Alternative Theories of Institutional Change

- Functional (economize)
- Power
- Isomorphic
- Learning (knowledge)

Formal Institutional change: effect of everyday rules is HEC for some. Some large firm gain > TC

- Contributions to lobby not tax deductible. Lobby cannot have a profit making arm.
- Lobbying paid with profit from tie-in sale is allowed (e.g. Sierra Club
- Pol. campaign contr.

- Few $ contributed & little lobbying for benefit of diffuse groups. Concentrated interests are effective.
- More lobbying done for diffuse groups.

- Power issue? Court says it is free speech.

Informal Institutional Change:

- Informal custom of differential pricing exists for some old products. Mind sees new product “fits” old custom.
- Learning, imitation, ideology.

- A custom of differential pricing evolves for a new product. Seems natural to sellers & buyers.
If it doesn’t appear natural to one of the parties, it moves to the formal level.

- Performance (institutional change) seems hard to predict because several “fits” are possible (just as several court precedents are possible for each new case). What gets codified will be in large measure what newly appears natural.

- Economizing, power, &/or knowledge?

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Do we have a common theory for Impact & Change analysis?

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Sound Bites

- Corporations are funny looking persons.
- Magna Carta from *magna militari*.
- My institution is more natural than yours.
- Spin doctor spin.