

Fallacies of tenure security
and efficiency:
Institutional Form,
Function and Credibility

Panel Introduction
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Postulates of neo-liberal thought

- **Causality:** Institutions affect economy (*vice versa*)
- **Exogeneity:** Institutions designed by intention
- **Form:** Secure, private, formal = growth

(see Ho, 2013, *Journal of Peasant Studies*, 40/6: 1089-1090)

“Our postulates”

- Interaction
- Endogeneity
- Function

Explained in more detail below...

First neo-liberal postulate – “Institutional chickens and eggs”

- “Efficient organization entails the establishment of institutional arrangements and property rights that create an incentive to channel individual economic effort” (**institutions affect economy**)
- “The pressure to change property rights emerges only as a resource becomes increasingly scarce relative to society’s wants.” (**economy affects institutions**)

North and Thomas (1973)

Capital statistical offense

- Merging dependent and independent variables in 1 analysis
- Mixed methods (Creswell, 2003; Brannen, 2005):
 - Quantitative: Scope
 - Qualitative methodologies: Depth

An attempt

“Taking institutions as an independent variable, we explore empirically how institutional change affects (...) actors. Later, taking institutions as a dependent variable, we explore how institutional performance is conditioned by history.”

(Putnam 1993)

Second neo-liberal postulate – On intentional design

“Property is the realm where we identify and explore assets, combine them, and link them to other assets. The formal property system is capital’s hydroelectric plant. This is the place where capital is born.”

(De Soto, 2000)

The nagging issue

“[I]f institutions are nothing more than codified laws, fiats, organizations, and other such deliberate human devices, why can’t badly performing economies design (emulate) ‘good’ institutions and implement them?”

(Aoki 2007)

Third neo-liberal postulate – Precondition of Form

- Institutional change follows evolutionary trajectory
- From: traditional, informal, opaque, insecure, and common
- Towards: modern, formal, accountable, secure, and privatized

Rethinking Institutional Form

“Perhaps we should readjust the paradigmatic lens through which we are viewing the problem. If certain institutions have emerged, and more importantly, persist as a result of spontaneous, endogenous development, they are likely to fulfill a certain function, and apparently are perceived as credible. It then no longer matters what form these institutions or property rights have assumed, and whether that form is regarded as ‘economically inefficient’ (i.e. traditional, backward, insecure, informal, undemocratic or common)

(Ho, 2013, JPS, 40/6: 1095)

Institutional form \neq performance

Empirical studies find no relation Form and Performance

- No correlation land value and formalization (Monkkonen, 2012)
- Formal title negligible impact on investment and farm income (Atwood, 1990; Pinckney and Kimuyu, 1994)
- Informal arrangements function with lower transaction costs than formal arrangements (Lanjouw and Levy, 1998)
- Formalization leads to conflict, inequity, instability (Zweig, 2003; Everingham, 2001; Andre and Platteau, 1998; Thorpe 1997)
- See also review of empirical studies, Introduction P. Ho (2005), Developmental Dilemmas, London: Routledge

“Credibility thesis” (1)

“[T]hat what ultimately determines the performance of institutions is not their form in terms of formality, privatization, or security, but their spatially and temporally defined function. In different wording, institutional function presides over form; the former can be expressed by its credibility, that is, the perceived social support at a given time and space. This postulate has here been dubbed the “credibility thesis”.

(Ho, 2014, Land Use Policy, 40, Sept., pp. 13-4)

“Credibility thesis” (2)

- When institutions persist, they perform function
- Thus: credible, and rally *perceived* support
- Move beyond:
 - formal vs. informal
 - private vs. public
 - secure vs. insecure institutions
- Institutional functionalism: Leave discussion on *form for function*

Defining credibility

We can adhere to the
“definition of credibility as a measure of individual
actors’ aggregate perceptions of an institution as
a jointly shared arrangement.”

(Ho, 2014: p. 18)

4 premises

1. **CONTINUUM:** “fully” - “partially credible” - “empty institution” - “non-credible”
2. **TIME and SPACE** dependent
3. **ENDOGENOUS:** institutions not *intentionally* formed
4. **DISEQUILIBRIUM:** Conflict inherent in any property rights arrangement

Disequilibrium: Conflict ever-present

“[I]nstitutional credibility” is “not tantamount to a situation of no conflict.” (Ho, 2013: p. 1089)

“Instead of representing equilibrium (or even various equilibriums on a trajectory) at which the interaction and power divergences of actors have led to a negotiated balance over the distribution of resources, does the credibility thesis posit that credibility not necessarily equals a balance of power. In fact, one might argue that a steady status is never reached, as the notion assumes that conflict is present in any institutional arrangement or change.”

(Ho, 2014: p. 16)

Credibility NOT SAME AS credible commitment!

- Macro-economic analysis of anti-inflationary and monetary policies of 1970s and early 1980s (Fellner, 1975, Kydland and Prescott, 1977)
- Analysis of institutional change in transition economies (Weimer, 1997)

Credible commitment & neo-liberalism

“Credibility depends on perception of economic actors regarding the *commitment and capacity* of the state to preserve property rights in *law, regulations* and other *formal* rules” (Weimer, 1997)

Measuring credibility: Individual versus Aggregate Perceptions

“[T]o assess credibility it does not suffice to go out into the field and simply ask someone’s opinion about an institution’s level of credibility. (...). People might support a nation-state’s overall institutional constellation, yet simultaneously loathe a particular government because of certain politicians by whom it happens to be represented.”

“If we truly aim to measure credibility, the concept needs to be operationalized through proxies, such as the level of conflict that an institution generates; the extent of ‘institutional robustness’ expressed as a function of institutional lifespan and flexibility; the degree to which an institution facilitates or frustrates overall socio-economic, political and cultural change; and the extent to which an institution fulfils the functions it ought to perform in the eyes of social actors.”

(P. Ho, Beyond Development Orthodoxy, in P. van Lieshout et al., 2009, Doing Good or Doing Better, Amsterdam/Chicago University Press), p. 186

Assessing credibility of property rights

- What rights should you have?
- What rights do you have?
- What rights do you want?

Measuring conflict

- Source
 - Frequency
 - Outcome
 - Timing
 - Intensity
 - Length
 - Nature
- See Methodology on conflict and credibility in (Ho, 2014: 18)

Institutional analysis

- Mixed methods
- Interviews, surveys, statistical data, textual and historical analysis
- Limit institution under study, thus, focus on geographic area and means of production

Means of production

- Land
- Labor
- Capital
- Technology

Hence our project!

And your paper!

Don't hesitate to let me know if you
any questions or need help