

# OSTROM WORKSHOP COLLOQUIUM SERIES

## Philip Keefer

*Inter-American Development Bank*

### “The Impact of Social ties and Third-Party Enforcement on Collective Action and Growth”

**Monday, January 27, 2020**

12:00–1:00 PM • Ostrom Workshop, 513 N. Park



Exploiting a unique empirical setting, 1,000 vendors in 90 traditional food markets in Lima, we document that historic social ties among market founders are associated, decades later, with stricter formal (third party) enforcement of market rules, more collective action, and the greater resilience of market sales to the entry of modern supermarkets. Markets with stronger historic ties make larger investments in market infrastructure, provide more services to market vendors, and exhibit more regular payment of dues. They also experienced higher growth over the period 2007–2017, following the entry of modern supermarkets. Formal enforcement appears to be a key mechanism through which social ties induce greater collective action: the component of formal enforcement that is explained by historic social ties is even more strongly correlated with collective action and growth. In contrast, differences in informal social enforcement are not correlated with any market outcomes. Neither is it the case that formal rules and governance structures can account for these results: these are identical across markets.

~ TM

[Philip Keefer](#) is Principal Economics Advisor of the Institutions for Development Department of the Inter-American Development Bank and was formerly a Lead Research Economist at the World Bank. He studies the impact of insecure property rights on growth and political and bureaucratic incentives to promote economic development, including the effects of compensation on the intrinsic motivation of public officials. His publications include articles in the *Quarterly Journal of Economics* and the *American Political Science Review*.

*Presentations are open to the public and are live streamed (see our website for URL and papers). You are welcome to bring your lunch. For questions, contact Allison Sturgeon (sturgeon@iu.edu; 812/855–3151).*