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Original article

# The adaptability of informal institutions

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#### Abstract

**Motivation:** The study is guided by a set of research questions. How do informal institutions change? Does their deep historical and cultural embeddedness imply that such a change necessarily occurs at a slow pace? And to what extent can informal institutions be considered adaptive in responding to external pressures?

Aim: The author's primary intention was to investigate the specific character of informal institutions, with particular emphasis on their adaptive capacity. The analysis focuses on the factors that may trigger adaptation processes, and whether these changes can occur under certain conditions over a relatively short period of time.

**Results:** The study finds that informal institutions, though typically slow to evolve, exhibit uneven persistence across different clusters of norms. Some categories respond more quickly to external pressures, such as the introduction of new formal rules, shifts in socio-economic conditions, or political upheavals. These responses may generate new practices that, once routinised, crystallise into new social norms. Such adaptive dynamics foster complementarities among institutional components, reinforcing systemic coherence and enhancing the stability of the broader institutional order.

**Keywords:** informal institutions; adaptability; institutional change

JEL: B52; O17; D02

### 1. Introduction

This article presents the author's research on informal institutions, with a particular focus on the processes that drive their transformation. The analysis of the nature and evolution of informal institutions highlights a set of interdependencies that emerge within the institutional system of the economy. Effective economic performance requires the achievement of institutional equilibrium, understood as a state in which different groups of institutions are mutually compatible and oriented toward the pursuit of common objectives. Against this background, the paper addresses the question of the specific character of informal institutions, with particular attention to their adaptive capacity. While the literature on institutional economics generally emphasises the slow pace of change in informal institutions and the difficulty of identifying its drivers, this study considers the factors that may induce institutional adjustments and explores whether such changes can, under certain conditions, occur within relatively short time frames.

#### 2. Informal institutions

For each society to ensure its long-term sustainability and resilience in the face of a period of disruption, it is essential to establish a robust institutional framework. Among the various institutions, informal institutions hold a position of particular significance due to their deep-rooted nature. These institutions serve a stabilising function within the social system, forming the core of the institutional structure of society and acting as a fundamental source of its long-term evolution. Due to their intrinsic nature, informal institutions are deeply embedded within the cognitive schemas of individuals, which confers upon them a considerable capacity for persistence across extended temporal horizons.

The institutional system is not a homogeneous structure. On the one hand, it is composed of institutions of various types; on the other hand, these institutions are interconnected in such a way that it becomes difficult to precisely examine their impact on the activities of individuals and groups. Most commonly, formal institutions are the subject of analysis – those that are established and legally binding within a specific territory (such as a country, region, or administrative unit). These are complemented by informal institutions and enforcement mechanisms. Together, they constitute a network of rules or norms that become embedded in a given society and influence the actions undertaken by individuals and groups. Identifying a clear criterion that distinguishes formal institutions from informal ones is not straightforward. Although this distinction is usually framed in terms of how rules are

written down or established, a more appropriate criterion appears to be the mode of their enforcement. Formal institutions are enforced by courts and the judicial system. In contrast, informal institutions lack a specific body responsible for overseeing their implementation. Instead, enforcement is carried out by other members of society (Hodgson, 2025, p. 3) Such an approach is employed by Voigt, who distinguishes between external institutions – sanctioned by the state – and internal institutions – sanctioned by society (Voigt, 2019, p. 17).

Explaining the nature of informal institutions requires reference to unwritten social rules that govern behaviour within society. Given this, it can be stated that "informal institutions are behavioural regularities based on socially-shared rules, usually unwritten, that are created, communicated, and enforced outside of officially-sanctioned channels" (Helmke & Levitsky, 2004). This is the most well-established research definition of informal institutions. Expanding on this definition, it can be pointed out that they are (OECD Development Centre, 2007, p. 3; North, 1990, p. 40):

- extensions, elaborations, and modifications of formal rules outside the official framework;
- socially sanctioned norms of behaviour (attitudes, customs, taboos, conventions, and traditions);
- enforcement characteristics are self-enforcement mechanisms of obligation, expectations of reciprocity, internalised norm adherence (standard operating procedures), gossip, social isolation, ostracism, boycotting, shaming, threats and the use of violence.

Defining informal institutions poses a significant conceptual challenge. It is somewhat easier to provide examples of such institutions, including rules of social coexistence, conventions, taboos, customs, and societal attitudes toward work, money, and similar issues. The institutional framework is shaped by the dominant ideology or by a set of values broadly shared within society. Voigt (2019, pp. 120–121) points out that informal institutions are often regarded as a part of culture. According to this author, however, only some of these institutions can be classified as cultural, for example, rules derived from religion. Alternative norms may emerge within smaller groups whose behaviour is guided by a shared set of interests. In such cases, members of these groups may act in ways that contravene formal legal regulations if doing so enhances their individual or collective benefits. The sanctions imposed by the broader society may be insufficient – either due to an ineffective judicial system or social tolerance expressed through a "blind eye" turned by other members of the community. Nonetheless, the extent to which specific behaviours deviate from accepted norms must be assessed on a case-by-case basis (Ostrom, 2008, p. 24).

It is beyond dispute that formal institutions can act effectively only when they are embedded within shared patterns of thought and behaviour. Habits



must be regarded as constituting the foundations of institutions, providing them with persistence and reinforcing their capacity to exert influence over social processes. "Many institutions, including property rights systems, work by creating certain expectations in the minds of agents about the meanings and implications of specific acts and symbols. Thus the success of an institution depends on and can be measured by how tenaciously people hold onto the expectations that the institution engenders" (Onoma, 2009, p. 69).

#### 3. Methods

The analysis presented in this article is anchored in a review of the literature in institutional economics. By synthesising strands of institutional theory and applying logical inference to the selected field of inquiry, the author constructs a coherent conceptualisation of informal institutions. The article is, by design, of a theoretical and descriptive character.

#### 4. Results

## 4.1. Changes of informal institutions

Informal institutions possess a relatively enduring nature. Their transformation occurs over significantly longer periods compared to other components of the institutional system (O.E. Williamson, 2000). A lengthy duration is essential for changes in value systems to become apparent. These changes constitute the foundation for the transformation of social norms, customs, rules, conventions, and so forth. According to the widely accepted classification of institutions proposed by O E. Williamson (2000), which is based on the criterion of the time of change, one should not expect rapid modifications of informal rules. Informal institutions are the most entrenched institutions. These institutions form the core of the institutional framework and serve as a source of change over the long term. "The idea of persistence of some kind is virtually built into the very definition of an institution. (...) The connection between institutions and persistence makes it natural for all of these approaches to focus on explaining continuity rather than change" (Mahoney & Thelen, 2009, p. 4). The persistence of certain institutions, measured in centuries, need not pose an obstacle to the adaptation of individuals and societies to changing conditions. This coexistence and systemic interconnection of various components of culture, with differing degrees of plasticity and susceptibility to change, underpins the durability of cultures and their dynamic equilibrium (Wilkin, 2016, p. 89). In general, they change rather slowly (referred to as slow-moving institutions). This is partly because many social norms are rooted in religions,

whose fundamental principles have remained largely unchanged over the centuries, and even millennia. The major world religions have shaped and continue to shape the core values and preferences of individuals. From religion arise fundamental issues for humanity, as well as expectations regarding others (Roland, 2004, p. 116). Due to their nature, they can be classified as primary institutions. This is the type of institution O.E. Williamson had in mind when referring to Level 1 (L1) institutions, which evolve only slowly over time – on the order of  $10^2$  to  $10^3$  years (O.E. Williamson, 2000, p. 597).

However, there are elements within the subsystem of informal institutions that change more rapidly than might be expected. This is particularly evident during periods of transformative change in economies and societies. Radical changes in formal institutions occurring over a relatively short time do not immediately result in modifications of informal institutions. Accelerated changes in the environment where economic or social activities are undertaken, such as crises, economic shocks political upheavals, technological advancements, or other factors, can lead to a corresponding acceleration in informal institutions as well. A shift in the distribution of power within a society, often triggered by economic or political shocks, can lead to significant institutional change, influencing both formal and informal rules. These changes can reshape value systems and, in a relatively short period, alter collective behaviours and cognitive frameworks. Such transformations may result in a departure from established norms and values, replacing them with new ones that reflect shifts in the distribution of resources and income. It is plausible that the underlying cause of these shifts lies in the changing incentives and constraints faced by different social groups, which in turn affect their bargaining power and access to economic opportunities. Chavance (2008, p. 65) has written that "Post-socialist transformation has not taken place in a uniform way in informal institutions: enduring legacies have co-existed with the rapid collapse of unwritten rules and with the swift emergence of new non-codified rules. For instance, a culture and informal behavioural traits linked to shortage have declined rapidly in all countries where a shift from a resource-constrained to a demand constrained economy has been realized in a few months or even a few weeks". It appears that certain types of informal institutions can be reprogrammed and modified in ways that differ from their original forms. Adaptive informal rules may emerge as a result of the dissonance between the formal and informal components of the institutional system. If they are sufficiently robust, they can also influence the transformation of formal rules (Tsai, 2006, pp. 126– -127).

The introduction of a formal incentive may alter the conditions under which individuals operate and lead to adjustments in behavioural rules. Such a change can trigger a gradual process of adaptation of informal institutions

to the new context. However, this process tends to be slow and evolutionary. Institutional asymmetry - a misalignment between formal and informal institutions – can become a source of institutional change, affecting both types of institutions. In particular, conflict between formal rules and informal norms may result in pressure for informal components to evolve.

The evolution of institutions involves the gradual modification of informal norms, rules, and constraints embedded within society. Over time, certain behaviours may become more widespread and solidify into established social norms. On the other hand, formal institutions are introduced by the state to induce more rapid behavioural change. From the perspective of institutional system efficiency, the relationship between formal and informal institutions plays a crucial role.

## 4.2. The adaptive pattern of informal institutions' change

There is little doubt that adaptive change is an inherent feature of every society. This applies equally to institutional frameworks, which co-evolve with the real sector of the economy. As Friedrich von Hayek (1998, p. 25) observed "all evolution, cultural as well as biological, is a process of continuous adaptation to unforeseeable events, to contingent circumstances which could not have been forecast".

The interaction between formal and informal institutions constitutes a key source of institutional dynamism, as informal institutions shape the development and functioning of formal institutions, while simultaneously being transformed through their influence (Hodgson, 2025) Roland (2004, p. 118) proposes "to view institutional change as the interaction between slow-moving institutions, culture into particular, and fast-moving institutions such as political and legal institutions. It is this interaction that drives institutional change, and it is the interaction between institutional change and technology that drives economic growth".

Horak and Restel (2016, p. 532) have written that "informal institutions are dynamic constructs that change in nature and influence over time". For instance, the works of Inglehart and Welzel present cultural maps of various countries and trace their evolution over time (Inglehart & Welzel, 2010). These maps serve as a foundation for analysing the trajectories of change in informal institutions. Their research reveals cross-national similarities in both the direction and the pattern of such change, most notably the increasing salience of self-expression values and secular-rational orientations across the majority of countries (Yeganeh, 2024).

The question arises as to the causes of institutional change and the very nature of such change. Informal institutions evolve in ways that are often difficult to observe directly. Nevertheless, it can be noted that the following conditions typically characterise such a change (Farrell, 2009, pp. 166–167):



- 1. A departure from existing informal norms yields net benefits to the actors (individuals or groups) initiating the change;
- 2. The actors initiating the change can sustain their deviation from established norms despite resistance from others who may prefer the status quo;
- 3. The norm-deviating behaviour is replicated by all or the majority of remaining actors, to the extent that it becomes an expected pattern of behaviour within the community in specific situations.

This framework applies to any change in informal institutions, as – unlike formal institutions – they cannot be imposed upon a community by an external actor. However, it appears that within the broader category of informal institutions, some may be more prone to rapid change than others. "With repetition and diffusion, these informal coping strategies may take on an institutional reality of their own. In contrast to deep-rooted, "primordial" informal institutions, which tend to resist change, the resulting norms and practices can be called adaptive informal institutions because they represent creative responses to formal institutional environments that actors find too constraining. (...) Examining the life cycle of adaptive informal institutions can thus demonstrate how some formal institutions manage to undergo significant transformations in the absence of external intervention, crisis conditions, or societal demands" (Tsai, 2006, p. 118). Changes in informal institutions (e.g., religious norms) occur not only as a result of changes in values and beliefs, but also under the influence of power pressures and the play of interests. Tracing the history reveals their adaptations to changing social and economic conditions (Seror, 2018). Brousseau and Raynaud describe the evolution of informal institutions as a dynamic process in which these institutions gradually gain strength through practice and ascend the "hierarchical ladder of rules." Over time, they may become more formalised and eventually institutionalised as commonly accepted norms within the broader framework of society (Brousseau & Raynaud, 2011).

In institutional literature, four dimensions of institutional change are presented (Mahoney & Thelen, 2009, pp. 15-16):

- 1. Displacement: the removal of existing rules and the introduction of new ones,
- 2. Layering: the introduction of new rules on top of or alongside existing ones,
- 3. Drift: the changed impact of existing rules due to shifts in the environment,
- 4. Conversion: the changed enactment of existing rules due to their strategic redeployment.

It is essential to recognise that institutional change is generally examined in relation to an already existing institutional framework. Contemporary institutions are profoundly embedded in their historical antecedents, and

institutional transformation seldom entails a wholesale replacement of the prevailing order. Newly created formal institutions typically arise within the context shaped by existing informal institutions. Institutions, once established, are neither universally accepted nor seamlessly adapted to; rather, they remain arenas of dispute in which actors continually struggle over their appropriate design and the roles they ought to fulfil (Thelen, 2004, p. 32). The capacity of the institutional system to influence economic performance is contingent upon the degree of institutional coherence - that is, the extent to which various types and layers of institutions are mutually compatible and aligned.

In the case of informal institutions, the mechanism of change may involve their gradual evolution toward supporting goals that are identical or closely aligned with those of formal institutions. For example, the increasing introduction of smoking bans in a wide range of public spaces – combined with other state-led anti-smoking measures such as higher excise taxes, public health campaigns, and restrictions on tobacco advertising – has contributed to the gradual formation of social attitudes that are increasingly negative toward smoking and smokers. Surveys conducted by the Public Opinion Research Centre (CBOS) in Poland show that between 2008 and 2019, there was a significant increase in the percentage of Poles who supported the introduction of public smoking bans: from 47% in 2008 to 75% in 2019 (Palenie Papierosów, 2019, p. 5). One can therefore observe the emergence of a growing societal consensus regarding the harmful effects of smoking and its adverse effects, including those affecting non-smokers. This social norm or behavioural pattern is becoming increasingly widespread, rooted in the negative societal perception of smoking -particularly in relation to its health consequences. In this case, the evolution of informal institutions aligns with changes in formal institutions, leading to increased effectiveness of the institutional system in reducing smoking prevalence. As a result, the share of smokers in Poland has declined steadily - from 37% in 1997 to 26% in 2019 (Palenie Papierosów, 2019, p. 2).

Informal institutions may emerge or evolve in situations where formal institutions prove ineffective and fail to achieve their intended objectives. There may be circumstances in which formal institutions are highly restrictive, yet societal evaluation of the extent of these restrictions is negative. In such cases, formal institutions do not adequately respond to social needs. Under these conditions, informal behavioural patterns and norms assume the role of regulating actions. Members of society develop informal strategies to cope with prevailing problems. Over time, as such practices become widespread, informal rules of conduct may be established, which more efficiently address social issues (Gërxhani & Cichocki, 2023)and especially their interaction, affect participation in the shadow economy in transition countries; and (2. However, the ineffectiveness of formal solutions should not be regarded as the primary cause of the emergence of informal institutions. They cannot be treated as residual (Helmke & Levitsky, 2004). Nevertheless, informal practices that arise in response to the ineffectiveness of formal rules often become institutionalised over time through a process of gradual formalisation of behavioural norms. A notable example is China, where local informal practices eventually led to subsequent legal reforms legalising private entrepreneurship and market mechanisms, transforming China's economy (Barbalet, 2023; Tsai, 2006). This, in turn, gives rise to further transformations within the institutional framework of the economy. G. Hodgson (2025, p. 13) presents examples of informal institutions (cultural norms) that have emerged as a result of the functioning – or lack thereof – or formal institutions.

When formal institutions are introduced exogenously – through transplantation from a different socio-political context – they frequently stand in dissonance with entrenched informal norms and practices. A substantial divergence between these institutional domains generates ambiguous incentive structures, producing what may be described as institutional asymmetry. Such asymmetry undermines generalised trust, including confidence in the state and its agencies, thereby constraining the propensity of economic actors to engage in productive activity.

Relations among different categories of institutions may be shaped by substitutability or complementarity. In the initial stages, when new formal institutions are transplanted or deliberately designed, efforts to construct a coherent institutional order give rise to frictions stemming from institutional misalignment. Competing arrangements seek to establish dominance in addressing specific coordination or enforcement problems: stronger institutions tend to crowd out weaker ones, while more efficient structures gradually replace those that generate higher transaction costs. This process reflects an early phase of institutional competition and selection. The inefficiency of formal institutions creates a structural advantage for informal arrangements, which are deeply rooted in prevailing mental models, social norms, and belief systems.

In the contexts of enforcement deficits and institutional voids, informal institutions offer alternative governance mechanisms that resonate more closely with societal expectations. Under such conditions, opportunistic behaviour proliferates, and actors increasingly resort to rent-seeking strategies rather than engaging in productive economic activity.

Over time, however, institutional evolution follows a path-dependent trajectory, marked by the gradual elimination of dysfunctional arrangements, mutual adjustment among surviving institutions, and the endogenous emergence of new rules. At more advanced stages of development, complementarities increasingly prevail, as institutions become mutually reinforcing, generating more coherent incentive structures and reducing systemic ambiguity. The consolidation of such complementarities is often a precondition for sustained economic performance and the stabilisation of generalised trust (Staniek, 2017, p. 89). The existence of

complementarity between culture and institutions enhances the effectiveness of the latter in shaping societal behaviour (Payen & Rondé, 2025). "The interdependence between institutions and culture is a fundamental factor, along with technology, driving socio-economic change and long-term institutional development" (Bisin et al., 2024, p. 35).

The analysis of the emergence or manifestation of informal institutions in response to the low effectiveness of formal rules indicates that this process depends significantly on the degree to which such behaviours are tolerated by the authorities and their agencies. The higher the level of tacit acceptance – when state actors quietly allow legal rules to be circumvented – the greater the likelihood that adaptive informal institutions will emerge and develop. Moreover, members of the ruling elite may also derive benefits from the existence of such informal arrangements (Tsai, 2006, p. 126). As a result, emerging adaptive informal institutions become increasingly entrenched and may begin to influence income distribution based on the interests of informal groups – including political elites, party networks, or circles within the ruling apparatus. Informal institutions may erode or subvert the functioning of formal rules, particularly when the operative logics of these two institutional domains are mutually incompatible. Manifestations of such institutional incompatibility include corruption, clientelism, and informal networks of influence, all of which diminish the effectiveness of formal governance structures and undermine the capacity of democratic institutions. The widespread diffusion of such informal arrangements tends to undermine the application of formal statutory law. Numerous examples of this phenomenon can be observed, particularly within the functioning of the public sector during the period of systemic transformation (Grzymala-Busse, 2010). For example, in the late 1980s and 1990s, it was common practice in Poland to 'arrange' access to public services through personal connections or bribes. As transparency in the provision of public services increased and legal regulations were strengthened, this type of behaviour became far less prevalent. According to CBOS (Korupcyjne doświadczenia Polaków, 2017), the share of Poles who had given a bribe or knew someone who had received one decreased threefold compared with the 1990s, and this indicator continued to decline in subsequent years (Różne barwy korupcji w Polsce, 2021).

Informal rules may become a barrier to the effectiveness of formal institutions. The consequences of such institutional conflict are often difficult to fully predict (Fiori, 2002, p. 1027). When the operative logics of formal and informal institutions are in conflict, the efficient functioning of the institutional system becomes exceedingly difficult to achieve. Unclear incentives within the institutional system lead actors to behave in ways that diverge from expectations, ultimately undermining trust in the environment and increasing the risk of business failure. Opportunistic behaviour becomes more frequent, and in response to the new circumstances, new informal behavioural patterns begin to emerge.

Continuous processes of adjustment among social norms demonstrate that the institutional system is characterized by permanent disequilibrium (Borkowski, 2023, p. 62). But the ongoing process of mutual adjustment among institutions gradually gives rise to a more comprehensive and internally consistent system, one that generates more effective incentives for enhancing human welfare. Contradictions among elements of the institutional system constrain the scope of societal benefits. It becomes a barrier to economic progress, decreases entrepreneurship and investment activities. Empirical studies have revealed that societies may, in fact, derive greater benefits under conditions of strong informal institutions coupled with weak formal ones than in situations characterised by weak informal institutions and strong formal structures (C.R. Williamson, 2009).

The adaptive trajectory of informal institutions, and their subsequent consolidation, ought to be understood as emerging from the routinized and patterned practices of individual actors in recurrent situational contexts. Their institutionalization further presupposes a collectively shared conviction regarding the indispensability and normative validity of the given social rule.

Institutional adaptability should not be reduced merely to alterations in the institutions themselves induced by exogenous economic, social, or political forces. Rather, it must be conceptualized as an inherent systemic property that facilitates the adjustment of individual and collective actors to shifting contextual conditions. This adaptive capacity enables the reconfiguration of cognitive frames, behavioural repertoires, and normative orientations (Lascaux, 2023, p. 194). It is typically not a single norm but an ensemble of informal institutions that underwrites the resilience and developmental potential of communities facing environmental change. The synergistic and mutually reinforcing impact of such institutions upon adaptive processes becomes most visible at the macro level, where dense interlinkages among distinct informal norms and practices are manifested (Curry et al., 2021, p. 1080).

#### 5. Conclusion

The main aim of this article has been to investigate a key property of informal institutions, namely their capacity to adapt to other components of the institutional system. While research on institutional change generally suggests that the subsystem of informal institutions evolves at the slowest pace, this does not imply that all of its components are characterized by equally low dynamics. Distinct clusters of norms exhibit different degrees of durability, and within them, certain categories respond more rapidly than others. Institutions that are more enduring and deeply embedded in societal norms and collective mentality – often arising from long-standing cultural

or religious foundations – are classified as primary institutions. In contrast, those that adjust more rapidly in response to changing environmental or economic conditions are referred to in the article as adaptive institutions. Such responses may be triggered by the introduction of new formal institutions as well as by shifts in the conditions of economic activity and broader social functioning. Economic or political shocks, by altering the distribution of power and the configuration of interest groups, may transform patterns of societal interrelations. As a consequence of these processes, novel informal practices may emerge whose routinization ultimately consolidates new social norms. This relatively lower persistence of certain types of informal institutions facilitates the adaptive capacity of individuals, communities, and societies in the face of changing conditions of operation. Research suggests that, through path-dependent adjustment processes, the adaptation of informal institutions over time contributes to the emergence of institutional complementarities among system components, thereby reinforcing systemic coherence and enhancing the stability of the broader institutional order. As a result, a system of institutions is emerging that more effectively shapes individuals' behaviour and, in turn, increases social welfare.

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