

SOCIAL NORMS AND FORMAL RULES:

How They Influenced Housing Delivery for the Urban Poor
in
Developing Countries

Professor Bishwapriya Sanyal
Department of Urban Studies and Planning
Massachusetts Institute of Technology
Cambridge, Massachusetts 02139

In the early 1950's, at the beginning of the "First Development Decade," there was a policy consensus about the role of traditional social norms and formal rules (created by newly established bureaucracies) in the modernization of the countries whose economies were then based primarily on subsistence agriculture.¹ The policy consensus was the following: that modernization of economy and polity required the dissolution of traditional social norms and the construction of formal rules to be administered by newly established bureaucracies which, in turn, were to be led by democratically elected politicians. The preference for new formal rules over the traditional social norms was based on a four part argument that: (i) formal rules led to more efficient utilization of resources for economic growth² (ii) formal rules facilitated more egalitarian distribution of the benefits of economic growth³, (iii) institutions based on formal rules were more accountable and (iv) such rules, if properly constructed, could be more flexible than rigid social norms. Much of the support for formal rules over social norms was drawn from the developmental experience of industrialized countries which was the reference point for such notable scholars as Max Weber, Joseph Schumpeter, Walter Rostow, Arthur Lewis, and others.⁴

The modernization paradigm influenced every sector of the economy, including housing. The policy consensus regarding housing postulated that new, formal institutions were necessary to generate a steady supply of housing for the rapidly growing numbers of urban residents.⁵ The governments were to play active roles in building houses and creating a vibrant construction industry, which would reduce the need to import

building materials. The governments' efforts would complement the efforts of private industries, which would also provide some housing for their employees, following the tradition of colonial enterprises. The private market for provision of housing was, however, yet to develop. Urban land markets seemed rigid and opaque without any formal institution facilitating exchange.⁶ There was virtually no formal credit available for housing, because most countries channeled their meager resources towards more productive sectors to generate foreign exchange. The buying and selling of complete houses, a common practice in developed countries, was rare with hardly any developers and realtors offering their services.⁷ Although there was some disagreement among policy-makers at this time regarding whether limited national resources should be channeled towards housing, there was no disagreement about the broad direction of housing policy, namely, that new formal institutions, both public and private, were necessary to construct markets for land, credit, and building materials. There was also complete agreement that existing institutions, informally managed by social norms of a pre-modern kind, would either wither away or will be "creatively destroyed," by the dynamism of the growing economy, as Schumpeter had suggested.⁸

The Reversal of Development Logic

This model of housing provision, with its explicit bias in favor of formal institutions, both public and private, began to lose legitimacy by the early 1960s. By that time, in developing countries, "informal settlements" on the periphery of most cities had steadily grown in size and were housing a growing number of the urban poor. In 1967, John Turner's seminal

research directly challenged the modernization paradigm for housing provision, and demonstrated, for the first time, that the assumptions underlying the paradigm regarding the role of formal institutions were seriously flawed.⁹ In his now famous words, “governments have done so little with so much, while people have done so much with so little,” Turner contended that formal institutions, like Ministries of Housing or Municipal Housing Authorities, were inefficient in resource allocation and utilization compared to poor residents who ministered and used their meager resources with much greater effectiveness. Similarly, Turner argued that formal bureaucratic institutions did not facilitate a more equitable distribution of resources; the poor were better at resource distribution relying as they did on traditional social norms. In addition, formal institutions were determined to be less accountable and more rigid in their operations. Staffed by corrupt bureaucrats who imposed many rules that the poor residents were not even aware of, the formal institutions had become, ironically, a hindrance to facilitating a rapid supply of housing.

Turner’s approach prompted a new wave of research on “informal institutions,” “informal settlements,” and “informal employment” which was to flood the development field for the next thirty years. The often cited ILO study (1972) built on Turner’s advocacy of informal institutions, and constructed a holistic framework which compared, on seven characteristics, the two types of institutions and markets – i.e. formal and informal – and argued that the latter was better than the former on all seven counts.¹⁰ Consequently, governments of developing countries, at both the local and national levels, were advised by international institutions to assist informal market transactions for housing as well as employment through the

implementation of various policies, ranging from provision of credit (probably the most popular) to the delivery of basic infrastructure to the informal housing areas. This approach to housing delivery, which celebrated the efficacy of informal institutions and social norms and, by contrast, tarnished the view of formal institutions, was in vogue for well over a decade or so until the early 1980s. Then, new research based on the experiences of projects implemented during the 1970s began to emerge, tempering somewhat the revisionist appreciation of informal institutions.¹¹

The Limits of Norms and Informality

The research which demonstrated the limits of social norms and informal institutions in delivering housing to the poor did not simply reiterate the criticisms of the early advocates of developmentalism. The new research was appreciative of social norms and informal institutions but also acknowledged their limitations in the face of steadily growing housing needs of the urban poor. One issue that received renewed attention was the role of social trust in facilitating market exchanges. That social trust was a central element of social norms, and that without social trust informal market exchanges could not flourish had been documented earlier.¹² The new research demonstrated that as the size and density of informal housing areas increased steadily and these areas became increasingly socially heterogeneous, exchanging parties relied less on social trust and more on formal rules to insure contracts.¹³ Furthermore, social sanctions based on social norms were becoming less effective as individuals could now “exit”

from particular domains of norms and sanctions relatively easily due to geographic mobility.¹⁴

A second set of research findings demonstrated the limitation of projects which were based on the assumption that informal social obligations and norms could be used effectively to influence the behavior of project participants.¹⁵ This was particularly visible in cases where the goal was to expand market operations of activities, such as delivery and repayment of loans for housing construction or small businesses. It was not that social norms and obligations did not help to insure compliance with market rules, they did, but only to a certain extent and only in particular circumstances, as was best exemplified by the good loan repayment rate in the Grameen Bank in Bangladesh. When social norms were relied upon for purposes other than loan repayment, the results were mixed, at best. The critical reason for the mixed outcome can be described as follows: norm based practices almost always have multiple objectives, unlike market rules that are intended primarily to facilitate exchange by reducing two key elements of uncertainty – namely, the borrower’s ability to repay the loan and his propensity to default. Norm based practices, such as group monitoring of loans, may support market needs but are not confined to that purpose only. Norm based practices have emerged over many years to sustain communities and insure social order, primarily through reciprocity and a sense of social responsibility towards the members of one’s community.¹⁶ This does not always insure equitable outcomes, however. As much as any community may feel social responsibility for the wellbeing of its members, at the same time, it usually erects barriers obstructing the entry of newcomers with social characteristics different from its existing members.¹⁷ This

exclusionary tendency of closely-knit communities can also impede expansion and an increase in population density of housing areas, both of which are necessary to meet the growing housing need.

A third set of research findings tempered the glorification of social norms and the disregard for what were disparagingly called “bureaucratic rules which stifle entrepreneurship.” These findings demonstrated that the assumption that there were two parallel spheres of exchange, one based on formal rules enforced by “the state” and the other based on social norms which sustained “an economy of affection” was not accurate. The two domains were not totally separate.¹⁸ They influenced each other, and, more importantly, social norms which were assumed to be immutable did change in response to changes in the formal rules regarding housing delivery. This finding was particularly pertinent in the case of conflicts within communities where parties to the conflict sought the intervention of formal rule-making authorities in resolving their disputes.

Norms and Rules: The Best of Both Worlds?

Once the limitations of social norms were acknowledged, housing policies in most developing countries entered a new phase where attempts were made to combine norms and formal rules with the intention to draw on the comparative strengths of each type of rule.¹⁹ Although the specific combination of formal rules and social norms in the design of projects and policies varied from country to country, the broad theme, popularly titled “private-public cooperation,” pervaded housing policy discussions in

virtually all countries by the middle of the 1980s. The private-public cooperation approach was, of course, not limited to housing policies for the urban poor; it was touted as the right approach for all kinds of investments ranging from housing for the poor and middle classes to construction of shopping centers, sports stadiums, and other revenue generating schemes. The details of what private-public cooperation really meant in terms of project design varied widely, but that is not the concern of this essay. What is relevant for our purpose is the particular form of this discussion regarding the growing housing needs of the urban poor who resided in informal housing areas.

One strategy of this new approach was to draw on both formal rules and social norms assuming that their combination would be more effective than if either one was relied upon exclusively. To depend only upon formal rules would have created the kinds of problems which were not foreseen in the early 1950s, namely, excessive bureaucratization of housing delivery. Also, too strong a reliance on formal rules was feared to have an adverse effect on the entrepreneurial energy which characterized informal housing provision. In this regard a particular concern was the imposition of regulations of every kind by “rent-seeking bureaucrats” who were interested primarily in creating opportunities for their own enrichment through corrupt actions.²⁰ As a result, there was a preference for “community control” which would draw on social norms and not bureaucratic rules for management of these areas.

A second strategy to draw on both domains – formal and informal – was to encourage informal developers to participate in publicly financed schemes for housing provision.²¹ The key assumption underlying this

strategy was that informal developers were more aware of market opportunities for providing a range of housing which met the varying needs and capabilities of the urban poor. These developers had better information than government bureaucrats about the intricacies of the housing market, and they had managed to supply housing and receive regular payments for such housing without relying on formal rules. The key to the success of the informal developers was their extensive social networks which, in turn, drew on social norms for the structuring and enforcing of informal contracts. If these developers could be induced to participate in publicly financed projects, the argument went, then their private entrepreneurial energy could be tapped and blended with public efforts. To create such a blending, the informal developers were not to be bogged down by too many formal rules. Here again, the communities were to play an active role, drawing mostly on social norms and practices; and the communities were to be supported by municipalities only to the extent necessary for mobilizing resources.

Non-governmental organizations (NGOs), representing the communities, were to play the role of the intermediary, facilitating communication among the various key actors and groups.²² The NGOs were to serve as the social glue holding together the different components of the private-public cooperative process. In contrast to elected politicians who were portrayed as belonging to the formal but corrupt and delegitimized political process, the NGOs represented a blend of formality and informality which made them particularly appropriate agents for facilitating the new effort to draw on both formal rules and social norms in housing the poor.

In this new paradigm of housing provision through private-public cooperation, there was very little, if any, discussion of either social or institutional conflicts. Because the emphasis of the moment was on cooperation which is generally considered “a good thing,” planners and policymakers ignored conflict as an aberration which happened only due to personal hostility between non-cooperating individuals. Also, in contrast to cooperation, conflict was viewed as “a bad thing,” delaying project schedules, increasing costs, and creating conditions antithetical to the generally positive goals. Another reason development planners rarely dealt with the issue of conflict in a rigorous way has to do with the way conflict was glorified in Marxist analysis which has not been “an idea in good currency,” particularly with the collapse of the former Soviet Union in the late 1980s. However, even before the collapse of the Soviet Union, the issue of conflict – particularly institutional conflict – was rarely discussed seriously because it tarnished the spirit of hope and inspiration necessary for tackling enormous developmental challenges such as providing adequate housing for the urban poor.²³

New Lesson regarding Norms and Rules

How have efforts at combining formal rules and social norms fared? The evidence from the field is beginning to emerge, but, of course, more evidence is needed before any definitive conclusions can be drawn. Nevertheless, the initial reports offer some surprises which I have described below drawing on three particular efforts I am familiar with.

- (i) In the State of Karnataka in India, an effort was made to build upon community-based institutions, called Community Panchayats (CPs), and to formalize the structure of governance somewhat by creating locally elected bodies, called Gram Panchayats (GPs). The goal was to complement CPs with GPs and create a more responsive and accountable system for public resource allocation, informal dispute resolution, and general governance of communities.

The evaluation of this effort indicates that, although CPs and GPs did occasionally complement each other in articulating community preferences for and implementation of development projects, they also clashed with each other, not infrequently, as GPs – the relatively more formal institutions – tried to change the local social norms which restricted the participation of women and lower caste individuals in collective decision making.²⁴ CPs, which follow traditional social norms regarding strict gender roles and unfair division of labor among the different caste groups tried, first, to undermine the GPs' authority by urging local area residents not to participate in GPs. But, lower caste members who outnumbered the upper caste members by a wide margin participated in GPs simply because they had relatively more access to GPs than CPs. Many women also chose to participate in GPs. Consequently, members of CPs tried to influence the outcome of elections for GP leadership positions to restrict the election of women and lower caste groups to such positions. The CP leadership used its economic and political power to influence the election of GP

leadership by making deals with candidates of their choice. In a nutshell, CPs and GPs were engaged more in conflict than cooperation. What mediated the relationship between the two institutions is the political process which, in turn, was conditioned by acute inequality in political and economic power. Although this outcome may not be surprising it is worth emphasizing because the issue of political process and how it mediates institutional conflicts is not adequately addressed in the norms/rules discussion.²⁵

- (ii) A second case study of a recently completed housing project in Mumbai, India provides additional insights about efforts to mingle different institutional forms to deliver housing for the urban poor.²⁶ This project was initiated by a community with the assistance of one of the leading NGOs in Mumbai – the Society for Promotion of Area Resource Centers (SPARC). The community and SPARC were to work cooperatively and in a decentralized way with private developers, local and state governments, and foreign donors. The project involved in situ housing reconstruction where project beneficiaries were to contribute towards project costs, and the developer was expected to get a decent rate of return from the project by selling off at market rate some housing units built in addition to what was required to rehabilitate all the community members.

Although well intended, this project created new assets but with ambiguous property rights and that generated much conflict among the various stakeholders. As an entrepreneurial NGO, SPARC,

played a key role in asset creation drawing on its comparative institutional strength as a grassroots based organization. Yet, paradoxically, SPARC's success also embroiled the organization in struggles with government agencies, private contractors, and even community groups, as a booming real estate market steadily appreciated the value of newly built houses and instigated conflicting claims from the various stakeholders about who is to capture how much of the newly generated values.

There were many other unintentional outcomes of this project, but the following two stand out:

One, even though various conflicts delayed project completion, ultimately the project beneficiaries received more benefits than originally intended by the project designers. SPARC's challenge of government design guidelines and standards led to design innovations ultimately benefiting project participants. And, conflict between the private contractors and SPARC led to better financial arrangements for the project beneficiaries as their share of the total housing cost was reduced.

Second, the conflicts among the various stakeholders in an institutionally pluralistic environment ultimately led all the contending parties to call for a relatively centralized mechanism for conflict management. The process had a transformative effect on SPARC. It induced SPARC to centralize its own internal operation, transform its mission from one of only advocacy to one

of social investment in profitable enterprises, and seek a permanent seat in the centralized body created for conflict management. In other words, conflict with market institutions transformed SPARC such that it began to resemble market institutions. Similarly, conflict with government agencies induced SPARC to gain control over part of the government apparatus intended for housing delivery to the urban poor.

(iii) Transformation of Hay el Sellom in Beirut, Lebanon

Hay el Sellom, an area in the southern part of Beirut, Lebanon, grew from an olive grove in 1950 to one of the most densely populated areas in the city by 2002. A historical analysis of Hay el Sellom's growth, which focused on three generations of private developers in the area, provides some interesting insights about the role of these developers at different stages in the growth of the neighborhood.²⁷ There were, of course, many factors, in addition to the developers' activities, which influenced the growth trajectory of Hay el Sellom. These include: the civil war in Lebanon which created a surge of internal migration resulting in an influx of displaced persons arriving from within Lebanon; the steady decline in the power of local government, and the simultaneous rise of local faith-based militia which are now operating as NGOs; and the fluctuating economy with rapid boom and bust cycles which attracted large investments in housing at one moment, but soon after, depleted the purchasing power of households in the area. The historical study captures the interactions between these factors over a period of fifty years. It

provides a more nuanced sketch of how formal and informal transactions based on both social norms and formal rules interacted under the particular conditions of Hay el Sellom, and the impact of such interactions on the wellbeing of the urban poor.

The following findings of this study are of particular relevance for this essay:

First, contrary to the common understanding that housing areas gradually evolve from being totally informal to formal as policymakers come to acknowledge the legitimate social claims of the poor, the reverse trajectory –formal areas becoming increasingly informal – is also possible under certain circumstances. In other words, the outcome of interaction between social norms and rules can vary widely depending on several factors. The two factors of particular consequence in the case of Hay el Sellom were the intensity of competition among the developers and the local authorities' inability reformulate rules in accordance with changing market conditions.

Second, as previously noted by other researchers, both formal rules and social norms facilitate market transactions; and developers work at the interstices of norms and rules, at times drawing on their strengths and, at other times, undermining their regulatory power to suit their specific needs at the moment. What is unique in the case of Hay el Sellom, however, is the way developers who, at first glance, seemed to be relying only on social norms to conduct businesses were,

in fact, drawing on the legitimacy of formal legal symbols, by imitating official stationary, having contracts endorsed by notary seals, and getting property boundaries measured by government engineers who acted as private consultants to the developers. The intention was clearly to create a sense of trust between the buyers and developers. This is an interesting insight because “trust” is commonly associated with social networks and norms which are assumed to contribute to trust building.²⁸ The Hay el Sellom experience does not negate the fact that ethnic ties and other primordial relationships create trust and thereby facilitate market exchanges. Rather, it suggests that such ties are not sufficient to fully counteract the uncertainty of buyers who ultimately need the assurance of formal rules to uphold the validity of their transactions. In other words, social trust for market exchanges is not entirely a product of organic social bonding; it needs some nurturing by government. In particular, the urban poor who often invest their entire savings to purchase property do not rely solely on mutual trust, although such trust may help them get information on property availability. To create a sense of predictability of contract enforcement, they need the assurance of formal rules which the developers in Hay el Sellom provided by drawing on symbols of such rules.

All developers in Hay el Sellom, however, did not adhere to the same business practices. With the growth of the area, the changing market created new niches for investment. The three developers the study focused on pursued three distinct styles of engagement. They had very different resources and social networks, and they followed,

implicitly, different codes of conduct regarding the extent to which they were willing to break formal rules.

The third finding concerns the role of well-defined and formally documented private property rights which have been emphasized by Hernando De Soto as a precondition for capital accumulation by the urban poor.²⁹ The study of Hay el Sellom indicates that, although such well-defined and formal property rights were not in place, the area developed continuously precisely because it offered many opportunities for capital accumulation. Hence, there was no clear-cut and direct relationship between formal property rights and capital accumulation. In fact, the study suggests that there may be an inverse relationship between formal rules and capital accumulation: lack of formal rules regarding property rights may create opportunities for private capital accumulation while generating adverse social costs, such as high density, air and water pollution, and such other negative externalities which are of the utmost concern for Hay el Sellom's residents. This is not to say that the residents do not care for ownership rights. They are able to create such rights through a blend of norms and rules relying on various strategies for the demarcation of property boundaries. In case of disputes, they rely on informal negotiations with the assistance of the developers who keep informal records of all property transactions. This is why Hay el Sellom's residents did not complain about lack of well-defined property rights. What concerned them most was increased population and housing density which has reduced public space and cut off sunlight to the area, created pollution of water and air from increased economic

activities, and generated traffic congestion which added to the noise and air pollution. Such “externalities” seriously impair the quality of life of the residents and create health problems for both the children and adults. The inhabitants clearly do not perceive such problems as emerging out of ill-defined private property rights. This is not to say that they do not seek either formalization of their titles, or access to credit; they do. However, these issues are of low priority when compared to the improvement of their living conditions. Foremost, what they seek are government regulations of the kind which are commonly thought to stifle entrepreneurial investment that De Soto and others have argued is crucial for development. This pressure for formal regulations, emerging out what is often referred to as “civil society” is intriguing because civil society, by its very definition, is supposed to draw on social norms and not state regulations. But, as the Hay el Sellom study demonstrates such a simplistic definition of civil society fails to explain how poor households may rely on a mix of strategies drawing on the state, the market, and community norms to improve their living conditions.

Conclusion

I relied on three case studies, two from India and one from Lebanon, to illuminate our understanding of how social norms and formal rules interact and influence housing delivery for the urban poor. To be sure, one cannot draw broad generalizations from these case studies because each case unfolded under particular circumstances. For example, in the case of Karnataka, the existing caste hierarchy, the acutely unequal distribution of

political power, and yet, a politically democratic system, set the context for the interaction of formal and informal institutions. Likewise, in the case of Mumbai, the booming real estate market and ambiguous property rights created by frequently changing public policies set the context for conflicts between social norms and formal rules. Finally, in the case of Lebanon, the particular context was shaped by the civil war, the loss of legitimacy of local government, and the growing competition among the property developers. These unique contextual elements, however, do not make these cases inappropriate for deepening our understanding of how norms and rules interact. On the contrary, the process of understanding, which requires the identification of the unique contextual elements in each case, facilitates a type of theory building particularly useful for policymakers. Because policymakers usually learn from the implementation of specific projects, however uniquely such projects may unfold. Rarely do policymakers have the time and resources to conduct rigorous research based on the formal principles of social science which require, among other things, the study of a statistically valid number of representative samples.

Acknowledging the limitations of case studies, what lessons regarding social norms and formal rules can one draw from the three examples? First, these cases confirm that norms and rules do not constitute two separate social domains. They interact and influence each other, and such interactions are conditioned and mediated by political process, market conditions, and the effectiveness of local governments. Second, the interaction of norms and rules is not always a benign and consensual process. Such interactions generate conflicts whose intensity is conditioned by the distribution of political and economic power. Third, to blend social norms with formal rules

and resolve the conflicts such blending often generates, new mechanisms and institutions are necessary. The innovation of such mechanisms and institutions of dispute resolution is a challenge for development planners who want to go beyond the current rhetoric of partnerships and popular participation in delivering housing to the urban poor in developing countries.

Endnotes

-
- ¹ The term “First Development Decade” was coined by the United Nations. See United Nations (1965) Planning for Economic Development: Studies in National Planning Experience, United Nations, NY.
- ² This argument rested on the assumption that labor utilization in subsistence economies was inefficient because labor mobility was restricted by prevailing social norms. See Arthur Lewis (1955) The Theory of Economic Growth, Irwin: Homewood, Illinois.
- ³ This argument rested on the assumption that democratically elected governments, unlike colonial administrations, would facilitate better income distributions by fiscal and monetary policies. See M. Lipset (1959) “Some Social Requisites of Democracy, “ in American Political Science Review, No 53, pp 69-105.
- ⁴ Schumpeter, J (1984) Capitalism, Socialism and Democracy, Harper Perennial: New York; Rostow, W. (1971) Politics and the Stages of Growth, Cambridge University Press, Cambridge.
- ⁵ Burns, S. & L. Grebler (1977) The Housing of Nations: Analysis and Policy in a Comparative Framework, Macmillan: London.
- ⁶ Annez, L. & W.C. Wheaton (1984) “Economic Development and the Housing Sector: A Cross National Model,” Economic Development and Cultural Change, 32, 4, July, pp 749-66.
- ⁷ Van Huyck, A. (1986) “New Directions for National Shelter Policies,” in L. Rodwin (ed.) Shelter, Settlement and Development, 1986, pp. 339-359.
- ⁸ Schumpeter, J. (1984) Capitalism, Socialism and Democracy, Harper Perennial: New York.
- ⁹ Turner, J.F.C. (1967) “Barriers and Channels for Housing Development in Modernizing Countries,” Journal of American Institute of Planners, Vol. 33, No 3, Mar, pp.167- 181.
- ¹⁰ The seven characteristics are: (a) ease of entry; (b) reliance on indigenous resources; (c) nature of ownership of enterprises; (d) scale of operation; (e) labor intensive and adapted technology; (f) skills needed; (g) nature of markets – unregulated or Competitive International Labor Office (1972) Employment, Incomes and Equality: A Study for Increasing Productive Employment in Kenya, ILO: Geneva, p.6.
- ¹¹ R.L.Ayres (1983) Banking on the Poor: The World Bank & World Poverty, MIT Press, Cambridge, Mass.
- ¹² Zucker, L.G. (1986) “Production of Trust: Institutional Sources of Economic Structure, 1840-1920,” Research in Organizational Behavior, Vol.8, pp 53-111.

¹³ McAuslan, P. (1998) "Urbanization, Law and Development: A Record of Research" in E. Fernandes and A. Varley (Eds.) Illegal Cities: Laws and Urban Change in developing Countries, Zed Press: New York, pp.18-52.

¹⁴ Galanter, M. and U. Baxi (1989) "Panchayat Justice: An Indian Experiment in Legal Access" in M. Galanter (Ed.) Law and Society in Modern India, Sage: New Delhi, pp. 54-91.

¹⁵ The World Bank, Building Institutions for Markets, World Development Report_ (2002) Chapter 9, titled "Norms and Networks," pp. 171-179.

¹⁶ North, D. (1995) "The New Institutional Economics and Third World Development" in Harrison et al (Eds.) The New Institutional Economics and Third World, Routledge: New York.

¹⁷ Piore, M. (1975) "Notes for a Theory of Labor Market Stratification," in R. Edwards et al (Eds.) Labor Market Segmentation, Heath: Massachusetts, pp.125-150.

¹⁸ Azuela, A. (1987) "Low Income Settlements and Law in Mexico City," International Journal of Urban and Regional Research, Vol 11, No 4, pp.522-42; Razzaz, O. (1994) "contestation and Mutual Adjustment: The Process of Controlling Land in Yajouz, Jordan," Land and Society Review, Vol 28, No 1, pp.7-39.

¹⁹ The World Bank (2002) Building Institutions for Markets, World Development Report, pp. 171-179.

²⁰ R. Bates (1981) Markets and States in Tropical Africa. University of California Press: Los Angeles, California; J.N. Bhagwati (1982) "Directly Unproductive Profit-Seeking Activities" in Journal of Political Economy, No 90, October.

²¹ P. Baross & J.J. Van der Linden (Eds.) (1990) The Transformation of Land Supply Systems in Third world Cities, Gower, Aldershot; D.E. Dowell (1990) The Land Market Assessment: A New Tool for Urban Management, World Bank, UNDP, UNCHS: Washington.

²² See Special issue (15) of World Development (1987) on "Development Alternatives: The Challenge of NGOs"; M.M. Cernea (1988) Nongovernmental Organizations and Local Development, World Bank Discussion Paper No 40, Washington, DC.

²³ The only publication which discusses the benefits of conflict in an institutional way is by A.O. Hirschman (1995) "Social Conflicts as Pillars of Democratic Market Societies" in A Propensity to Self-Subversion, Harvard University Press, Cambridge, Massachusetts, pp.231-248.

²⁴ For a detailed description of the study, see K.A. Pur (2002) “Interfaces in Local governance in Karnataka,” Economic and Political Weekly, October 19, pp.4283-4287.

²⁵ Granovetter (1992) argues that the reason social conflict and political processes are usually excluded from the study of economic analysis is because the idea of self-regulating economic structures are politically attractive to many neo-classical economists. See M. Granovetter (1992) “Economic Action and Social Structure: The Problem of Embeddedness,” in M. Granovetter & R. Swedberg (Eds.) The Sociology of Economic Life, Westview Press: Boulder, CO, pp. 53-81.

²⁶ For a detailed discussion of this case, see B. Sanyal and V. Mukhija (2001) “Institutional Pluralism & Housing Delivery: A Case of Unforeseen Conflicts in Mumbai, India,” World Development, Vol 29, No 12, December.

²⁷ For a detailed discussion of this case, see B.Sanyal and M. Fawaz (2002) “The Transformation of an Olive Grove: An Institutional Perspective From Beirut, Lebanon.” In N. Verma (Ed.) (forthcoming) Institutions and Planning, CUPR Press: Rutgers, New Jersey.

²⁸ .S. Cook (Ed.) (2003) Trust in Society, Russel Sage: New York; S. Shapiro (1987) “The Social Control of Impersonal Trust,” American Journal of Sociology 93 pp.623-658.

²⁹ H. De Soto (2000) The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else, Basic Books: New York.