

WINTER 2021 / ISSUE NO.18

\$ 15.00 | € 10.00 | 1500 RSD

HORIZONS

JOURNAL OF INTERNATIONAL RELATIONS
AND SUSTAINABLE DEVELOPMENT



THE (NOT SO) ROARING TWENTIES?



BREMMER • ČIČAK • DORSEY • FRIEDMAN • GENSER • GRLIĆ RADMAN
HERRMANN • KHAN • KHANNA • LANDSMAN • LO • MA
MINUTO-RIZZO • MYERSON • PETERSEN • RUDD • TROITSKIY • YUSTE

VILLAGE COMMUNITIES AND GLOBAL DEVELOPMENT

HENRY SUMNER MAINE AND THE IMPORTANCE OF LOCAL LEADERSHIP

Roger B. Myerson

TO get a broader perspective on the decade ahead, it can be helpful to reconsider the long trends in history that led us to where we are now. This essay offers a review of historical development to show the vital role of communities and local government in the foundations of the modern global institutions on which future prosperity will depend.

A 2016 World Bank policy report entitled *Making Politics Work for Development* observes that “not only are local governments the last mile of [public] 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.” That is, local government can be vital for economic development in two

different ways. First, local government is responsible for providing local public goods and services that are essential for a prosperous community. But second, local government can be a basic point of entry into the political system.

The significance of this latter point should be evident to economists who understand that lower entry barriers can improve performance in any competitive system. Local leaders who provide good public service in local government can be recognized as strong qualified candidates for higher offices, and so democratic local government can increase competitive incentives for better public service at all levels of government. Successful democratic development in a nation depends on an ample supply of leaders with good reputations for managing public resources

Roger B. Myerson is a Nobel laureate in economics and the David L. Pearson Distinguished Service Professor in the Harris School of Public Policy at the University of Chicago. An earlier version of this essay was delivered as a lecture to the 2017 World Congress of the International Economic Association.



Photo: nobelprize.org

Roger B. Myerson accepting the 2007 Nobel Prize for Economics

responsibly in public service. (This supply could be called *public political capital*.) Autonomous institutions of local government can be a primary source of such trusted leadership.

Thus, I would argue, development economics is incomplete when comparative local politics is ignored. Theories of economic development should be based on a general understanding of how communities have been organized in traditional societies. For such a foundation, this paper draws from some deeply insightful observations about traditional autonomous villages and feudal manors by Henry Sumner

Maine, a nineteenth-century British jurist who studied the history of Western law and problems of law in India under British rule. From this perspective, I want to argue that local leadership has had a vital role at every stage of global development in the long history of humanity. But before turning to Maine's observations, let me start with a broad theoretical and historical overview.

LOCAL COMMUNITY LEADERSHIP AND GLOBAL DEVELOPMENT

We may interpret the folk theorem of repeated games as a fundamental model of how people who live together in a small community

can discipline themselves to maintain virtually any pattern of behavior that may be adaptive for their survival. The folk theorem is proven by strategies in which anyone who deviated from his or her prescribed proper behavior would then suffer an adverse change of status in the community and so would be treated worse by others in the community thereafter. I would conjecture that some aspects of such strategies might be hard-wired in our human brains, such as an inclination to judge the propriety of the behavior of others in our community, and a reciprocal fear of losing status in their eyes.

Development economics is incomplete when comparative local politics is ignored.

were for a band's leader to assign roles in a hunt or battle and then to distribute shares of any rewards from success, but also for others in the band to gossip about

can take responsibility for essential public goods that require coordination or management by one person.

Such problems had to be solved among hunter-gatherer bands when our species first spread out of Africa to transform the world about 100,000 years ago. We may conjecture that some of the first uses of human language

whether their leader had exercised his coordinating power appropriately.

In particular, trusted public leadership depends on a reputational equilibrium where an individual expects that the community will recognize him as a leader and will accord him special powers and benefits of this high status as long as he uses these powers properly to provide certain public goods or services. If he acts otherwise then he could lose this privileged status. To motivate proper leadership, it must entail expected rewards which are not less than the benefits (or *moral-hazard rents*) that the leader could get by abusing the powers of his position. Successful societies must be able to get people focused on such equilibria with some generally accepted leaders, who

Then from about 10,000 years ago, the great transformative development of agriculture depended not just on some basic understanding of plants, but, as Douglas North wrote in 1981, also on the ability of people in farming communities to defend their rights to benefit from the crops that they had worked to plant and cultivate. Before the rise of states that could provide law and order over extensive regions, each village must have had the necessary leadership to fight for the defense of its territory against its neighbors, and to negotiate agreements and alliances with them. (Here it may be useful to note that, as Bernard Chapais argued in *Primeval Kinship* (2008), marriages have helped to form bonds of kin-

ship between neighboring communities. So people could have membership both in a clan and a community, neither one of which necessarily subsumed the other. But the local community would necessarily have primary responsibility for defining and sustaining property rights in the territory that it occupied.)

Pre-modern states were typically established by an elite group who specialized in fighting and collecting tribute. The development of writing about 4,000 years ago was essential for these proto state-builders, so that they could maintain networks of trust among themselves even when they dispersed to supervise the village-communities under their protection.

Now the latest global transformation—modern economic development—has been catalyzed by the discovery of an amazingly high long-run elasticity of national output with respect to political reforms that extend legal and political rights broadly throughout the population. Here I might add that this elasticity was probably much smaller before modern advances in public health—which depended on scientific understanding of microbes—enabled more of the population to be concentrated in large cities and metropolitan areas. And the representative governments that enabled broad popular political participation in geographically extensive nations depended on nineteenth-century

improvements in transportation and communication technology that allowed representatives of remote communities to commute regularly between their constituents and the national capital, as David Stasavage wrote in *States of Credit* (2011). By such technological advances and political reforms, people have been empowered to demand better public services and so have been encouraged to make greater private investments.

A change in the relationship between local and national politics has been integral to this transformation. In successful modern states, national leaders are regularly accountable to the general population, voting in their communities, and trusted local leaders can regularly rise into national politics. But traditional states generally depended on an exclusive national nobility, who as a class had responsibility for supporting and maintaining the state, and so the state's protection of property rights was designed largely for the benefit of this national political elite. As a guide to the local institutional structures of such traditional systems, between the agricultural revolution and the industrial revolution, let us turn now to the writings of Henry Sumner Maine.

TRADITIONAL VILLAGE LAW

Henry Sumner Maine was a great British scholar of the history of law who in 1861 published a successful book entitled *Ancient Law*. Then he

went to India to serve as a senior legal advisor to the British imperial government, where he studied legal problems from traditional Indian communities with a sensitivity that was rooted in his long study of the laws of ancient Rome and medieval Europe. On his return to England, he gave a series of lectures to describe a conceptual framework which he found to fit both European history and contemporary Indian developments. This remarkable synthesis was published in 1871 as *Village-Communities in the East and West*.

Maine did not try to rule out the possibility that some similarities between villages in colonial India and in pre-feudal Europe might be derived from ancient Indo-European traditions that both groups shared across thousands of years. But clearly the broad similarities that Maine found in traditional village-communities of East and West must be understood as elements of a stable adaptive strategy for a farming community to sustain itself without protection from a greater regional government.

The major organizational features that nineteenth-century Indian villages shared with medieval Teutonic villages were summarized by Maine as follows: the territory of the community would be divided into the cultivated area, and the areas of common fields or waste, and the residential area of

the village. The cultivated land would be divided among the village households, but they had to cultivate their plots in a coordinated manner according to village rules, while the fields and waste areas were used in common by the whole village. In the village, each household was ruled by the recognized head of the family. Common economic transactions among the villagers were expected to be at customary prices. Disputes among the households would be resolved according to customary rules as defined by a village council or assembly. When its peaceful order was disturbed, the village would rely on the head of one preeminent family for leadership.

Here it is important to add that Maine saw economists' concept of market price as a modern development, depending implicitly on an assumption that people have a right to trade with whoever offers the best price. But when property rights exist only as defined by the community, we should not expect a traditional village-community to support such an economic right. Then if a villager refused to trade with his neighbors at the customary price when outsiders offered better terms, he would weaken his relationships in the community on which all his rights ultimately depend. The option to buy from him at a low customary price helps to give other villagers a stake in his property.

In his first book, *Ancient Law*, Maine had observed that, before the growth of the Roman state, the laws of Rome were applied not to individuals, but to families; and each family was ruled by a *pater familias* who held despotic power over everyone else in the household. Relationships were regulated by people's generally recognized status, not by bilateral contracts. In *Village-Communities in the East and West*, Maine saw that these communitarian principles were general characteristics of traditional villages in both ancient Europe and his contemporary India.

Economists generally see advantages in assuming that any individual can own property. But we should recognize that, in regions where no government exercises effective control, the property rights to land that are essential for agricultural development may not be enforceable without support from an entire community. Thus, before the establishment of an effective state, we should not be surprised to find communal property rights to be the norm in traditional autonomous villages. An individual might find it difficult to enforce a claim to valuable property alone, that is, without the support of other family members who share an interest in the claim. And a poor village, which could hardly afford to offer public adjudication for arbitrary contracts, might naturally limit its civil protection to the rights of social status recognized by the community.

MAINE ON FEUDALIZATION

Maine devoted one of his six 1871 lectures to feudalization, that is, to the transition of autonomous villages into feudal manors. He was deeply familiar with the feudal system as it had developed in medieval England, because its legacy still provided some of the basic principles in English land law. From this historical perspective, Maine found it remarkable to witness a process of feudal state-building in regions of colonial India in his own time.

When traditional autonomous villages come under the regional power of a sovereign state, they can gain some degree of peace from anarchic local warfare, but in exchange they must sacrifice some autonomy and submit to taxation by the state. Maine observed that, when a new province is annexed to a state, the first act of government must be to determine how much of the product from the land will be demanded by the sovereign state to defray its expenses. The result will inevitably be a redistribution of power in traditional villages, as the state must delegate some of its power to those who will serve its interests there. In particular, the problems of taxing remote villages may induce a state with limited administrative capability to concentrate local power in the hands of a few individuals who can take responsibility for keeping order and collecting taxes for the state.

Feudalism is the simplest way to integrate village-communities into a larger state system. The territory of the village-community becomes the manor of a feudal lord. The common lands become the lord's private domain, but village households become tenants who retain customary rights in the community's cultivated areas. The village council becomes the lord's court, with the lord as judge and with villagers as jurors.

In the process of medieval feudalization, many manor lordships were derived from grants by monarchs, which were granted in exchange for service to the crown. But Maine noted that local lordships could also be defined by the state's recognizing and elevating the position of an indigenous chief of a leading local family. Indeed, the distinction between a feudal manor and an autonomous village must be blurred by a recognition that autonomous village-communities regularly look to the head of one prominent family for leadership in any military action to defend the village. We should understand that a military operation requires a leader who can command people to perform dangerous actions in battle, and who can be expected thereafter to distribute appropriate rewards for good service. Such leadership inevitably must be associated with some privileges of power or moral-hazard rents for the leader.

Here it may be worth recalling a story from the thirteenth-century *Secret History of the Mongols*: a man asked a group of people if they had seen his odd-looking brother (who was a distant ancestor of Genghis Khan), and they told the man where his brother could be found. When the brothers met, they noted that the group seemed to be a remarkably egalitarian community, with no distinction between high and low; and so the brothers concluded that this group should be very easy to rob. The connection between inequality and defense is clarified later in this book, when a young Genghis Khan himself was robbed and then appealed to his overlord, who called together a great army that wreaked revenge on the robbers and their people. Thus, each vassal could be protected by his lord's ability to command all the other vassals to serve in their mutual defense, and the lord would be motivated to fulfill this coordinating role because his reputation for leadership earns him high status and privileges of power. The point here is that some form of privileged leadership may be necessary to maintain an effective mechanism for protection of property rights over an extensive region.

Maine recognized that even when feudal lordship is bestowed on the traditional war-leader or chief of a formerly autonomous community, there may be substantial historical injustice in

the conversion of communal property into private property of the lord. Most importantly, the state's recognition of the indigenous chief makes him a local lord whose position no longer depends on the community's approval of his public service. He is no longer accountable to the community.

Although the conversion of an autonomous village into a feudal manor was generally directed by the interests of the larger state, Maine urged his readers to recognize some important local benefits of this transformation. First, an autocratic manor may be able to adopt new agricultural techniques more readily than a village where the plans for cultivation each year require broad consensus among many households. Second, although traditional autonomous villages are often described as democratic, Maine argued that they should actually be considered little oligarchies, and the element of oligarchic inequality in such villages actually tends to worsen when a state provides even minimally good regional government.

To understand this effect, we must remember that local hardships have always driven some people to leave their homes and move to other communities, whether as refugees or migrants or indentured servants. Such immigrants arrive in a village with no claim to its land and resources, but they may earn a livelihood by the labor that they

can provide. If nothing compels the old village families to share the privileges of their status with newcomers, then the descendants of such immigration will eventually form a permanent landless underclass in the village. But in the primordial chaos before the establishment of a state, a village-community would regularly face existential threats of war from invaders or from neighboring villages, and such crises could motivate villagers to offer full citizenship to all residents who fought for their community. This force for inclusion is eliminated when a state protects the village in a regional peace.

Thus, if a state provides even tolerably good government while permitting traditional villages to autonomously define their own citizenship, then their local democracy can develop into an oligarchy that has all the problems of collective ownership without avoiding the problems of class inequality.

BROADENING THE DISTRIBUTION OF RIGHTS

Of course, feudalism is not the only way to integrate village-communities into a larger state. A state with weak ability to record and enforce property rights might have difficulty with the more complex alternatives, such as registering village land under the corporate ownership of a large (but not all-inclusive) group of local households, or subdividing the land

and recording the portions claimed by each household. So we can understand why weak states throughout history would opt for the simple alternative of designating individual lords for remote village-communities, thus creating a class of powerful local leaders who share a strong interest in maintaining the state. But states with a large corps of literate administrators have been able to distribute rights of ownership and responsibility for taxation more widely in the population.

In the British administration of nineteenth-century India, Maine heard from partisans of different state-building strategies. Some argued for concentrating land ownership in a native aristocracy, but others argued for recognizing peasants as the owners of the land, with responsibility for taxes distributed either to individuals or to organized village groups. That is, instead of creating a lord (*zamindar*) for each village, the state could give the responsibility for land taxes to the village council, or the state could collect taxes directly from individuals based on their registered property rights. Comparing the regions of India where each system was used, Maine noted that the greatest prosperity could be found in the southern provinces

where the government directly recognized the individual cultivators of the soil as owners and tax-payers.

Similar conclusions were found by Abhijit Banerjee and Lakshmi Iyer

Feudalism may be the simplest strategy for establishing stable political control over a wide region, but it can have serious long-term economic costs. Much of global poverty today may be a legacy of such feudal strategies of traditional and colonial state-building.

in a 2005 paper published in the *American Economic Review*. More than 130 years after Maine—and more than 50 years after the end of British rule—they still found evidence of lower agricultural productivity and higher infant mortality in areas where the British government had relied on local lords or *zamindars*. Feudalism may be the simplest

strategy for establishing stable political control over a wide region, but it can have serious long-term economic costs. Much of global poverty today may be a legacy of such feudal strategies of traditional and colonial state-building.

Maine's prior book, *Ancient Law*, focused on the transition of Rome from a traditional village-community to the center of a great state. Maine noted that, 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. Economists understand the

costs of free-rider moral-hazard problems that can be created by collective ownership. On the other hand, we can also understand that individual ownership may become feasible only when a state's power to maintain order makes it realistic to expect that property rights can be enforced without a large group sharing an intrinsic stake in these rights.

Maine also found that, in the history of Roman law, the state itself introduced the earliest demand for individual property rights. Property acquired by an individual in military service to the

state was the first kind of property that a Roman was allowed to own as an individual, not subject to the head of his family. When the expanding Roman state needed an individual's service, he gained the right to enjoy rewards from the state without interference from his father.

At the end of his book on *Village-Communities*, Maine noted one case of communities that were established with a traditional system of collective ownership but made a transition to individual ownership within a single generation: in the seventeenth-century settlement of New England. Defense against the native tribes there initially required collective ownership. But as the frontier became

secure, small farmers could feel confident of state protection for their individual property rights, because their locally elected representatives directed the government of the province. In fact, as Mary Lou Lustig pointed out in a 2002 book, a

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.

scandal where commissioners demanded bribes to re-confirm settlers' land claims occurred notably in a period when a British governor had suspended the representative assembly.

ABOVE LOCAL POLITICS

States have been organized by groups of people with special-

ized administrative and military skills, whose ability to achieve coordinated action depends on a dense network of relationships of trust and leadership which bind them together like an elite village. In the simplest possible model, the founders of a state could be a band of captains with a leader whose power depends on a reputation among them for reliably rewarding their service. But the networks of trust within the state might not reach down into the local communities that are governed by the state, when leaders of the state are not locally accountable.

In much of history, when village-communities have been incorporated into

a state by an invading force, the group that organized the state may have had little or no prior connection with the communities on which their rule would be imposed. This was certainly true in colonial governments that were created by foreigners. In such cases, we should not be surprised to find a basic problem of building trust between local villagers and the government of the wider state in which they live. In his 1976 book, *The Remembered Village*, M. N. Srinivas tells of villages in colonial India where the arrival of a district magistrate would cause villagers to hide, fearing that official attention to them would be for conscription, taxation, or punishment; and so the village headman might be left alone to welcome the magistrate.

The networks of trust within the state might not reach down into the local communities that are governed by the state, when leaders of the state are not locally accountable.

Even in post-colonial Africa, Louise Fortmann's 1983 report to the government of Botswana entitled *The Role of Local Institutions in Rural Development* found a serious disconnection between the government and the locally trusted leadership of traditional village institutions: "it is probably not too much of an exaggeration to say that those leaders who truly have followers, the traditional leaders, have weak links to the Government, and those with strong links (councillors, MPs) have few followers." Fortmann observed that the

government usually responded poorly to village development initiatives because nobody in the government was actually accountable to the villagers. She argued that villagers in rural Botswana had the skills and organizational capacity for local institutions to assume a major role in self-sustaining development, but only

if the government would let these local institutions exercise some real power to raise revenue, incur expenses, and enforce decisions.

In general, Africans under colonial rule would have had direct

contact with the bureaucratic national agencies of imperialist governments but not with the decentralized sub-national levels of domestic politics on which these imperialist governments were based. So it is not surprising that, after independence, post-colonial political elites in Africa might have viewed centralized national bureaucracy as a more "modern" way to integrate national power than the traditional institutions of local politics which were dominated by traditional chiefs.

In fact, however, traditional local institutions had vital roles in the historical process of building the strongest modern states of Europe and America. Since the fourteenth century, the institution of Parliament gave local leaders

from the towns and counties of England an influential voice in national politics. The United States was established in 1776 by thirteen provincial assemblies, each consisting of local representatives who were elected by their communities. We should understand that the national governments of Britain and America achieved unprecedented wealth and power because their political systems were constitutionally designed to share power with the local leaders of communities throughout the nation, and their national leaders could exercise power only with support from locally elected representatives.

The national governments of Britain and America achieved unprecedented wealth and power because their political systems were constitutionally designed to share power with the local leaders of communities throughout the nation, and their national leaders could exercise power only with support from locally elected representatives.

DEVELOPMENT ECONOMICS AND COMPARATIVE LOCAL POLITICS

The point of this essay is to argue that local bands and village communities have been able to generate the trusted leadership that they needed since prehistoric antiquity, as local leadership was essential for humanity's ability to transform the world, first in the hunter-gatherer bands which spread out of paleolithic Africa, and then in the farming communities which diffused from the Neolithic Middle East. Then, in more recent historical millennia, the

growth of wider states has reduced the autonomy of village-communities, so that local authority could depend more on the external rulings of state officials and less on the internal accountability to the community.

But in less developed countries where state capacity is weak, we should expect that local community leadership would still have some importance in people's lives. Thus, when the question is how to find responsible leadership to improve the provision of essential public goods and services for a whole nation, we should not ignore the supply of leadership that is available locally.

Local governments in poor communities might not have the most modern administrative technology, and the potential constituency of some local politicians might be limited by their identification with one side of an ethnic rivalry. Local politics might not be democratic (although multi-party democracy at the national level can help to strengthen local democratic competition, as national political parties can support alternatives to established local bosses when they lose

popular support). But economic development depends on political leadership, and trusted leaders can be found in local politics. The great successes of modern economic growth began in nations where local leadership was regularly integrated into national politics.

From this perspective, we may consider Afghanistan's National Solidarity Programme (NSP) to be a particularly well-designed development project. Under the NSP, a village

could get up to \$60,000 for development assistance, after the villagers met to select a public improvement project and to elect a village development commission (VDC) which would take responsibility for managing the project with the NSP funds. The elected leaders in the VDC would get full responsibility for the project, but NSP administrators ensured that the VDC spent its funds with clear public accounting to the people of the village. A careful study of the NSP published by the World Bank in 2013 has found it to be an effective way to help poor communities make public investments for better access to drinking water and electricity. The program may also have had some impact on local politics, as villagers were more likely to express critical discontent with the performance of their traditional village headman after the members of

the VDC had demonstrated their ability to manage public resources for village improvements.

But the study does not indicate whether any villages subsequently acted to elect a new headman based on his good

record of service with NSP funds. We should also ask whether any individuals have gone on to serve the public in higher offices, at the district or provincial or national levels, after first demonstrating that they could serve the public well in an NSP Village Development Commission. If not, then it might be worth asking what barriers have prevented such democratic political advancement from local to national politics, which has regularly strengthened national democratic competition in successful democracies.

Conversely, looking from the other direction at the problem of connecting the national government with local politics, we could also ask how the professional careers of government administrative officials might have been affected by an experience of working in the National Solidarity Programme. Have administrative agents become more valuable to the national government after the NSP gave them a deeper familiarity with local politics in remote villages throughout the country?

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

More generally, my point is that research in development economics should regularly consider questions of comparative local politics. Whenever I hear a talk about research on the economic problems of a poor community, I hope that the speaker might take a few minutes to talk about the forms of local leadership in the community. Who adjudicates local disputes? Who manages public resources or coordinates communal efforts for local public improvements? Conversely, when we search for ways to strengthen the capacity of the state to provide essential public services for national development, we should not ignore the wide supply of trusted leadership that already exists in local communities throughout the nation.

Successful modern development depends on getting the essential fundamentals right, and the key is to recognize what is essential. The 2020 pandemic reminded everyone that modern urbanized development has implicitly depended on medical advances and government investments in public health, to defend great communities against threats of infectious disease. But we have argued here that that development economics is incomplete when comparative local politics is ignored. National governments serve people best when they share public responsibilities with locally accountable local governments. If this basic point is realized in more nations than our best hopes for global prosperity in the post-pandemic decade can be fulfilled. ●