions. In this section, we first examine how social norms influence individual political behavior and then turn to their effects on political institutions.

To structure the discussion, it is useful to distinguish two broad categories of politically relevant norms, in the spirit of Elster (1989, 2011). The first, *cooperative norms*, comprises informal rules that encourage behavior benefiting the group even when individual incentives favor free-riding: turning out to vote, paying taxes, contributing to collective action. The second, *political norms*, comprises the informal conventions guiding the behavior of political actors and the operation of institutions themselves – for instance, the long-standing expectation – in many states a matter of convention rather than law – that U.S. Electoral College members vote for the candidate who won their state. Such norms may reinforce, supplant, or conflict with formal rules. The mapping to what follows is direct: Section 2.1 primarily concerns cooperative norms regulating individual political actions – voter turnout, political donations, and other forms of political expression – while Section 2.2 concerns political norms and their interaction with formal institutions, which they may complement or undermine.

2.1 Effects of Social Norms on Political Behavior

Social Norms and Turnout. Since at least Riker and Ordeshook (1968), scholars have noted that the standard rational choice model, where individuals weigh the personal cost of voting against the infinitesimal probability of affecting the electoral outcome, cannot explain the consistently high turnout rates observed in most democracies. To address this puzzle, many models assume that some individuals gain intrinsic utility from voting itself, viewing abstention as socially undesirable or even immoral, regardless of its effect on the outcome. An alternative interpretation is that voting behavior is shaped by social norms: people may vote to conform to shared expectations about civic duty and to avoid social disapproval for not participating. These mechanisms align with the concept of cooperative norms, which encourage behavior that benefits collective decision making even when individual incentives are weak.

In a seminal paper, Feddersen and Sandroni (2006) model a "group-rule utilitarian" society – a concept adapted from the rule utilitarianism of Harsanyi (1980), in which moral agents evaluate rules by the consequences of their general adoption – in which some voters are individually opportunistic and never vote, while other voters are able to collectively trade off their *entire group's* benefit of voting against the cost and make a collective voting decision. The voting norm here is thus a cooperative norm in the sense defined above: a "do your part" rule sustaining collectively beneficial participation. In this paper, the social norm captures the personal cost below which a member of the group should vote and above which they should not – essentially, the shadow benefit from that person's voting decision. These norms, determined endogenously in a model of political competition, affect the relative turnout of supporters of different parties and, thereby, the election outcomes. Ali and Lin (2013) extend this framework, allowing "pragmatic" citizens who care only about their social image to vote with the goal of pooling with "ethical" citizens who intrinsically care about voting. A key result is that social norms can affect not only turnout, but also the nature of electoral competition. In particular, policy-motivated candidates benefit from

stronger social norms in the group that favors them, as this allows them to choose policy closer to their ideal one and get elected with a higher probability.

The role of social norms in influencing turnout has been shown in a number of experimental studies. "Social pressure" treatments that manipulate the perceived observability of individuals' voting decisions consistently have sizable effects, as they both enhance the possibility of social sanction and intensify emotional responses in cases of violating or following the norm. Gerber et al. (2008, 2016) document that an increased observability of an individual's decision to vote increases turnout, while other work (in particular Funk (2010)) has shown that making turnout decisions more difficult to observe tends to decrease turnout. DellaVigna et al. (2017) provides experimental evidence that even when turnout is not observable, many people "vote to tell others," that is, they vote because they suffer a cost of lying when other individuals ask them about their voting decision.

Social Norms and Money in Politics. The mechanism underlying political donations often reflects the expectation of social sanctions or rewards for conforming to locally dominant views. Such decisions, while partisan in nature, are thus made under the influence of the social norms that are shared by a particular group of individuals, such as residents of a certain location or supporters of some political movement. To this point, Perez-Truglia and Cruces (2017) show that social pressure affects political contributions in the United States: Democrats living in Republican-majority areas are significantly less likely to donate to Democratic candidates when informed that their donations will be observable to their neighbors (and vice versa for Republicans in Democratic-majority areas). In the context of the 2016 U.S. presidential election, Bursztyn et al. (2020b) find that individuals who believe that Clinton had greater local support displayed a significant gap between their private and public willingness to donate to anti-immigrant organizations. Many refrain from donating publicly despite being willing to do so privately, suggesting that fear of social sanctions when perceived norms oppose their views is the driving mechanism. This mechanism applies beyond politics: for example, Andre et al. (2024) show that leading people

to believe that climate-friendly behavior is more prevalent than they assumed increases donations to pro-environment causes.

Social Norms and Non-Electoral Political Behavior. Social norms might also affect political activities in non-electoral contexts, particularly those that feature strategic complementarity, such as protests and rebellions, where the necessity for cooperation is high. For example, Kung and Ma (2014) study peasant rebellions in Qing China (1651–1910) and find that, while crop failure triggered rebellion, its effect was significantly attenuated in counties with stronger Confucian norms – proxied by the density of Confucian temples and state-honored chaste women – consistent with Confucianism's emphasis on subordination and pacifism; the result is robust to instrumenting Confucian norms with the historical presence of ancient Confucian sages. Notably, the Qing state actively promoted these teachings, an early example of a political authority cultivating norms to discourage collective unrest – a theme we develop in Section 3. González (2020) documents significant network effects among high school students protesting against educational reform, highlighting social sanctions within a network as an important mechanism. Similarly, Bursztyn et al. (2021) find network effects in protest participation among Hong Kong students. Levy and Mattsson (2023) show that the #MeToo movement causally increased victims' willingness to report sexual assault, which is consistent with the movement reducing perceived social sanctions associated with reporting. In the context of LGBTQ pride parades, McClendon (2014) shows experimentally that social rewards from an ingroup might push people to participate in contentious politics.

Social norms can also affect the expression of political ideas, stifling certain views through social sanctions. Theoretical models of conformity date back to at least Bernheim (1994), in which agents may deviate from their preferred actions when social incentives are sufficiently strong, or even conform to a single standard of behavior despite heterogeneous underlying preferences. Morris (2001) models communication between an advisor and a decision maker in a setting where the advisor is concerned about being viewed as biased

in one direction. In equilibrium, the advisor overcompensates by providing the opposite advice, even if they know that this advice is wrong. In Acemoglu et al. (2013), a similar desire to avoid being perceived as pro-elite may force politicians to espouse populist left-wing policies, even when such policies are harmful; the same model can explain right-wing populism in settings where politicians want to avoid being seen as left-wing or communist. In all these settings, stronger incentives for political pandering are shown to lead to pooling behavior, reducing information revelation in equilibrium.

Recent work has directly manipulated the strength and, in some cases, the direction of social image concerns in order to study their impact on political expression. In addition to the experiments in Bursztyn et al. (2020b), Braghieri (2024) shows that college students' expressed views on politically sensitive topics differ depending on whether or not they are guaranteed anonymity, leading to information loss in public settings. Bursztyn et al. (2023b) experimentally shows that the availability of rationales might provide *social cover*, facilitating the expression of controversial opinions by reducing the corresponding social sanctions. In settings where the anonymity of voting may be compromised, voting itself becomes a public act of political expression; Valentim (2024) shows that in elections where voters were unable to use booths to keep their votes private, they were less likely to vote for the stigmatized party.

Dynamic Effects of Norms on Political Behavior To the extent that social norms suppress public expression, they may also lead to people *misperceiving* social preferences and therefore social norms. This misperception can be self-sustaining, reinforcing the impact of norms on political expression. Bursztyn et al. (2023a) demonstrate that support for policies that promote gender equality is underestimated globally, potentially obstructing progress toward gender equality and preserving existing gender policies. In the context of Saudi Arabia, Bursztyn et al. (2020a) show that men underestimate other men's support for women's right to work, likely contributing to the country's strict regulations on women working outside the home. Mildenberger and Tingley (2019) show that people massively

underestimate the support for pro-climate policies and the review article by Bursztyn and Yang (2022) documents that such misperceptions are widespread across contexts.

This literature has shown that experimentally correcting misperceptions might result in important behavioral changes (e.g., Bursztyn et al. 2020a). Yet, social norms can also be highly persistent. Voigtländer and Voth (2012) document the persistence of anti-Semitic views in Germany from the Middle Ages (measured by pogroms during the plague of 1349) into the twentieth century and suggest the likely channel is the normalization of hostile behavior toward Jews in places with a history of pogroms. Satyanath et al. (2017) show that in German towns that had denser networks of civic associations, the support of Nazis spread more rapidly, which emphasizes the role of social norms in determining political expression and political behavior.

2.2 Effects of Social Norms on Institutions

Beyond their influence on political behavior and policy choices, social norms also shape the choice and stability of political institutions, that is, what powerful groups in society prefer and what institutional arrangements they can implement (Acemoglu et al., 2012). Social norms can interact with formal institutions in ways that make them complements or substitutes. To clarify this relationship, it is useful to revisit the categorization in Elster (2011), who identifies three main forms of interaction between political norms and political institutions.

First, norms can *cancel* an institution, rendering a formally available action inactive, for instance, when the constitution grants a right that prevailing norms make politically unthinkable to exercise. Second, norms can *violate* an institution, allowing actors to circumvent or act directly against formal rules, even when the constitution prescribes otherwise. Finally, norms can *supplement* institutions, filling regulatory gaps or reinforcing existing rules to enhance institutional effectiveness. In economic terms, the former two can be viewed as forms of *substitution*, where norms either override formal provisions or replace

them with conflicting rules of behavior. In contrast, the latter effect complements institutions, with norms and institutions working together to guide behavior and strengthen compliance.

Social Norms and Institutions as Substitutes: Norms Canceling Institutions From a theoretical perspective, Aghion et al. (2010) studies regulation and corruption as interaction between institutions and norms. There, individuals choose either to be civic (invest in social capital) or uncivic, as well as to become entrepreneurs or engage in routine, possibly state-run, production. Civic entrepreneurs do not impose negative externalities, whereas uncivic ones do, and uncivic regulatory officials accept bribes. The model predicts two equilibria: a "good" one with many civic individuals, limited regulation, low corruption, and high entrepreneurship, and a "bad" one characterized by many uncivic individuals, heavy regulation, corruption, and low entrepreneurship. These results suggest that civicness, including social norms, can substitute for formal institutions in preventing problems such as pollution and bribery, as illustrated in the authors' example.

Similarly, Greif (1994) demonstrates how formal institutions can develop to fill the role of norms, and vice versa. In comparing Maghribi and Genoese traders, the paper shows that the collectivist culture of the Maghribi supported an in-group communication network and collective punishment mechanisms. Members were not only expected to behave properly but also to sanction others who violated shared rules. In contrast, Genoese traders, with their more individualistic values, could not sustain such informal enforcement. They eventually developed a formal legal code for contract enforcement. This cultural difference illustrates how norms can substitute for costly formal organizations and institutions.

In a different context, Schulz (2022) shows that the medieval Church's prohibition on marriage between close relatives, such as cousins, weakened kin-based networks and ultimately contributed to the development of participatory institutions. Strong kin networks are associated with more collectivistic cultures that substitute for formal institutions, whereas weaker networks are linked to more individualistic cultures and greater reliance on

formal governance. As previously discussed, collectivist norms had substituted for formal regulation before they were restricted by the Church, allowing participatory institutions to flourish in their absence.

Taken together, these examples illustrate a pattern of cancellation of institutions: institutions emerge in the absence of strong beneficial social norms, and institutions may weaken if there are effective social norms to fill the void.

Social Norms and Institutions as Substitutes: Norms Violating Institutions In some cases, there is conflict between norms and institutions, and norms are strong enough to overrule formal rules. Consider the cases of corruption and tax evasion, prohibited in most parts of the world, but sometimes tolerated due to social norms and a lack of effective punishment. Fisman and Miguel (2007) study parking violations by UN diplomats and documents the role of culture by showing that diplomats from high-corruption countries tend to commit more violations. They conclude that high corruption levels might be sustained by cultural norms that affect the performance of institutions (parking enforcement). Schram et al. (2022) provide evidence of contagion and show that corruption increases when individuals observe corrupt actions of others, which aligns with the interpretation via social norms, as observing others alters the perception of acceptable behavior and expected punishment. Beyond corruption, tax evasion is another avenue where norms violate formal institutions and undermine their efficiency. Bergolo et al. (2020) show that perceived social norms play a bigger role in individual decisions on tax evasion than individual characteristics. Wenzel (2005) complement this evidence by showing that people misperceive the acceptance of tax evasion, overstating it for others compared to self. Then, adherence to misperceived norm can increase evasion even further. Besley et al. (2023) develop a theoretical model of tax-compliance motives that relies on public enforcement (i.e., formal institutions), intrinsic motivation, and peer reputation, and uses UK data to demonstrate that a decrease in social imperative to pay taxes led to a significant increase in tax evasion. All these examples illustrate the notion of social norms violating the written law.

Social Norms and Institutions as Complements Theoretical research has examined how social norms can complement formal institutions by filling gaps or reinforcing compliance. Benabou and Tirole (2011) present a flexible model that starts with the premise that institutions (or laws) serve a dual purpose: in addition to providing explicit incentives, they also send a message about a society's values and thus about the different behaviors that individuals are likely to encounter. The additional signaling value of institutions alters preferences for institutions and may explain the emergence of certain institutions. The signaling value can go either way: on the one hand, the choice of institutions may signal support for certain values and norms, thereby reinforcing these norms and adherence to them; on the other hand, in line with the logic of (Greif, 1994), a formal institution may signal that social norms alone were not strong enough and that an institution was needed. The relative strengths of these effects may help explain the varying societal preferences for institutions, their selection by a benevolent social planner, and the joint evolution of institutions and social norms.

Moreover, Acemoglu and Jackson (2017) analyze the interplay between social norms and enforcement of laws, arguing that misalignment between laws and norms may render laws difficult to enforce and less effective overall. In their model, if laws and norms differ, individuals are less likely to report law violators, thus encouraging lawbreaking. This idea has important implications. For example, developing laws that are significantly more restrictive than existing norms may be ineffective or even backfire, leading to increased violations and lower standards of behavior among otherwise law-abiding individuals. Some natural remedies, such as harsher punishments, might reduce the incidence of violations but increase their magnitude. The normative implication of the paper is that social norms should guide the imposition of laws, and these laws should be implemented gradually to allow social norms to adjust before further tightening the rules.

Turning to empirical evidence, several studies illustrate how norms complement institutions, showing that they fill regulatory gaps and adapt formal rules to local contexts.

Abrams et al. (2022) study North Carolina's judicial rotation system and show that judges converge to local social norms. Remarkably, this is shown to be the optimal outcome: in a theoretical model, the planner may want to at least partially adapt to local norms to limit the cost of enforcement, which could increase when sentences conflict with local preferences and norms, similar to Acemoglu and Jackson (2017). Padró i Miquel et al. (2015) show that elections have little effect on public goods expenditure in villages with low social capital and large positive effects in villages with high social capital. Guiso et al. (2016) examine the formation of international institutions. Their model suggests that the level of economic integration that countries would choose when forming an economic union will depend on the cultural distance between countries, among other factors such as the business cycle.

3 Political Determinants of Social Norms

The relationship between institutions and social norms is far from one-sided. While previous sections have shown how norms shape individual and political behavior, it is equally important to consider how institutions influence the formation and evolution of social norms. Both serve a similar purpose: organizing social life. Norms informally guide behavior through shared expectations and social sanctions within groups, while institutions formalize rules and enforcement mechanisms at the societal level. Given this functional overlap, institutions have both the incentive and the capacity to influence, reinforce, or reshape social norms. In this section, we review the literature examining how political institutions affect norms and related cultural traits.

Broadly, there are two main channels through which institutions can shape social norms. First, they can intentionally instill or alter norms through information provision, education, propaganda, or institutional design that implicitly sets expectations for behavior beyond formal rules. Schools, for example, structure hierarchies, establish rules about obedience and punctuality, and encourage conformity through uniforms and timetables (Foucault,

1977). Such institutional arrangements can create expectations that persist beyond the specific setting, often reflecting the interests of certain groups seeking to secure particular patterns of behavior.

Second, institutions are highly visible to the population and can signal, through the actions of political agents, what constitutes socially acceptable behavior. These signals may align with prevailing social consensus (as in democratic elections where institutions make norms publicly observable) or they may distort perceptions, creating mismatches between actual beliefs and perceived norms.

To organize the discussion, we consider three distinct literatures that correspond to these two channels but operate on different time scales and mechanisms. The first focuses on deliberate institutional interventions in socialization, particularly through standardized education systems or policies promoting social integration, where institutions directly attempt to instill or modify norms. The second examines cases of rapid norm change driven by institutional signals, legislative reforms, or public narratives that correct—or distort—collective perceptions of acceptable behavior. Finally, the third takes a long-run, evolutionary perspective, exploring how repeated interactions under specific institutional frameworks lead norms to adapt and stabilize over time. This links back to our earlier discussion of norms as equilibrium outcomes shaped by their institutional environment.

3.1 The Effects of Education and Integration on Social Norms

The modern system of public schooling emerged alongside the consolidation of nation-states, designed to provide a shared foundation for future citizens. Governments have long recognized schools as tools for instilling specific social orders and values, a view traced back to Bowles and Gintis (1976). According to this argument, schools were deliberately structured to mirror social relationships in the capitalist workplace, where most students would eventually work. In this view, students are socialized into hierarchical structures and learn norms of obedience, conformity, and competitiveness—traits considered essential

for functioning in a stratified labor market. These norms are reinforced through visible mechanisms of control, such as uniforms, strict timetables, and teacher authority, reflecting broader political and institutional efforts to regulate behavior. This theory suggests that schools act as powerful agents of socialization, deliberately shaped by political institutions to transmit values and behavioral patterns that persist into adulthood and extend their influence beyond the classroom.

Education/Indoctrination. In addition to transmitting norms through an institutional organization, the government can directly impose norms through educational content. This channel is framed in Carvalho et al. (2024), who present a theoretical framework that models both the government seeking to introduce certain norms and groups seeking to evade such influence. The authors discuss three categories of possible resistance to education: *dropping out* (when individuals under-invest in education to avoid the transmitted cultural traits), *tuning out* (when individuals themselves invest in alternative forms of socialization to offset the cultural content of education), and *turning out* (when individuals organize to resist education collectively). All of these forms of resistance have different implications for human capital and the development of social norms, and the model highlights the theoretical limits of propaganda efforts.

In contrast, Alesina et al. (2021) focus on governments' incentives for indoctrination, with the idea that an important goal of primary education is the homogenization of the population under the government's control. The authors suggest that the threat of democratization presents a strong argument for homogenization; in other words, non-democratic governments are more likely to engage in indoctrination and nation-building policies more broadly. For instance, Cantoni et al. (2017) demonstrate how a textbook reform in China, which promotes positive views of the country's governance, democracy, and economic system, affects students' political views. This indoctrination-focused textbook reform could arguably contribute to the stability of the current regime. Empirically, education and indoctrination efforts of governments are discussed in Rohner and Zhuravskaya, eds (2023);

Algan et al. (2013); Blouin and Mukand (2019); Jayachandran (2017), among others. While these studies primarily examine outcomes such as values and identity, they also illustrate how government-led indoctrination can shape shared expectations about economic and political behavior.

Integration. Beyond education, norms are transmitted through secondary socialization via interactions with other groups, which can occur voluntarily (e.g., migration) or forcibly (e.g., resettlement). Institutions can shape these processes and, in doing so, influence prevailing norms. Bazzi et al. (2023) study the large-scale migration of Southern whites across the U.S. during the 20th century, showing that migrants carried political and religious norms with them, which in turn affected voting behavior in the regions where they settled. Similarly, Giuliano and Tabellini (2020) analyze European immigration to the U.S. between 1910 and 1930, finding that historical exposure to European migrants made native populations more liberal and supportive of redistribution.[2]

Of course, the pace of cultural convergence—and even whether it occurs at all—depends on the initial distance between groups. Jaschke et al. (2024) examine this in the context of refugee assimilation in Germany. Using survey data and plausibly exogenous variation in refugee allocation across regions, they find that refugees settled in areas with more hostile attitudes toward newcomers assimilated faster. While seemingly paradoxical, this result is consistent with the idea that a hostile environment increases the incentives for refugees to adopt local cultural norms as a strategy to reduce discrimination and improve social acceptance.

The mixing of people from different cultural backgrounds may not only occur naturally, but may also be caused by political decisions and public policies. These can range from routine policies, such as the allocation of public housing, to more extreme ones, such as nation-building policies or deportations and forced resettlement. Important evidence

[2]This connects to a broader literature on the contact hypothesis, e.g., (Lowe, 2021; Bursztyn et al., 2024; Giuliano and Tabellini, 2020).

comes from Stalin's ethnic deportations in the USSR. Miho et al. (2024) study the effect of the deportation of Germans and Chechens to the east of the country. The Germans are characterized by Protestantism and more equal gender norms, while the Chechens are predominantly Muslim with more patriarchal gender norms. Exploiting the variation of sub-regional allocation of deportees, the authors show a significant change in the behaviors of locals toward the German deportees. This work has implications for voluntary migration contexts where the authorities have an influence on the process. For example, policymakers should consider the impact of the resettlement of refugees on social norms and practices.

Algan et al. (2016) investigate the allocation of people to public housing in the context of France. The authors show that increasing diversity reduces the ability of residents to sanction others for vandalism and to act collectively to demand proper building maintenance. However, the negative effect of diversity on social norms can potentially be mitigated through education. For example, Alan et al. (2021) study the effectiveness of a policy introducing the teaching of perspective-taking to restore social capital in Turkish schools following the inflow of Syrian refugees. The intervention greatly improves generalized trust, reciprocity, and altruism.

Integration and Education Together. The effects of forced resettlement and education on social norms are likely strongest when bundled together as they both intensify the socialization process. Carlitz et al. (2022) study the nation-building policy in Tanzania. The bundled policy included the 'villagization' program, which resettled much of the multi-ethnic rural population in planned villages under state administration. This program abolished traditional authorities and replaced them with state bureaucrats and democratically elected village governments. Importantly, this was bundled with educational policies. The paper documents that this nation-building strategy had an impact on national identity, for instance, by increasing inter-ethnic marriages. This finding suggests a decreased salience of ethnic divisions, but may also be interpreted as evidence of changed social norms regulating the acceptability of marrying an outgroup individual.

3.2 Rapid Change of Norms

Beyond gradual changes occurring through lifelong socialization, societies can also experience sudden shifts in norms triggered by events or actions that alter the shared understanding of acceptable behavior. Such changes often occur when large groups update their beliefs about what others consider appropriate, particularly in settings where true consensus is not easily observed. Rapid norm change can be driven by several factors, including the correction of widespread misperceptions, institutional or legal reforms, and the actions of political entrepreneurs or salient events. In this subsection, we review the literature examining these channels of abrupt norm transformation.

Misperceived Social Norms. Research shows that individuals often misjudge what others consider socially appropriate, leading to a gap between actual collective beliefs and perceived social expectations (Bursztyn and Yang, 2022). Collective misperceptions can persist for extended periods. The concept of *pluralistic ignorance*, originally introduced in social psychology (Katz et al., 1931), refers to the case in which individuals holding a majority opinion incorrectly think it is a minority opinion. Kuran (1997) explores various channels through which political regimes can perpetuate pluralistic ignorance. It would be natural to think that misperceptions are likely to be present in authoritarian regimes with limited freedom of speech and information exchange. Indeed, the overstated support of the communist regime in Eastern Europe, which quickly unraveled in 1989, is perhaps the most famous example (Kuran, 1991). However, misperceptions are possible in democratic regimes as well if certain viewpoints are silenced either by law (such as Nazi propaganda in Germany) or by social stigma (such as the recent "cancel culture"). Nevertheless, institutions, as well as social norms regulating political expression, play a crucial role in perpetuating misperceptions–or correcting misperceptions, often in an abrupt and unexpected way.

Misperceptions can be corrected through various mechanisms. Kuran (1997) discusses

how pluralistic ignorance obscured the buildup to a revolution due to widespread *preference falsification*, but then notes that turning points, such as a weak government response to a demonstration, can expose true preferences and catalyze collective action. Bursztyn et al. (2020a) document significant misperceptions regarding the support for women working outside the home in Saudi Arabia. By revealing others' true opinions, the study demonstrates how behavior can shift rapidly. The normalization of women working outside the home, through a "top-down" reform (much like allowing women to drive), would likely enable conversations on the subject and correct the misperception on a nationwide scale. Importantly, the paper also documents some facts about persistence, showing that treated participants' wives were more likely to have applied and interviewed for jobs outside the home three to five months after the study. They also demonstrate the visibility of change and its spillover effects on related behaviors, leading to increased enrollments in driving schools. Bursztyn et al. (2023a) suggest that misperceptions may exist on a global scale, and correcting these misperceptions may take signals that work in a variety of institutions and environments.

A conceptual question raised by this literature is whether preference falsification operates primarily through an *informational* channel – concealed preferences degrade what politicians and fellow citizens can learn about the distribution of views, as in Lohmann (1994), whose account of the Leipzig demonstrations shows how turnout at successive protests aggregated dispersed private information about the true extent of opposition to the regime – or through a purely expressive one, in which the direct utility costs of conformity are what matter. The two are not mutually exclusive, but they carry different implications: in the informational view, what suppression destroys is not merely individual speech but society's capacity to aggregate information about itself. The model we develop in Section 5 takes the informational position, showing that this aggregation failure can undermine democratic stability itself.

Institutions and Social Norm Changes. Besides the potential correction of misperceptions, institutions might serve as a signal of what is acceptable, updating the potentially outdated beliefs. Here we discuss some historical and contemporary examples of this. The caveat is that past social norms are difficult to measure; therefore, these works focus on a broader measurable proxy of culture. In turn, changes in culture are somewhat more readily measurable. We therefore discuss works that speak to cultural traits that might shape individual behavior through setting social expectations. In this line, Cantoni et al. (2024) study the effect of institutional change on cultural expression. They consider the collapse of the institutional framework of the Holy Roman Empire under French pressure and the subsequent changes in rulership experienced by large swaths of the population. As an outcome, they consider individualism, measured by the selection of first names that had not historically been popular, as a way for individuals to differentiate themselves. They document the increases in individualism after the collapse, noting that a dominant ideological shift does not characterize these changes. They interpret the results as a turn to individualism in response to volatility and a search for cultural traits suitable to the new institutional environment.

An example of relatively rapid norm change driven by institutions comes from the post-war division of Germany. Lippmann et al. (2020) exploit this natural experiment to study the impact of gender-equal institutions on gender norms. Before World War II, gender norms were broadly similar across Germany. After the division, however, East and West Germany adopted strikingly different policies regarding women's employment. The German Democratic Republic (GDR) pursued gender-equalizing policies, including work–family balance programs, widespread access to kindergarten, and other childcare facilities, while West Germany maintained a more traditional family model. As a result, women's labor force participation reached 89% in the East compared to 56% in the West. The study shows that these institutional differences left a lasting imprint on norms after reunification. Among individuals from West Germany, women who out-earn their husbands

tend to "compensate" by increasing their hours of housework, couples face a higher risk of divorce when wives' earnings overtake husbands', and women with higher potential incomes than their partners are more likely to withdraw from the labor market. These patterns do not appear among individuals from East Germany, pointing to the powerful role of institutions in shaping and embedding social norms over time.

One example of an actual informative signal that led to the correction of misperceptions is presented in Bursztyn et al. (2020b), along with a theoretical framework on (mis)perceptions and political expression. Specifically, the growing evidence of Donald Trump's popularity during the 2016 election, culminating in his ultimate victory, sent a clear signal about the number of people who sympathized with Trump's proposals and, in particular, those who held xenophobic views. As a result, Trump's electoral success may have shifted social norms regarding the public expression of such views. Consistent with the idea that collective outcomes can update perceived norms, laboratory experiments on social tipping show that when observable group choices cross certain thresholds, individuals rapidly revise their beliefs about prevailing norms and what behaviors are socially acceptable (Andreoni et al., 2021).

Besides signaling, institutions can design economic incentives that might violate norms. Jia and Persson (2021) show that ethnic policies in China, which offered material benefits to minorities, influenced identity choices in mixed families, breaking the norm of assigning the father's ethnicity. This shift involved a social-reputation trade-off: choosing the minority status brought stigma that declined as more families did so, while choosing Han preserved honor that increased as fewer families made this choice. When few broke the norm, declining stigma amplified policy effects; when many did, rising honor dampened them. Supporting this model, the authors demonstrate that the effect is larger in places where more families follow the norm.

There is also experimental evidence on how institutions can shape cooperative norms. Dal Bó et al. (2010) conduct a laboratory experiment to test whether democratic decision-

making affects cooperative behavior while holding policy outcomes constant. They find that individuals cooperate more when a policy is chosen democratically rather than imposed, even when the game structure remains identical. Another institutional factor influencing cooperation is exposure to conflict-related violence. Voors et al. (2012) document a relationship between conflict experiences and greater altruism or reliance on community, though they do not disentangle the underlying channels. Gneezy and Fessler (2012) provide a complementary analysis, conducting economic experiments before, during, and after the 2006 Israel–Hezbollah war. They show that wartime exposure significantly increases individuals' willingness to incur personal costs to enforce cooperation—both by punishing defectors and rewarding cooperators within their group—in line with our definition of social norms. Together, these findings suggest that political and conflict-related institutions can strengthen internal social norms supporting cooperation by heightening sensitivity to norm violations and increasing conformity.

Laws and Social Norm Changes. Legal rules not only regulate behavior through material incentives but can also act as signals of public opinion, shaping perceptions of what society considers appropriate. This *expressive function of law* implies that legal rules can influence social norms even when enforcement is weak. Lane et al. (2023) provide direct causal evidence for this mechanism using incentivized vignette experiments. Respondents were presented with scenarios describing behaviors near legal thresholds—for example, driving with a blood alcohol level just below or just above the legal limit—where the only variation was the action's legal status. Participants then rated the social appropriateness of each behavior. Across five domains of law (sexual relations with minors, alcohol sales to minors, undeclared cash imports, drink-driving, and speeding), the study finds sharp drops in perceived appropriateness once a behavior is classified as illegal. These results show that laws can shift social norms by signaling collective judgments about acceptable conduct, independently of their deterrent effect.

Similarly, Tankard and Paluck (2017) provide experimental and time-series evidence

that high-profile institutional decisions can alter perceptions of social norms. Their study examined reactions to the 2015 U.S. Supreme Court ruling legalizing same-sex marriage. In a controlled experiment conducted while the case was pending, participants were randomly informed that the Court was likely or unlikely to rule in favor of same-sex marriage. This expectation alone shifted perceived societal support for gay marriage, even when participants' own personal attitudes did not change. A complementary longitudinal study confirmed that, after the actual ruling, Americans reported stronger beliefs that public opinion favored same-sex marriage, despite no immediate shifts in their individual views. The authors argue that institutions such as the Supreme Court can act as signals of both current and expected future public opinion, updating perceptions of collective norms even when underlying personal attitudes are slow to adjust.

Political Entrepreneurs, Events, Narratives, and Social Norm Changes. Bursztyn et al. (2023b) study the role that social norms play in facilitating or suppressing the actions of dissenters. The authors provide a model and experimental evidence on the role of *social cover* as an important determinant of the expression and sanction of controversial views on both sides of the political spectrum. Specific events might also change social norms. Consider the case of economic crises, which are often accompanied by waves of anti-minority behavior (Staub, 1989; Allport, 1954). For example, Germany during the Weimar Republic and subsequent Nazi period passed increasingly repressive laws targeting Jews as the country dealt with the Great Depression (Doerr et al., 2022). Bursztyn et al. (2022) experimentally show that financial crises can facilitate *scapegoating*, reducing the social stigma associated with anti-minority behavior. Political entrepreneurs can thus exploit crises and other shocks to create acceptable justifications for behavior that would otherwise face strong social sanctions. Narratives are the instrument of this process. Unlike a social norm – in our definition, a sanction-backed rule – a narrative is an interpretive device: an account of events that assigns meaning, blame, and justification. Narratives sanction no one directly; rather, by reshaping what people believe others believe, they shift *perceived*

norms, and with them which behaviors are expressed, rewarded, and punished. Political entrepreneurs deploy narratives to interpret events for their audience, construct a perceived social consensus, and redefine which behaviors are considered acceptable.

This idea is formalized in Acemoglu and Jackson (2015), who model a coordination game played across overlapping generations, where agents choose between cooperative and non-cooperative actions. Recognizing that in large societies it may be difficult to fully observe prevailing norms, the authors assume that each agent only observes a noisy signal of the previous generation's behavior, creating uncertainty. Social norms then emerge as shared expectations about how to interpret these ambiguous signals: trusting societies interpret them more optimistically, while distrustful ones take a pessimistic view. The model highlights the role of highly visible actions by prominent agents—such as institutions or political leaders—which are perfectly observed by future generations. These visible actions can anchor new social norms and shape how subsequent generations interpret uncertain signals, thereby influencing the emergence, persistence, and potential change of norms over time.

3.3 The Gradual Development of Social Norms

In this section, we review the literature examining how social norms evolve gradually over long periods, shaped by political and historical factors.[3] To organize the discussion, we adopt a chronological perspective on societal developments, broadly following the sequence of historical institutional changes and their observable outcomes over time.

We begin with studies linking norms to modes of economic production in pre-state societies, where social relations were primarily governed by technological and resource constraints. These works trace how early economic conditions shaped enduring institutions, norms, and cultural traits. We then turn to research on proto-states and early forms of

[3]For a broader overview of the interplay between culture, institutions, and economic outcomes, see Alesina and Giuliano (2015). We include here only the subset of papers most relevant to the scope defined in this review.

governance that lacked full enforcement capacity yet still left lasting imprints on collective behavior. Finally, we consider papers connecting the emergence of modern states to changes in social norms, highlighting how state institutions have gradually reshaped expectations and patterns of behavior over time.

Historic Means of Production and Norms. Several studies examine how historical means of production shaped social norms. Alesina et al. (2013) show that societies that historically used plows have less egalitarian gender norms today. The authors argue that the gendered division of labor associated with plow agriculture fostered beliefs that a woman's natural place is in the home. These norms persisted and continue to influence expectations about female employment. Another example is provided by Cao et al. (2021), who test the hypothesis that ancestral involvement in herding led to the emergence of a culture of honor. Using folklore data, they document that traditional herding societies placed greater emphasis on norms related to violence, punishment, and retaliation. These cultural traits have persisted, with populations of herding ancestry experiencing more frequent and prolonged conflicts and higher numbers of conflict-related deaths. Historical economic institutions have also shaped norms of trust and cooperation. Nunn and Wantchekon (2011) analyze the long-term effects of the African slave trade, arguing that in areas heavily exposed to slave raids, mistrust toward others became an adaptive response. This contributed to the transmission of norms of mistrust over generations, leading to lower contemporary levels of trust toward relatives, neighbors, co-ethnics, and local governments among groups historically affected by the slave trade.

Long-Term Effect of Historical Institutions on Norms. History provides examples of relatively developed proto-states whose institutional legacies have persisted long after their disappearance. For example, Becker et al. (2016a) examine the former Habsburg Empire, known for its relatively well-functioning and respected bureaucracy. Using modern survey data, they show that individuals living in territories once under Habsburg rule

report higher trust in public institutions today compared to neighboring regions that were not part of the Empire. Another example comes from a natural experiment in Switzerland: after the extinction of a prominent dynasty in the 13th century, some municipalities gained self-governance while others remained under feudal control. Rustagi (2024) documents that historical exposure to participatory self-governance is associated with stronger contemporary cooperative norms, suggesting long-term persistence of institutional influences on social expectations.

Historical institutions may also influence norms of obedience. Lowes et al. (2017) study the legacy of the Kuba Kingdom, established in Central Africa in the early 17th century, which had more developed state institutions than the surrounding independent villages. Using this context, the authors examine how institutions influence cultural values that, in turn, reinforce these institutions. They conduct experiments to compare individuals whose ancestors lived within the Kuba Kingdom to those whose ancestors lived just outside the Kingdom, testing for differences in the propensity to follow rules. The paper shows that Kuba ancestry is associated with more rule-breaking and theft. This evidence thus supports Tabellini (2008)'s model, where institutions cause a decline in parental investments in teaching values associated with rule-following to their children. However, while formal institutions may erode the norms surrounding following the rules, they can strengthen the norms of obedience. In the context of Rwanda, Heldring (2021) examines the link between state establishment and conflict, highlighting the role of culturally-transmitted norms. The paper examines whether centralized states influence the development of norms of obedience to political authority. Using the case of Rwanda, the paper finds that villages under historical centralized rule experienced higher levels of violence during the state-organized genocide. Using data from several sources, including a lab-in-the-field experiment, the author shows that culturally transmitted norms of obedience played an important role in mediating the long-term effects of historical state institutions.

Modern Institutions and Social Norms. Building on the findings of Lippmann et al. (2020), which show how gender-equal policies in East Germany had lasting effects on social norms around female labor force participation, other studies highlight similar long-term influences of political regimes on preferences and norms. For example, Campa and Serafinelli (2019) document that women in East Germany, having been exposed to higher employment opportunities under the GDR's policies, continue to express more positive attitudes toward work decades after reunification. The division of Germany also affected preferences for redistribution: Alesina and Fuchs-Schündeln (2007) find that East Germans remain significantly more supportive of redistributive policies than their West German counterparts.

Evidence of gradual change in social norms through policy interventions comes from Beaman et al. (2009), who study the long-term effects of mandated gender quotas for leadership positions in Indian village councils. Since 1998, one-third of village councils in West Bengal have been randomly selected to reserve the position of chief councilor (*pradhan*) for women. This randomization allows the authors to identify how exposure to female leaders affects voter attitudes and electoral outcomes over time. They find that women are significantly more likely to run for and win elected positions in councils where the chief councilor seat had been reserved for a woman in the previous two election cycles (ten years) compared to councils that were never reserved. Importantly, evaluations of female leaders improved only after repeated exposure: in councils where a seat was reserved for the first time, female *pradhans* received worse performance ratings than those in councils with no reservation history. However, this negative bias disappeared in councils that had experienced a second cycle of reservation, suggesting that voter attitudes shifted gradually with continued exposure to female leadership. Experimental evidence reinforces this interpretation. Using vignette experiments, the authors show that in villages without prior reservations, respondents judged hypothetical leaders as more effective when the leader was described as male rather than female. This evaluation gap closed in villages that had pre-

viously elected women under reservation. Results from Implicit Association Tests (IATs) further indicate that exposure increased associations between women and leadership activities, although deep-seated preferences favoring male leaders remained largely unchanged. Taken together, these findings illustrate how political institutions can slowly reshape social norms by altering shared expectations about women's competence as leaders. While ingrained biases persisted, repeated exposure to female leadership weakened stereotypes and shifted the informal rules governing perceptions of women in politics.

Gradual changes in norms can also occur by shaping people's expectations regarding policies. Poyker (2023) argues that expectations about the longevity of political regimes might facilitate coordination against harmful social norms, particularly if the regime supports changes in these norms. The author investigates the role of political regime durability in the persistence and decline of female genital mutilation in Africa. Given the coordination problem, governments must simultaneously shift the expectations of a group of interacting families so that it becomes rational for them to abandon the practice, given its harmful effects and reduced benefits in the local marriage market. By exploiting random variations in state borders defined by colonial authorities, the author examines the impact of governmental institutions and policies on norms within ethnicities. He finds that a change in regime durability led to a significant decrease in the share of newly circumcised women. These findings echo Persson and Tabellini (2009), who argue that regime stability builds "democratic capital," allowing institutions to gradually shape collective beliefs and foster long-term beneficial norms.

4 Joint Evolution of Institutions and Social Norms

Early research on the evolution of social norms studied how regular patterns of behavior emerge and stabilize within populations through adaptive processes, without assuming that norms preexist. Three main modeling strategies have been developed. First, biological models emphasize mechanisms such as kin selection (Hamilton, 1964), reciprocal altruism

(Trivers, 1971, 1985), and Axelrod's norms game (Axelrod, 1986). Second, cognitive models focus on Bayesian reasoning and conditional learning in repeated interactions, for example in trust games (Bicchieri et al., 2004). Third, structured interaction models highlight network effects and agent-based learning (Skyrms, 1996, 2004; Alexander, 2007). These approaches analyze how strategies with higher payoffs become dominant and under what conditions norms persist or disappear. While most of this work lies outside economics and studies norms in isolation, it provides useful conceptual foundations for understanding how norms emerge and change over time.

In this section, we go beyond the isolated evolution of norms to consider how they jointly interact with and evolve with institutions. Some of the papers we review use the broader concept of culture. Yet their frameworks are directly applicable to social norms, which can be understood as specific cultural attributes or configurations that guide behavior. A key contribution in this direction is Acemoglu and Robinson (2025), who depart from the traditional Parsonian view of culture as stable and coherent (Parsons, 1951; Huntington, 2000). They model culture as a system of interrelated attributes whose meaning is shaped endogenously through their connections. Their framework distinguishes between a slowly evolving *culture set*–the available attributes and their feasible links–and a more fluid *cultural configuration* that encodes prevailing social meanings, justifications, and norms. Importantly, they emphasize that culture and institutions are jointly determined: political shifts and social struggles can rapidly reconfigure cultural meanings, producing discontinuous changes in prevailing norms. This systems approach highlights how the same cultural elements can support competing norms and institutional arrangements, offering a theoretical foundation for studying the co-evolution of social norms and institutions.

We begin the section with a qualitative illustration of the joint evolution, focusing on the Protestant Reformation as a case where institutional change and evolving social norms interacted in complex ways. Drawing on the interdisciplinary review by Becker et al. (2016b), we use the Reformation as a motivating example to show key mechanisms

of mutual influence between institutions and norms, setting the stage for the theoretical frameworks discussed in the remainder of this section. Other historical episodes, such as the Meiji Restoration in Japan, the reforms of Peter the Great in Russia, or Apartheid in South Africa, similarly highlight how political institutions and norms co-evolve over time. We then review theoretical models that explicitly examine the joint evolution, splitting the discussion into two themes: the implications of co-evolution for long-term economic outcomes, and the implications for institutional persistence. We also note that empirical evidence directly testing these theoretical predictions remains limited, leaving room for future research on specific channels of interaction between norms and institutions.

Case of the Protestant Reformation The Protestant Reformation provides a historically grounded example of the endogenous relationship between shifting social norms and institutional change. Before the institutional rupture, reformist demands had already emerged in response to growing dissatisfaction with the moral and organizational authority of the Catholic Church. Calls for autonomous national churches, critiques of clerical privilege, and opposition to religious commercialism illustrate that cultural and normative pressures preceded formal reforms. Earlier movements, such as the Waldensians, had been repressed by the Catholic Church, yet the eventual success of Protestant reformers rested on broader social coordination and elite support. This historical trajectory shows how evolving cultural preferences can create the conditions for institutional disruption and how pressures originating outside formal institutions, even when temporarily suppressed, can ultimately trigger transformative change and the spread of new norms.

The Reformation exemplifies a process of co-evolution, whereby emerging normative frameworks and institutional arrangements reinforced one another. In Protestant regions, particularly those where church ordinances were adopted, formal legal structures supported the provision of new public goods, most notably education. Dittmar and Meisenzahl (2016) show that Protestant cities that formalized church governance were more likely to establish schooling systems and experienced higher levels of human capital accumulation. Similarly,

Becker and Woessmann (2008) document that 19th-century Prussian regions with a Protestant majority not only had higher literacy rates but also narrower gender gaps in literacy, reflecting evolving norms around education and gender roles. Institutional effects extended to political structures: where Protestantism was adopted, Catholic institutions were often dismantled and replaced by secular authorities, fundamentally altering municipal and royal governance. More generally, new ethical ideals–such as individual responsibility and scriptural literacy–were embedded in institutional frameworks, creating feedback loops between cultural values and formal rule-making.

These changes had clear *economic implications*. Protestant cities with formalized church ordinances not only expanded education but also experienced higher long-term growth rates compared to otherwise similar cities without such reforms (Dittmar and Meisenzahl, 2016). Spenkuch (2011) shows that Protestants in contemporary Germany work longer hours than Catholics, consistent with Weberian hypotheses about the economic effects of Protestant values. Kahl (2005) find that predominantly Calvinist societies developed lean, means-tested welfare regimes emphasizing work and discipline, whereas Catholic regions were more likely to maintain decentralized, clergy-administered systems based on communal solidarity. This echoes a divergence similar to that described in Section 2.2, where norms of discipline substituted for communal norms. More broadly, Ekelund et al. (2002) suggest that breaking the Catholic Church's religious monopoly enabled greater institutional competition and innovation, which in turn supported economic dynamism. These institutional divergences, rooted in religiously informed normative expectations, shaped welfare provision and attitudes toward redistribution, generating long-term economic effects (Basten and Betz, 2013).

One can also observe the **persistence** of institutions established during the Reformation and reinforced by norms. Gorski (2003) documents that Calvinist regions, such as the Netherlands and Brandenburg-Prussia, developed more disciplined and effective administrative systems than their Catholic or Lutheran counterparts, contributing to long-term

reductions in social disorder and improved state capacity. Arruñada (2010) argues that Protestantism fostered institutional development not primarily through Weber's "work ethic," but through a distinct "social ethic" emphasizing mutual monitoring, support for impersonal institutions, and value homogeneity–features closely related to our definition of social norms. Initially driven by strategic constraints, Protestant communities increasingly relied on secular legal and political systems, which in turn promoted trust in formal institutions and strengthened state authority. In this view, the Reformation catalyzed a self-reinforcing dynamic in which evolving cultural norms supported the persistence of institutions through the channel of shared social expectations.

Impact on economic outcomes. Considering the relationship between norms and institutions as a determinant of economic behavior, Lindbeck et al. (1999) study how the social norm around work versus welfare dependence affects both economic decisions (i.e., whether to work or not) and political preferences about the size of the transfer. The model shows that the share of the working population, the size of the transfer, and the intensity of social norms are jointly determined in a general equilibrium. The paper hints at the possibility of different equilibrium configurations: a low-tax state supported by most taxpayers and a high-tax state supported by transfer recipients. Another examined economic context is trade. Bidner and Francois (2010) develop a theoretical framework modeling the evolution of norms and institutions, focusing on those facilitating trade. The model assumes that institutions necessary for effective trade take time to develop. During this transition, dishonesty can erode pre-existing honesty norms. If institutions do not develop quickly enough, honesty norms may collapse, leading to a trade breakdown and hindering further institutional progress. However, if institutions become functional swiftly, honesty norms are reinforced as honesty aligns with incentives.

Bisin and Verdier (2024) model a framework analyzing the interaction of culture and institutions and their effect on economic variables of interest. In their model, institutions represent the relative political power of different groups in civil society to affect policy

decisions. Culture represents the distribution of values and preferences within groups over policy decisions. The government chooses policies to maximize a social welfare function that reflects both the balance of political power among groups (institutions) and their underlying preferences and values (culture). The interdependence between institutions and culture is the fundamental factor determining their joint dynamics and their effects on economic activity, such as long-run economic growth. Interpreting the analysis from the perspective of the relationship between democracy and economic activity, the authors show that a push toward democratization may or may not be sustainable. Society might either converge to more inclusive institutions and socioeconomic prosperity or else–depending on the initial distribution of cultural traits and political power of the elites – revert to extractive autocratic institutions and limited economic prosperity.

Institutional Persistence. A further motivation for studying the joint evolution of norms and institutions is to understand why some institutional arrangements, such as democracy, persist while others collapse. Besley and Persson (2019) develop a model capturing the naturally arising complementarity between democratic values and institutions, showing how they coevolve over time. In this framework, the key state variable is the share of citizens strongly committed to democratic principles and willing to defend them, with this share itself changing endogenously. As more citizens adopt pro-democratic values, these values help sustain democratic institutions, which in turn reinforce and spread such values. This complementarity makes democratic change a gradual, path-dependent process driven by the strategic decisions of prospective winners and losers in the political arena, with neither institutions nor values alone determining the outcome. External shocks occasionally trigger the discrete transitions observed in actual democratic transitions around the world.

Similarly, Belloc and Bowles (2013) develop a model that explores the persistence of cultural-institutional conventions through a *bottom-up* mechanism, as opposed to traditional *top-down* models where powerful elites enforce institutions. In this model, the per-

sistence of certain conventions, such as the relationship between serfs and lords, is explained by mutual best responses: individuals in different classes adopt culturally prescribed norms, such as subordination and reciprocity, because it is in their best interest given the existing institutional arrangements. These cultural-institutional conventions can persist not only due to cultural transmission across generations or elite power but also because of strategic complementarity. If individuals independently choose to conform to existing institutions and cultural norms, these conventions can remain stable simply because they are evolutionarily advantageous as mutual best responses. This decentralized process helps explain how inferior conventions can persist without organized efforts to maintain them. The model also sheds light on "cultural-institutional tipping events," where rapid transitions occur. An example is the end of apartheid in South Africa, where individual actions by firms and trade unions predated broader institutional changes.

Another persistence mechanism involves the interplay between secular and religious institutions. Bisin et al. (2024) develop a model to explain the "Long Divergence" between the Middle East and Western Europe. Their framework focuses on the strategic interactions between rulers, religious elites, and secular elites, highlighting how these relationships shape both institutional structures and the cultural composition of society over time. In the model, rulers may delegate political power to religious authorities in exchange for religious legitimacy, thereby strengthening the influence of religious norms in civil society. However, these religious prescriptions—rules rooted in doctrine that sometimes constrain economic activity—can hinder long-term growth. The dynamics of power-sharing and cultural transmission create feedback loops that can lead to two distinct stable equilibria: a "religious regime," where religious authorities hold strong political power and religious norms dominate societal values, or a "secular regime," where religious influence is weak and secular values prevail. This mechanism illustrates how interactions between elites and the quest for legitimacy can lock societies into persistent institutional and cultural trajectories.

5 A Simple Model of Political Expression and Democratic Stability

In this section, we explore what we consider one of the missing links in the literature on social norms and stability of institutions. A large literature discussed above suggests social image concerns and social sanctions shape political expression (Bernheim, 1994; Morris, 2001; Acemoglu et al., 2013; Bursztyn et al., 2020b; Braghieri, 2024; Bursztyn et al., 2023b). A related literature shows that such suppression can generate misperceptions and pluralistic ignorance, degrading the information available to citizens and politicians alike (Kuran, 1997, 1991; Lohmann, 1994; Bursztyn and Yang, 2022). Separately, work on norms and institutions shows that informal rules can complement, substitute for, or undermine formal political and legal institutions (Aghion et al., 2010; Benabou and Tirole, 2011; Acemoglu and Jackson, 2017). Less developed is the *informational* link between these ideas. Indeed, democratic institutions do not observe citizens' private preferences or information directly; they may only respond to expression of these preferences, whether through public forums, electoral behavior, or other visible means. If social norms systematically suppress the expression of some views, democracy may fail to aggregate citizens' preferences and information, especially in a world where preferences may be changing (Bursztyn et al., 2020b). If so, democracy's failure to peacefully aggregate preferences and information can open the door to anti-democratic alternatives.

We now present a simple model to illustrate this information channel. When expression is not stigmatized, citizens reveal their preferences, candidates adjust their platforms, and democracy tracks changes in public opinion. When one position is stigmatized, citizens holding it may conceal it. As politicians respond to *expressed* rather than *private* opinion, democracy may become unresponsive to temporary or emerging majorities and create windows in which an anti-democratic entrepreneur attracts majority support. While the model is deliberately simple, it highlights the importance of information as a channel

linking norms and institutions.

5.1 Setup

Time is discrete and infinite, $t = 1, 2, \ldots$. The population consists of a continuum of individuals each belonging to one of three groups that we assume to be equally sized: Left L, Middle M, and Right R. All individuals share a common discount factor $\delta \in (0, 1)$.

Individuals have preferences over a policy space p, with individual $i \in G$, where $G \in \{L, M, R\}$ getting quadratic disutility if the policy in period t, p_t, deviates from the ideal policy of their group b_t^G:

$$u_t^i(p_t) = -\left(p_t - b_t^G\right)^2.$$

The preferences of groups L and R are stable: $b_t^L = l$ and $b_t^R = r$ for all t, with $l \neq r$. The preferences of group M evolve according to the following Markovian process: $b_t^M = b_{t-1}^M$ with probability 0.9 if $b_{t-1}^M = l$ and with probability 0.8 if $b_{t-1}^M = r$; with complementary probabilities the preference switches from l to r and from r to l, respectively. This is an ergodic process that equals l about $\frac{2}{3}$ of the time for large t. Assuming that $b_{t=0}^M$ equals l with probability $\frac{2}{3}$ and r with probability $\frac{1}{3}$, we get that in any given period, $\Pr\left(b_t^M = l\right) = \frac{2}{3}$ and $\Pr\left(b_t^M = r\right) = \frac{1}{3}$.

The society starts in a democracy, which functions in the following way. In period $t \geq 1$, two short-lived office-motivated politicians X_t and Y_t, who are for simplicity assumed not to be members of the society described above, choose their policy positions x_t and y_t. Afterward, members of the society choose between these candidates; the one that gets a majority wins, receives utility 1, and sets policy p_t equal to their policy position, while the loser receives 0 (with ties broken randomly and equally). In the absence of any information about the exact preferences of the middle group, b_t^M, the unique equilibrium in this policy competition game would have both politicians choose policy l. Indeed, if politician X_t chooses $x_t = l$, then for politician Y_t choosing the same policy lets him win with probability $\frac{1}{2}$, while choosing r lets him win only if $b_t^M = r$, which happens with probability $\frac{1}{3}$ (other

deviations are no better, and similar logic shows that this is the only equilibrium).

Suppose, however, that at the beginning of each period, prior to politicians choosing their policy position, all individuals announce their current policy positions (either l or r). The individuals are assumed to be averse to lying, but also averse to stating that they prefer r. In other words, each individual i chooses their announcement d_t^i to maximize their

$$v^i\left(d_t^i\right) = -\alpha \mathbb{1}\left\{d_t^i \neq b_t^{G(i)}\right\} - \beta \mathbb{1}\left\{d_t^i = r\right\}.$$

Here, the first term reflects the individual's aversion to lying, whereas the second term captures aversion to stating position r. (In a richer model, the stigma effect would be proportional to the number of people who hold the opposite belief l, but we keep it fixed for simplicity.)

Lastly, suppose that while the society starts as a democracy with decision-making rules described above, at the beginning of the period, with probability μ, a right-wing revolutionary entrepreneur attempts a coup that would permanently lock the society in a right-wing dictatorship with policy $p_t = r$ in every period thereafter. However, this entrepreneur succeeds only if a majority of the population supports him (since group R always supports him and group L never does, this is equivalent to having support from a random individual from group M).

5.2 Result

The crucial distinction for the dynamics of this society comes from the comparison of preference to tell the truth versus conforming to the social norm of saying l. We first notice that citizens whose ideal policy is l will announce l. As for the citizens who prefer r, they will announce r if $\beta < \alpha$, but will lie and announce l if $\beta > \alpha$. Because of this, the current state s_t will be truthfully revealed to everyone in the former case but not the latter.

If $\beta < \alpha$, the candidates know the state and would choose platform equal to s_t to

maximize their chance of winning. They would do so in every period, and individuals from group M therefore expect policy to always be responsive to their current and future preference. As a result, they would reject a coup that would lock them in policy r forever, even if they prefer that policy today.

The dynamics would be different if $\beta > \alpha$. In this case, everyone says l, and the true preference of group M is never revealed publicly. The candidates choose policy l, which is more likely to be popular, to maximize their chance of winning. In periods where the state $s_t = l$, the coup would fail because group M would reject it. However, if the current state $s_t = r$, there is a tension. For an individual from group M, their immediate preference would be to support the coup, because it would guarantee a higher payoff in the current period. The downside would be locking in policy r forever, and since in the distant future their preference would be l roughly 2/3 of the time, their forward-looking interests would be to reject the coup. Their behavior would therefore depend on the discount factor: forward-looking citizens would reject the coup even if democratic policy is not responsive to their immediate preferences, but if they are not forward-looking enough, they would support the coup. Specifically, we can prove the following result.

Proposition 1. *If $\beta < \alpha$, all citizens truthfully announce their preferred policy. Candidates in every period choose the current preferred policy of the middle group, s_t, which is implemented. Any coup attempt fails.*

If $\beta > \alpha$, all citizens announce l. As long as democracy is in place, candidates announce platform l, which is then implemented. A coup attempt succeeds if and only if the current state is $s_t = r$ and $\delta < \frac{10}{11}$.

The threshold $\delta < \frac{10}{11}$ does not depend on the coup arrival rate μ: although declining an attempt preserves the option to support a later one when the state returns to r, that option has zero value at the threshold, so the condition for a successful coup is unchanged.

5.3 Discussion

The model illustrates the point that democracy aggregates expressed rather than privately-held preferences. To function properly and to reflect citizens' preferences, democracy needs freedom of speech — not as a proclaimed ideal, but as an equilibrium outcome. In its presence, citizens prefer democracy to any alternative and would work to preserve it against any threat. In the absence of free speech, democracy loses its appeal. It may still have long-term advantages, but if people are not sufficiently forward-looking they might support a coup overthrowing democratic institutions if it promises policy benefits in the near future.

Importantly, this section highlights that preference falsification (Kuran, 1991) is not only a means for autocratic regimes to sustain their rule. It is that preference falsification, and the resulting misperception of citizens' preferences by politicians, may happen under democracy as well, and if so, democracy ceases to reflect citizens' true preferences and becomes fragile. Thus, social norms regarding political expression become a critical input in functioning of democratic institutions through the information channel.

6 Some Open Questions

This chapter reviewed a growing literature in economics focused on the interplay between social norms and political behavior and institutions, both theoretically and empirically. This review hints at several fruitful avenues for future research.

First, when considering welfare maximization at the societal level, how do social norms and institutions interact? At the simplest level, this boils down to whether and which norms and institutions complement or substitute for each other. Realistically, of course, the interaction is likely more complex. Relatedly, an interesting question is how a society, collectively or at the individual level, makes decisions to invest in institutions (such as democracy or state capacity) as opposed to investing in building stronger social norms. The existing literature suggests that multiple paths are possible; we are only beginning

to understand the actual societal decisions on institutions and social norms, how they are made, and what trade-offs are critical for these decisions. This understanding is important for a variety of questions, from economic and political development to the stability of democratic institutions.

Second, from a political economy perspective, the main role of institutions is in defining the political game; as such, the social norms (and overall culture) surrounding political behavior may be a crucial input. How do these social norms evolve? Some of these norms, such as voting, may be thought of as pro-social. Other political norms, including what are acceptable political positions, what are acceptable political tactics, and what personal history is within limits and off-limits, appear to be quite idiosyncratic. Nevertheless, their origins are interesting to understand. One of the most relevant questions at present is the tolerance or intolerance toward the expression of radically different viewpoints and, relatedly, freedom of speech and "cancel culture." The model we presented in this chapter suggests that these norms may have a profound effect on the functioning and stability of democratic institutions. This contributes to our understanding of the consequences of such norms; nevertheless, the origins and dynamics of these social norms remain poorly understood.

Third, institutions and social norms are often assumed to be known to everyone, almost by definition. In reality, this cannot be taken for granted, and, in fact, societies expend considerable effort on trying to make people aware (e.g., classes on civics at school or other forms of education). Despite this effort, since social norms are usually transmitted in a decentralized way (or imperfectly centralized), misperceptions about prevalent social norms are possible. Recent studies suggest that misperceptions may be more commonplace than one might have thought. A number of related questions emerge: What is the origin of misperceptions? When and how do different local social norms form? What determines the direction of misperceptions? Once we understand these questions better, we can make progress on more practically relevant issues, such as learning why some misperceptions are

quickly corrected while other ones diverge from reality and grow in magnitude or what mechanisms can amplify misperceptions. Ultimately, we would like to understand whether all misperceptions are harmful to the society, or if there are misperceptions that the society would prefer to persist if it could make such a choice.

The political economy of social norms is an exciting, lively, and growing area of inquiry in economics, with a lot of potential to shed light on both theoretical and policy-relevant questions by using a variety of experimental, empirical, and theoretical tools.

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