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Title **Institutions and their Importance**

Abstract Institutions and Their Importance

Institutions, both formal and informal, are important to states' overall performance in addressing citizen needs. Examples include rule of law, social contract, behavioral norms, and bureaucracies. While agency/structure theory may constitute a primary relationship, the clarity of this tradeoff is seldom transparent. Institutions remain crucial to states both large and small. They may constrain output or enhance it. The impact may affect politics of leaders as well as transfers to citizens. At times, principal/agent theory may be constitutive. Newly developing countries often struggle with design, delivery and effectiveness of institutions. The paper will seek to identify those forces path dependent upon prior state behaviors in contrast to those behaviors more prevalent in current states identified as democratically oriented. It will seek to show under what conditions institutions have effected links to positive state performance.