

Village Communities and Global Development

International Economic Association World Congress

Mexico City, 20 June 2017

Roger Myerson



THE UNIVERSITY OF
CHICAGO

<http://home.uchicago.edu/~rmyerson/research/villages.pdf>

Local leadership as public political capital for development

"Not only are local governments the last mile of **service delivery**, which national leaders might want to improve, but they are also the 'first mile' at which citizens determine the platforms on which **leaders are selected** and sanctioned."

S. Khemani et al, *Making Politics Work for Development* (World Bank, 2016)

So local government can be vital for economic development in two different ways:

- providing local public goods and services that a prosperous community needs,
- providing a basic point of entry into the political system.

Successful democratic development depends on an ample supply of leaders with good reputations for managing public resources responsibly in public service.

This vital supply of *public political capital* can be developed in autonomous institutions of local government, lowering entry barriers into national politics.

Development economics is incomplete when comparative local politics is ignored.

For a broad overview of traditional local institutions of law and politics, we may turn here to the writings of a British jurist, Henry Sumner Maine (1822-1888)...

Local community leadership and global development in history

The folk theorem of repeated games offers a model of how people in a small community can maintain virtually any pattern of behavior for their survival. Innate instinct to judge propriety of neighbors' behavior, and to want their approval? Trusted leadership depends on a reputational equilibrium (*moral-hazard rents*).

Human communities with trusted leaders have transformed the world:

- since hunter-gatherers bands first spread out of Africa (100,000 BP),

- since agricultural villages spread from the Middle East (10,000 BP).

Villages must have had the leadership needed to coordinate in defending their land and in adjudicating the internal distribution of property rights to this land.

Development of traditional states based on an exclusive national nobility that specialized in fighting and collecting tribute.

From 4000 BP, writing enabled nobility to maintain networks of trust even when geographically dispersed.

Traditional states protected property rights mainly for the benefit of this elite.

Development of modern states with broader political accountability.

Discovery of a high long-run elasticity of investment and output with respect to reforms that distribute legal and political rights broadly in the population.

Henry Sumner Maine (1822-1888) on autonomous villages

Ancient Law (1861) [development of Roman law],
Village-Communities in the East and West (1871).

Village communities in East (India 19th c.) and
West (Teutonic 6th c.):

- Land divided into cultivated area, common fields, residential village.
- Households cultivate plots in coordination under customary village rules.
- Each household ruled by a recognized head.
- Economic transactions at customary (low) prices.
- Disputes resolved by village council or assembly.
- Head of one preeminent family serves as chief for the village when peace is disturbed.

Ancient Law (in Rome) was originally applied, not to individuals, but to families, each under an autocratic pater-familias. Relationships were originally regulated by recognized social status, not contracts.



Communal property has more stake-holders to defend it. Categorical rights of status are easier for a village to adjudicate. *Status as long-term reward.*

Maïne on feudalisation

When autonomous villages come under a state's control, they exchange taxation and loss of autonomy for regional peace.

The state must assign local responsibility for order and taxes.

Feudalism is the simplest way to integrate village-communities into a larger state.

The territory of the village-community becomes the manor of a feudal lord, village council becomes lord's court. (Medieval England, 19th c. India.)

Manor lordships may be granted by monarchs for service to the crown, but also by recognizing and elevating the position of an indigenous chief.

Autonomous villages regularly looked to the head of one prominent family for leadership in military actions to defend the village. (*Last egalitarian Mongols.*)

Autocratic manors may have some advantage in adopting new farming techniques.

Although traditional autonomous villages are often described as democratic, they should actually be considered little oligarchies; and their inequality tends to worsen under even minimally good government. (Resident aliens.)

"During the primitive struggle for existence, [village-communities] were expansive and elastic bodies, and these properties may be perpetuated by bad government. But tolerably good government takes away their absorptive power by its indirect effects, and can only restore it by direct interposition." (Maïne, 1871, lecture V).

Beyond feudalism: a broader distribution of rights under the state

Alternatives to feudalism, distributing rights of ownership and responsibility for taxation more widely in the community, require more administrative capacity. In some areas, instead of concentrating land ownership in an aristocracy (zamindars), the British colonial government recognized peasants as owners of the land, with responsibility for taxes assigned either to individuals or to village groups.

Maine found the greatest prosperity in southern provinces where the government directly recognized individual cultivators as owners and tax-payers.

Banerjee & Iyer (2005) found a costly legacy of feudalism long after independence.

Feudalism is the easiest way to establish control but has long-term economic costs.

Ancient Law: As the Roman state grew in power, there was a gradual development from collective ownership by families to ownership by individuals, and from rights defined by status in the community to rights defined by contracts. The earliest individual property rights were for property acquired in military service.

Communities made a transition from communal to individual ownership in one generation in 17th c. New England, as frontier was secured.

Small farmers could be confident of property rights under a state that was directed by their locally elected representatives in the provincial assembly.

(Extortion to confirm land claims in 1687, while assembly was suspended.)

When the state is above local politics

States are organized by groups with specialized administrative & military skills, whose ability to achieve coordinated action depends on networks of trust and leadership which bind them together like an elite village. (My *APSR* 2008.)

But the state's networks of trust might not reach down into the local communities that are governed by the state, if leaders of the state are not locally accountable. (Srinivas: village headman might meet colonial magistrate alone, while others hid.)

"There exists at the village level the skill and organizational capacity to allow local level institutions to assume a major role in self-sustaining development.

...[But] those leaders who truly have followers, the traditional leaders, have weak links to the Government, and those with strong links have few followers.

It is necessary to transfer real power to local level institutions, ...power to raise revenue, incur expenditure, and enforce their decisions."

L. Fortmann, *Role of Local Institutions in Rural Development* (Botswana, 1983).

http://pdf.usaid.gov/pdf_docs/PNAAT392.pdf

In contrast, traditional local institutions had vital roles in the historical process of building the strongest modern states of Europe and America.

English Parliament from 1300s. American federalism from 1776.

But colonial subjects had little contact with Europeans' local political institutions.

Connecting development economics and comparative local politics

Village communities have relied on local leadership since prehistoric antiquity.

National states could alter the structures of local authority.

But the great successes of modern economic growth began in nations where local leadership was regularly integrated into national politics.

Autonomous local politics helped to provide local public goods and national leaders.

In Afghanistan's National Solidarity Programme (NSP), villagers elected a village development commission (VDC) to manage a selected project with NSP funds.

Administrators ensured that the VDC spent its funds with clear public accounting.

Beath Christia & Enikolopov (2013) found NSP to be an effective way to help poor communities make public investments for better access to water and electricity.

NSP makes residents more likely to criticize a traditional headman's performance.

But have any individuals gone on to serve in higher public offices after first showing that they could serve the public well in a VDC under the NSP? If not, why?

Development economists should regularly consider comparative local politics.

Any study of a poor community should consider the forms of local leadership there:

Who adjudicates disputes, who manages communal investments and CPRs?

And when we search for ways to strengthen the capacity of the state, we should not ignore the supply of public political capital that exists in local communities.