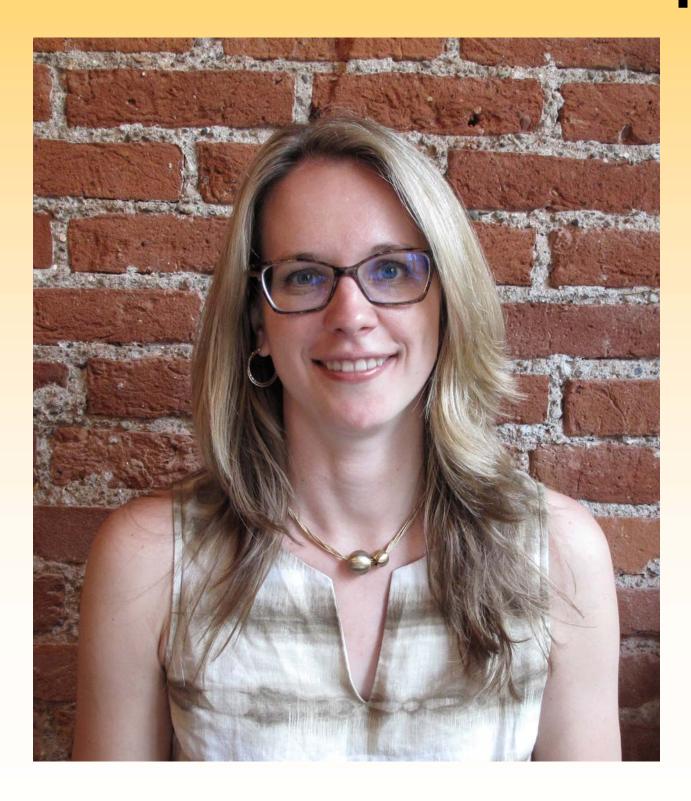
## "Why the West Became Wild: Informal Governance with Incomplete Networks"



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ABSTRACT: Settlers flocking to "boomtowns" on the American western frontier were faced with the same task that communities in weak states across the globe face: self-governance. Informal punishment by peers can enforce cooperation in these environments, but how well it works depends on the social networks that transmit information from person to person about who did what. I use a novel game-theoretic model to show that socially-isolated network positions can generate such strong incentives to cheat that persistent misbehavior obtains in equilibrium. Groups maintaining high levels of cooperation that face shocks to their strategic environment (misbehavior becomes more tempting) or to their social network (social ties are added or broken) can ratchet down into less-cooperative equilibria in which the most isolated people are effectively ostracized. Furthermore, population change that features rapid growth, high turnover, and enclave settlements can undermine cooperation. These insights help explain the trajectory of cooperation in mining towns in the "wild west" in which high levels of cooperation deteriorated as the population surged, and help make sense of why only certain non-white settlers were targets of hostility and racism. They also have important implications for modern-day policies toward immigration and refugees.

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