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IDEAS FOR A NEW NATION: PUBLIC CHOICE AND THE LEGAL FOUNDATIONS OF A MARKET ECONOMY

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INTRODUCTION

A market economy rests upon a legal or property rights foundation. The market is not a single unique thing. There are as many varieties of market economies as there are different rules and rights that constitute its foundation and each produces different results. There can be as much variation in the performance of different market economies as between market and non-market structures. It will be argued that the evolution of the legal foundations influences the speed and content of development - even what is meant by being productive.

The legal foundations are a matter of public choice in the sense that rights are not a matter of individual assertion, but a matter of shared understanding among those affected in terms of who has opportunities and who has constraints to make those opportunities real. Rights may evolve out of practice and custom as witnessed by the English common law. But when customs conflict, the courts consciously choose among them. No one person may have (or may be able to) foresee the aggregate effect (performance) of these rights systems, but in a fundamental sense, the legal foundations constitute a nation's (or all nations') plan or blueprint for economic growth.

Unresolved conflict is antithetical to development as witnessed by the destructive civil wars that are raging in Africa. The way in which they are settled not only allows and stimulates development but determines some of its content. A market rests upon an understanding that each party has something (a right) to trade. The foundational antecedent question is who is the buyer and who the seller. Who has the opportunity to act and who must make an offer to avoid its consequences? This choice may be quite different and different in its consequences, and still carry on from there as market exchange. Further, the system of rights affects the realization of potential for cooperation. As Commons puts it, "The parties (to a transaction) are involved in a conflict of interests on account of the universal principle of scarcity. Yet they depend on each other for reciprocal alienation and acquisition of what the other wants but does not own". It is a proposition of institutional economics that the interaction of the specific content of the situation and the rights variable affects performance and the realization of cooperation. This paper will explore some of the connections between public choice, property rights, and development.

Just as the market has antecedent foundations, so does public choice itself. The key problem of public choice is the existence of a public. A public is something more than propinquity and interdependence. It is a sense of community which supports people regarding each other as subjects and not objects to be manipulated as one would an animal or other commodities. A right has as its foundation some self-constraint. If the constraint is all external, it is simply might. This sense of community is not to be taken for granted anywhere but especially not in many African countries whose boundaries were arbitrarily drawn by colonial powers and which contain peoples with not only the usual differences in economic interests but also differences in culture, language, and religion. While economists urge people to ignore sunk costs, it is not so easy to ignore past insults. The problem of order then is the problem of willing participation of citizens when the guard sleeps. It is self-constraint when opportunism is possible. The institution of order is the foundational economic problem upon which proportionality and the marginal calculus are literally marginal.

PUBLIC CHOICE CONCEPTS AND APPARENT DICHOTOMIES

Security of expectations

All economists, and I suspect most citizens, regard the security of expectations as a cornerstone of development. People don't invest if the fruits of their efforts are likely to be expropriated by a change in the rules. Representative of this literature is North and Weingast who trace the history of loans and other economic activity after the English kings were limited in their power to arbitrarily change the rules. But if there is so much agreement, why is there so much insecurity to be observed? One hypothesis is that as technical conditions and aspirations change, rights must be changed to maintain willing participation. Security is a continuous variable and the grant of any amount of it may depend on a person's sense of being treated fairly. It is hard to eschew opportunism when the police sleep and when you think the game is not fair.

The fundamental problem might be better understood as finding the balance between continuity and change (Samuels). Continuity is an ingredient in productive effort and so is change. The marginal value product of labor is not simply a matter of human capacity measured by such things as years of schooling or aptitude tests. Effort is a matter of willingness and indeed enthusiasm. The literature has documented that workers who believe they are fairly treated are more productive and have less turnover (Thurow). Players in ultimatum games often forgo a gain if the accompanying gain to another controlling player is regarded as unfair (Frank). Some are even willing to take a loss to punish others for past transgressions.

The question of land reform is the most pressing example of the need to balance security of expectations and the maintenance of willing participation based on perception of the game being fair. Less dramatic than overt land reform is the question of who owns land. Development financed by public investments often increases land value of those lucky enough to be in the right place (or corrupt enough to direct public action toward their land). Land value capital gains in Windhoek might be taxed to finance agricultural land redistribution or the creation of a significant urban center in the north where most of the people live without the benefit of rural-urban growth interaction.

Reward at the margin of effort

Individuals must think that what they do makes a difference to their welfare (Parsons). Human creativity and energy often lie dormant when its possessors feel that nothing will improve no matter what they do. One implication for institutional design is that innovation can not be so enmeshed in group decision-making that the individual has no room for unilateral action. The feudal guild or agricultural commune often meant that no matter how hard one person tried, either innovation was blocked or the returns were so diffused that little returned for the effort.

At the same time, the reward for the margin of effort often creates problems. The situation that is labeled a social trap has the characteristic that there exists a dominant production function which pays off to individual effort but in the long run leads to a result that the individual (and others) regret. Resource exhaustion of common pool resources is an example (Bromley and Cernea). The dominated production function is consistent with the long-run outcome that the individual prefers but will not be chosen because there is no payoff at the margin to individual effort. The individually preferred result is available only if some minimum threshold of others also chooses the same production function (Schmid). Note that the social trap is not solved by knowledge and foresight. It is only solved by the appropriate institutions. The same individual who chooses a management strategy which together with others exhausts a common pool resource, may at the constitutional level agree to forgo that strategy (though I wouldn't wait for unanimity). So here we are again with the need to balance and reconcile what in part are contradictory and complementary principles. Individuals must have an arena for initiative which requires no consent from others at the same time that these individuals must be able to bind themselves to a group action to protect themselves from disaster or achieve potential development gains. To the previous concept of continuity and change we can add individuality and group. They are only partially dichotomies as will be discussed below in the context of corporations and cooperatives.

Ground water is an example of a common pool resource. Increased withdrawals above recharge result in increased pumping costs for everyone in the basin. At some point the value of the water above a sustainable rate of withdrawal is less than the extra pumping costs for everyone in the basin. The management of the basin for sustainable yield is dominated by individuals trying to make the best choice for themselves acting alone in terms of rewards to the margin of their effort. In traditional cultures, farmers learned what rates of withdrawal were consistent with sustained yield and reached some sort of agreement on the division of that yield (Netting). These customs were made possible and enforced where necessary by community pressure among people who knew each other. In the transition to a modern society, the old practices break down and new common pool management institutions are harder to create. This topic will be further discussed below.

Control and expansion of individual action

Institutions and rights which limit the action of an individual are at the same time the opportunity of another individual. If farmer A must fence in livestock, farmer B has the opportunity to grow crops without damage. It is not helpful to appeal for individual freedom from government in this case. The parties are interdependent and freedom for one is a constraint on the other. The issue is not individual freedom vs. government, but one individual vs. another.

Does it make a difference for development which individual has the opportunity and which the constraint? If they can trade rights, the person with the greatest net return can buy the right from the other. But this is so only if transaction costs don't get in the way. Where transaction costs are significant and rights create income effects (affect demand), the initial location of rights may affect the resulting resource use (livestock or crops). The choice and distribution of rights constitute a sort of economic development plan whether we realize it or not.

Institutions also enable individuals to accomplish things they could not do on their own. The corporation is a prime example of a collective action which among other things pools capital, creates agents (managers) which can act without unanimous consent, and provides an indefinite life. Unions do the same thing for labor. And a marketing order may do the same thing for farmers in the establishment of standards or the finance of product promotion. The grant of opportunity to create an organization with its own government-like internal powers helps create and define development.

From trespass to intangible property

In subsistence activities, the main way people affect each other is via factor control, assignment of work roles, and physical trespass. Grain is stolen or cows trample standing crops. Roles are prescribed for division of labor between men and women. Pre-market law was largely directed at controlling physical resources. But, in the market sector, the value of one's production can be reduced without any physical contact. For commodities in international trade, the value of a farmer's production may be affected by weather, changes in technology, demand and policies of countries far away. The law with respect to credit instruments and bankruptcy becomes important. In a subsistence economy, the impact of a crop failure was localized, but in a market, it may cause loan losses and bank failure in distant cities. The objective of enabling a debtor to start again and the interests of the creditors must be balanced.

The supply of credit from outside the village depends on the institutions to stipulate and enforce collateral such as the recording of real assets and court procedures to enforce loan contracts. Perhaps the concept of the Grameen Bank of Bangladesh, Malawi, and Guinea would be useful (Hossain). Here loans are made to individuals in small groups with social and economic incentives for others in the group to make sure each pays. Training is given to create a sense of community and each must practice saving before a loan is given. A group lending program has been instituted in Zimbabwe.

The farmers in a region suffering from a drought often observe that prices increase but this gives no comfort when they have nothing to sell. Farmers in another region with a crop enjoy the higher prices and inadvertently benefit from the calamity of their brethren (positive pecuniary externality). Is it conceivable that the beneficiaries could share with the farmers who have little to sell? (Could this extend across nations - taxing some nation's farmers and giving it to farmers who suffered a crop loss in another country?) This is not even on the agenda without a sense of community. Maybe SADCC can show the world how to do it. In Western countries the government often makes disaster payments, spreading the cost over all taxpayers and leaving the gain to the lucky farmers. A non-market oriented commune with fixed delivery and prices would not benefit from another commune's crop failure.

Would anyone agree to a windfall profits tax and redistribution?

Why should the urban consumer care? Subsistence farmers often fear to take the risks of market-oriented production when exposed to both natural and market losses. Will they need to be enticed with some sharing of the risks (and tied to sharing some of the gains with fellow farmers)? The ultimate expropriation of value in risky agriculture is not physical trespass or even the confiscation of property by government - rather it is the visible hand of the weather and insect gods and international market forces. Some countries such as Zimbabwe have price guarantees, but this must be modest or it will bankrupt the government.

Community yoke vs. evil market

A debate rages between supporters of traditional institutions and supporters of modern markets. Some think that the traditional institutions of subsistence economies inhibit innovation and growth and must be replaced wholly by market institutions while others argue that the market with its emphasis on individuality and greed destroys the social fabric and even the basis for the legitimacy of the market itself. Hayami refers to the debate as the "community yoke vs. evil market" thesis.

The "moral economy" approach is represented in the work of James Scott who observes that social relations in precapitalist agricultural communities are designed to secure minimum subsistence for all of its members based on mutual help and reciprocity. Hayami (p. 6) observes that "Because production externalities are pervasive, and because possible conflicts are numerous and variable, customs or accumulated precedents tend to be a more effective means of settling conflicts than the stipulations of formal laws". Social pressure is cheaper than courts and police.

Comparing costs of alternative institutions is the basis of the transaction cost economics developed by Oliver Williamson. When applied to the agricultural wage bargain (in large-scale agriculture), he suggests the main choices are to "rent the land, work the land for a fixed wage, or engage in a share-cropping". If a laborer rents the land for a fixed rent there is a high powered incentive to work hard to maximize net return after the rent, but there is also an incentive to extract as much service as possible from the land (or other capital). If the owner's cost of detecting and proving misuse is high, the fixed rent is not attractive. In a traditional community, the tenant and owner may have a long and continuing social relationship which discourages opportunistic misuse.

On the other hand, the land owner could hire the labor at a fixed wage. This removes labor's incentive for misuse but also removes the incentive for hard work if the land owner's cost of supervision is high. Again, this depends in part on the internalized behavior patterns and the social relationship. A hybrid of the two polar systems is share tenancy. Williamson concludes that a "tradeoff is posed in which imperfect observability (of equipment [or land] on the one hand and of labor on the other) is the key factor. Hierarchy (fixed wage) is favored as physical capital intensity builds up".

These transaction cost tradeoffs can be observed in the fishing industry where share contracts dominate in most sectors in developing countries but more wage contracts are found in the more capital-intensive segments (Nugent). Where immobile assets (salvage value is low in alternative uses) are minor, more fixed rent contracts are found, arguably because the owner is not worried about misuse.

The beneficence of traditional values in controlling opportunism is mixed. Samuel Popkin argues that it seldom works much beyond the immediate family, and group action above that scale often breaks down. He observes instances where the village elites exploit traditional institutions as community property for their own profit with little contribution to the survival of the poor. The traditional accommodations can maintain a low level equilibrium in which there is little innovation and investment, and only the market offers escape from the control of village elites to allow seizing of new opportunities as each person perceives them. This brings us back to the earlier theme of continuity and change.

Turning to African communal lands, some new management practices may be possible. There is experience to suggest that the highest yield from savanna grazing is to put a maximum number of animals on a given area for a short time, followed by a long natural discontinuation of grazing to enable the grass to recover (Halbach). If this approach proves sound, areas that are managed as a commons could take advantage of the system if they could agree on who pays the management costs and who gets the increased carrying capacity. Again, the question of fairness arises if the group is to accept the change and the aggregate gain realized. There is some experience in Lesotho with range management associations based on traditional tribal systems of concensus which have limited animal numbers. Where traditional bases for collective action have withered, other local institutions such as burial associations may be used to acquire the necessary trust and sense of community. But, if the government regards any local collective action as a threat to its power, there is no hope.

Hayami concludes that "governments should expand their efforts in the spheres in which both community and market fail to achieve socially efficient resource allocations. In this endeavour, governments should try to supplement rather than to replace indigenous community and market systems". Botswana is trying to follow this suggestion. Williamson's analysis also supports a balanced approach. The choice between market and hierarchy (or community tradition) depends on the specifics of the historical situation. There are tradeoffs to be made in the real world and comparison of ideal types is empty. This is why this paper presents ideas instead of advice for a new nation. The grassroots situation cannot be viewed from abroad.

Coordination

Development of the agricultural supply and processing sector presents many problems. It is difficult to compete with foreign imports. This is especially so with activities with economies of scale. The domestic firm might be able to beat the import price if enough units were demanded. But, at today's imported prices, there may be insufficient local demand (Chenery). It is a chicken and egg problem. The input users would invest and grow if input prices were lower and input manufacturers would invest in capacity if demand were greater. In principle, both investments could be made together, coordinated by a contract. But in practice transaction costs may overwhelm the opportunity. Or, both investments could be made by a single firm which combines both functions. This is not so easy when the experience necessary to manage such firms is scarce, and the government may question the accompanying monopolistic dominance of the integrated firm, especially if it is foreign-owned.

Another serious problem when markets are thin, is that a market potential analysis may indicate that one or a few new firms may be able to make money. But if several investors with the same information enter the market simultaneously, there could be overcapacity and all will lose (Richardson). This duplication cannot be afforded in a poor country, but neither is it an easy matter for the government or banks to provide the coordination. If there are more investors than needed for a limited market, then someone must ration the opportunity. That is what the market promised to do so that a public bureaucracy would not be needed. Market failure must be weighed against possible government failure. The lessons of some of the historic successes in Africa need to be understood, such as the Fulani cattle traders and the creation of cocoa and palm oil markets.

When prices are administered and unrelated to costs, agricultural production and farm income suffer (Krueger). Getting prices right is necessary, but not sufficient. The problem of supply response remains to coordinate infrastructure, farm technology, and agricultural inputs. The problem is that costs are often higher than they need to be. Shaffer argues that, "While pricing efficiency is important, it deals only with marketed surplus after it is produced. It says little about the effectiveness of coordination or contribution to increased productivity ... Traditional markets are unpredictable, unreliable, and carry very limited coordinating information and incentives". Perhaps, instead of emphasizing the problem of getting prices right, we should emphasize the problem of getting rights right, in which case prices will take care of themselves.

Every student in a business school takes a course in business law and learns of the commercial code. Economists and politicians tend to work at more abstract levels of communal vs. private property or market vs. government. But examination of the commercial code or any agricultural law book reminds us that business is conducted in the trenches, so to speak, and there is some rule for every variety of conflict. Development then must have something to do with the cumulative effect of these many micro-rules. Most economic and planning ministries are dominated by macro-economists concerned with interest and exchange rates, and by project evaluators. Perhaps more should be concerned with commercial and corporate law and some with the internal organization of firms, whether private or public (parastatal). The details of how different functions within the firm are coordinated and how individuals are rewarded may account for more differences in performance than the private vs. public dichotomy or the choice of the project with the highest benefit-cost ratio.

Hernando de Soto summarizes the above points by saying "the key to creating value is to pool labor, capital, and ideas on an efficient and lasting basis. By establishing rights and obligations among a number of parties whithin an operating framework which permits inputs to be pooled on a productive and long-term basis, the law is a requisite for any major investment ... Good law must also encourage the specialization and interdependence of individuals and resources". After showing why the law is so important, he nevertheless notes that for his country, Peru, much economic activity is in the informal sector outside the law. The law has erected so much red tape that entrepreneurs forgo its advantages to avoid its costs.

To answer why is not easy. Many government permits have their basis in consumer protection. For example, consider the problem of guaranteeing the chemical content of fertilizer or pesticides and protecting it against adulteration, or requiring the fertilizer factory to have safe machinery for its workers. These are good objectives but often go wrong and become excuses for bureaucrats to extract bribes, at worst, or slow things down, at best. The modern welfare state is difficult for a poor country to manage.

De Soto recommends that his country "replace the state's regulatory control of the economy by control expressed in judicial decision. It means granting access to the market to all citizens and extending facilitating legal instruments to all. It means increasing the proportion of available resources so that the state can do what private individuals cannot do well. Last, it means delegating to informal organizations the responsibilities they can best meet". These are worth consideration, but difficult in practice. Even where the formal law is adequate, making it accessible to small firms is another matter.

Don Mead observes that subcontracting enables enterprises to specialize. This practice is common in Asia but rarely used in Africa. In Asia most of the contracting with smaller suppliers is done by large firms. "The fact that many of the potential parents in Africa operate in protected markets reduces their incentives to search for such cost-reducing arrangements".

This discussion argues that attention to the daily routine of contracting and intra-firm practice should be on the research agenda. These are complex issues without simple answers. The problems of assembly, storage, and processing of agricultural output from many producers of non-standard products and the delivery of inputs to these firms are immense. Law, organization, and techology have evolved together in the rich countries. Identification of the limiting factors and strategic proportioning in Southern Africa is not easy, particularly when you are competing with other economies who have solved some of the problems.

INFORMAL SECTOR: GREEN MONEY

As I read some of the studies that have been made on Namibia and other similar countries, I am impressed by the severity of the problems and I wonder if variations in known policies are sufficient to the task. It makes me a bit of a risk-taker in proposing an idea which may well be regarded as eccentric. Start with pervasive unemployment. There are many people who are doing very little. Yet, there is some skill represented there and while natural resources are often limited, there are some to be had. Why then are these people not doing what they can with what they have to produce for each other? The same problem occurred during a housing depression causing severe unemployment in Courtnay, a lumbering community in British Columbia, Canada. Michael Linton noted that there were people whose houses needed painting while people who could paint were doing nothing. Some people could grow vegetables, but the unemployed painter and plumber could not afford them. Everybody was waiting for some outside investor to come in and provide them with a job (or waiting for the welfare check). Why couldn't the house owner and the painter agree on a price and the house owner give the painter a credit of green money recorded at a central place. This credit could be spent by the painter to buy vegetables, etc. Barter facilitated by green money energizes the locally available skills and resources. It can't be used to buy a transistor radio from Japan, but then that is not vital for survival or improved living. Green money actually worked in this British Columbia town to improve life. Each party agreed to their own prices. It is not the answer to very many problems, but it may be better than total wastage of human resources. The green money need not be converted to regular money. But if anyone without green money could strike a bargain with any credit holder, this could be done. There is no centralized decision on work points. Quality is a matter between buyer and seller as with regular money. Is this idea worth further thought?

And if you want to go further, what if the unemployed were asked to make improvements to local roads and other public facilities and paid in a green money that could only be spent for locally produced products (the wage would be deposited as a credit in the local green bank - which is nothing more than a book-keeper)? Why should the local road have potholes when there are shovels (or international agencies willing to supply them) and people who are not otherwise working?

PUBLIC CHOICE RULES

The rules for making rules may sound like a topic far from agricultural economics or any economics, but in fact agriculture has a large stake in it and constitutional economics has a lot to offer. Democracy, like the market, is not a single thing. There can be many different rules for making rules that all qualify as democracy, but with quite different results. Public choice economics has identified control of the agenda as a key instrument. Depending on the distribution of political preferences, different coalitions are possible depending on how propositions are put to voters and legislators. Many governments suffer from great instability because of this.

What interest groups will do better in the new democracy? The old powerful groups are not automatically going to go away. Many governmental acts have the characteristic that, if they benefit one member of a group, they can't be cheaply denied to any other member (high exclusion costs). This often means that individuals in large interest groups do not voluntarily contribute time and money to lobby for their interest, hoping that others will and they can ride free. This creates what might be termed the inequality between groups with few members but who have high individual stakes, and large groups whose members have individually small, diffuse stakes (Hagedorn). The small group usually wins. Agricultural interests are frequently characterized by large numbers, geographically spread and hard to organize, with small-sized individual gains from government action. This is often a recipe for dominance by small groups of commercial, bureaucratic and urban interests. In the U.S. this has led to fractionalization of agricultural pressure groups into specific commodities (small groups with high individual stakes) with a lack of a unified program for all of agriculture. The French seem to fight the problem by driving sheep through the center of major cities. Most developing countries seem marked by agricultural numerical majorities being dominated by urban elites (Olson). I don't have any magical answers. I would like to throw out one idea, however. Perhaps diffuse interests would be better served if there were some legislators elected at large rather than from regions or selected from lists of party faithful according to the proportion of votes a party receives in parliamentary systems.

The governments of a number of African countries are marked by government monopolies of a number of agricultural inputs such as fertilizer or credit (Bates). Access to these can then be used by the government to reward individual voters for their loyalty. There are few programs which are generally available to all. This seems well designed to maintain the party in power, but limits development potential, keeps farmers individualistically oriented and keeps them from acting together on their common interests. The same traditional community-oriented behaviors described above, which provide sharing and mutual support, can result in isolation and little sense of national identity, and thus no pressure from similarly situated villages to get their interests served by the national government.

If competition is good in markets, perhaps it is also useful in government. Multi-party government and local participation are critical. But, local government remains weak in many countries. There is something to be said for federal systems which provide a citizen with different levels of government (Ostrom, Wiseman). If one won't serve your needs, perhaps another will.

Many development policy reports suggest new roles for government. Yet, it can be observed that some developing countries over time have replaced the colonial elite with a black elite that still enriches itself at the expense of the common agriculturalist (Seidman, R.). This is a sensitive point for a foreigner to raise and I don't have any answers, but I think it must be on the agenda of any development policy discussion.

RULE OF LAW

People are often told to be proud that they are under a "Rule of law and not a rule of men". What does this mean? Does it mean that there are some natural laws which can be used to settle conflicts among conflicting interests? There may be a few royalists left who will admit to the divine right of kings, but this is now laughed at by most. Does it mean that there are some legal principles which are known by specialists in law, which rise above the mud of conflict, to which all should assent? The Supreme Court of the U.S. is always upholding or striking down laws by reference to the Constitution. Laws bearing on the same issue are alternately upheld and struck down by reference to different parts of the Constitution or sometimes just by reinterpreting the same words. Law is by all evidence the product of men and women interacting in a political process.

To require a part of the political process to give opinions, reasons and assert continuity is not to be treated lightly, but it should not distract us from the fact that real people have to choose what kind of world they want to live in. The rule of law has another more useful meaning, namely that officials and citizens are subject to the same laws. No person is above and outside the law.

PROCESS AND SUBSTANTIVE OBJECTIVES

In conclusion, another way to view the earlier theme of continuity and change is to contrast process and substance. Some economists have emphasized the search for change which benefits everyone (at least potentially, if not in practice). The literature which emphasizes so-called minimalist government, focuses our attention on government's role in enforcing contract (Buchanan). Since contracts voluntarily agreed to seem to offer gain for all involved, this seems to be an area of policy advice where the analyst seems to rise above the mud of conflict and can simply be on the side of rationality. But to use government to enforce contracts is to legitimate the starting place of what the parties bring to contract and who the relevant parties are. The third party who is affected by a two-way trade wants to be one of the persons whose permission must be obtained to make a change, i.e. who wants to be a part-owner.

It is tempting in politics and economics to try to get agreement on process since agreement on substance is so difficult. But this is a delusion, since process begins from a particular substance and the future substance is rooted in that starting place (Majone, Samuels, Wildavsky). Analysts cannot be very helpful in designing policy instruments if the substantive objectives of what the desired world looks like has not been explicitly politically chosen. It is simply not helpful to say that productivity and efficiency is desired. At one level of analysis it is possible to speak of the relative efficiency of alternative institutions, but at the constitutional level it is institutions that define the relevant input and output categories (whose interests count) and thus the very content of efficiency. The issue is not to trade off efficiency and distribution, but the very meaning of efficiency. In a new nation trying to build community, it may be tempting to divert attention to process. I understand the temptation, but I must warn against it. Growth based on self-constraint and cooperation may require us all to admit that each different group wins some and loses some and then tries to find the balance that most agree is fair. People who don't agree on what is fair often cannot realize potential gains.

This paper has explored several apparent dichotomies: continuity vs. change, individuality vs. group, control vs. expansion of individual action, market vs. hierarchy, market vs. government, community yoke vs. evil market, process vs. substance.

The message is that they are less dichotomous than might at first appear, and that development may be rooted in fragile and situation-specific balances and tradeoffs between what each offers. This may not be good material for independence day speeches and slogans, but it may provide more useful ideas for the long-run design of institutions contributing to development.

The second suggestion is that policy makers give as much attention to commercial law and property rights as they do to monetary, international trade and price policies and projects. And above all, the economics of peaceful order is the foundation of all development.

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