Re-evaluating De Tocqueville: Social Mobility and Stability of Democracy

Daron Acemoglu (MIT)
Georgy Egorov (Northwestern)
Konstantin Sonin (HSE)

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Institutions and social mobility

- Democracy is more stable when inequality is low
  - Marx, Piketty
- If inequality is high, social mobility helps make democratic system stable
  - idea going back to at least De Tocqueville (1835); also Pareto (1935), Lipset (1960), and Moore (1966)
- De Tocqueville in *Democracy in America*:
  - "In the midst of the continual movement which agitates a democratic community, the tie which unites one generation to another is relaxed or broken; every man readily loses the tract of the ideas of his forefathers or takes no care about them. Nor can men living in this state of society derive their belief from the opinions of the class to which they belong, for, so to speak, there are no longer any classes, or those which still exist are composed of such mobile elements, that their body can never exercise a real control over its members."

Institutional stability

- Why democracy may be unstable?
  - revolution by poor
  - coup by rich
  - median voter dismantling democratic institutions

- How to make democracy stable?
  - prevent revolutions/coups
  - make sure that small deviations bounce back

Two-period example

- Society of n individuals with $-(p\downarrow t - b\downarrow i)\uparrow 2$ stage payoffs
  - $2/5\ n$ rich, $b\downarrow R = 1$
  - $1/5\ n$ middle class, $b\downarrow M = 0$
  - $2/5\ n$ poor, $b\downarrow P = -1$
- Institutions
  - left-wing dictatorship
  - democracy
  - elite dictatorship

Two-period example: stability of democracy

- Rich in power, no social mobility
  - elite dictatorship persists
- Rich in power, "full" social mobility
  - transfer power to middle class
  - democracy persists

- Middle class in power, some social mobility
  - after first period, r members of middle class become rich
  - if $\alpha = 5r/n > 1/2$, then power is transferred to rich
  - otherwise, democracy persists

Infinite-period example

- Same setting, infinite number of periods
  - each period, r members of middle class become rich, same number of rich becomes middle class
  - discount factor $\beta=4/5$
- Stability
  - left-wing dictatorship persists
  - elite dictatorship persists
- What happens with democracy?
  - if mobility is high ($\alpha=5r/n>1/2$), democracy is abandoned
  - even if mobility is low ($\alpha<1/2$), democracy might be unstable

Infinite-period example, ctd.

- Infinite number of periods, share α of middle class moving up each period, discount factor $\beta=4/5$
- What happens with democracy if mobility is low ($\alpha<1/2$)?
  - middle class prefers democracy in next period (so that they remain pivotal)
  - middle class prefers elite dictatorship in distant future – in long run, each citizen spends $2/3$ of time as rich, $1/3$ as poor ("ergodic property of Markov chains")
- In equilibrium
  - when mobility is very slow $\alpha<1/4$, democracy persists
  - when $1/4<\alpha<1/2$, only mixed-strategy equilibria

Literature

- Social mobility and preferences for redistribution
  - Wright (1986): voting on unemployment insurance
  - Piketty (1995): learning importance of luck/effort from past generations
  - Benabou and Ok (2001): agents choosing persisting policy who anticipate that their preferences will have changed (~ our two-period model)
- Social mobility and democratization
  - Leventoglu (2005, 2013) – two states and rare opportunities for revolution; no strategic interactions between decisions in different periods
- Farsighted stability of institutions
  - Barberà and Jackson (2004), Gomes and Jehiel (2005), AES (2012), Anesi (2010), Anesi and Seidman (2014), Baron and Bowen (2013), Diermeier, Egorov, and Sonin (2014)
- Dynamics of institutions in presence of shocks
  - Acemoglu and Robinson (2000), AES (2011, 2015)
- Political conflict between current and future selfs
  - Strulovici (2010), Bisin, Lizzeri, and Yariv (2015), Jackson and Yariv (2015)

Main Results

- Existence of equilibrium
  - Markov perfect symmetric
- Conditions for uniqueness
  - Relationship between preferences of future selves
- Stability and asymptotic stability
  - role of irreducible components

Slippery slope

- Decision-maker may not move to state it prefers from status quo as he fears that subsequent changes would make him worse off
  - "slippery slope considerations"
- In earlier work, we showed that slippery slope considerations show up with farsighted players (high β)
- In this paper, there is no slippery slope for low β or high β, but it is possible for intermediate β
  - if β is low, players are too myopic to worry about distant future
  - but if β is high, conflict of interest between groups within the same component disappears (same long-run distribution) and delegation to another group has little adverse long-term consequences

Endogenizing social mobility

- Who benefits from middle class – rich mobility?
  - Rich: can become poorer, but institution may become more favorable
  - Middle class: can become richer; better off
  - Poor: can only lose, if rich come to power
- Who benefits from middle class – poor mobility?
  - Rich: can only lose, if poor come to power
  - Middle class: can become poorer; worse off
  - Poor: can become richer or come to power as a class
- People may care about mobility they are not part of, because of institutional consequences
  - e.g., industrialization in Austria-Hungary and Russia might have been delayed not only because easier coordination on revolution, but also higher mobility among lower classes

Conclusion

- What makes democracy stable?
  - democracy is made more stable by social mobility which preserves median voter, on average
  - otherwise, social mobility makes democracy less stable
- What drives dynamics of institutions ?
  - decision-makers care about future selves and are willing to delegate to their expected types (rationale for change)
  - but they can postpone this delegation, delegating this decision to future occupants of their place (conflict of interest among future selves)
  - slippery slope considerations arise, but only for the case of intermediate (rather than high) discount factor