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1 INTRODUCTION

The persistence of pre-capitalist 'institutions' alongside the expansion of capitalist relations of production is a phenomenon widely documented in analyses of economic development but it is only within the last decade or so that economists have seriously revived their interest in institutions and their relevance to the structure and operation of markets in Third World economies.¹ This revival of interest in the economic analysis of social institutions - falling under the rubric of the 'new institutional economics' (NIE) - has significantly contributed to a new kind of conventional wisdom about the role of institutions in economic development. Gone is the belief that pre-capitalist institutions are irrational and an obstacle to market development. In its place is the belief that the continued presence of customary institutional arrangements such as sharecropping and multi-stranded patron-client relationships, is the result of a complex exercise in rationality by self-interested, profit-seeking individuals.

In this view, wherever uncertainty and risk raise transactions costs and the likelihood of opportunistic behaviour, it is rational for economic agents to draw on whatever social arrangements are available to them to offset, or at least to reduce, some of the costs of exchange. The arrangements and 'contracts' chosen will depend on their relative merits in minimizing costs and reducing the risks of opportunism. Ultimately the choice of institutional arrangements depends on (a) the underlying price-technology structure which defines the comparative advantage of different contracts in reducing transactions costs, and (b) the historically-determined social/institutional environment which defines the range of feasible contracts. Over time, as relative prices, technology and population change, so does the range of profit-seeking opportunities and the 'price' of maintaining institutional arrangements. This disequilibrium induces rational individuals to adjust the content or 'portfolio' of their institutional arrangements, the direction of change being towards

the restoration of economic and social equilibrium (Hayami and Kikuchi 1981). If, however, adjustment brings about higher transactions costs and the costs exceed the benefits, the institutional changes will not be forthcoming.

The US economist, Oliver Williamson (1981) was one of the first to develop these ideas to explain the presence of hierarchically organized firms in industrialized economies. His conclusion was that, whatever organizational form prevailed in any situation, it was the one that dealt most efficiently with the costs of economic transactions. According to neo-classical logic, any social or economic form that persists over time must have a comparative advantage over others in offsetting the costs of transaction. Hayami and Kikuchi (1981) were amongst the first to 'endogenize' social institutions with a neoclassical analysis of agrarian change. They concluded that mutual help and income-sharing arrangements characteristic of rural economic transactions were efficient responses to prevailing costs and returns in village factor markets and that changes in the content of institutional arrangements arising from shifts in relative prices and technology were of the magnitude and direction to move the village economy back towards equilibrium, where adjustments in factor markets alone failed to do so. These examples taken from very different strands of the institutional literature illustrate how the analogy of competitive market equilibrium is being applied to the social choice of institutions. It is this capacity to apply much-loved theoretical tools to behaviour and institutions once treated as beyond the bounds of any rational calculus that has excited economic and political theorists for at least a decade now and looks set to make a significant impression on policymaking in the near future.

Notwithstanding the bandwagon effect in recent years, the new institutional perspective does not go unopposed. Granovetter (1985) complains of an 'undersocialised conception of human action, con-

1 van Arkadie (1990) identifies two different but related meanings of the term 'institutions': the first treats them as synonymous with organizations, the second (and the one used in this paper) defines

institutions as rules of society or of organizations that facilitate coordination and provide the context in which markets operate.

tinuing in the utilitarian tradition ... [and] theoretical arguments [that] disallow by hypothesis any impact of social structure and social relations on production, distribution and consumption' (483). Platteau (1992) objects to the assumption that all social systems are suited to the development of more complex market structures and that only those institutional arrangements that improve on allocative efficiency will persist alongside market forces. He argues instead that pre-existing institutional rules and arrangements may act to subvert rather than support market processes, leading to unintended efficiency and equity effects. Hart (1986) objects to the abstraction of institutional arrangements from local and national power structures, arguing that economic agents are often motivated in their social relationships by factors other than simple economic ones, including the need to exercise social control and to reinforce political standing in the community. In a similar vein P.K. Bardhan (1989) argues that the application of the voluntaristic model of choice to pre-capitalist production relations overlooks the role of extra-economic coercion and sanctions in shaping preference systems and bargaining power in agents' choice over institutional arrangements.

Taking these criticisms on board, this article attempts to scrutinize some of the claims of the new institutional economics from a perspective largely neglected by institutional economists and most of their critics, that is, from the perspective of **gender relations** in Third World economies. Can the rational choice perspective account for social relations of gender and their impact on economic behaviour? Can the new institutional economics explain the persistence of social institutions that exclude women's rights to property and to education, and distorts their equal access to markets and ultimately to income and wealth?

This highly exploratory paper attempts to examine some of these questions by focusing on institutional explanations of agrarian labour arrangements in developing economies. Amongst other things it points to a number of 'gender blind-spots' in institutional explanations of the rules governing contractual arrangements and the division of economic rewards between women and men in agricultural labour markets, and to the neglect of the powerful influence of gender ideology in the formation and maintenance of social institutions affecting economic behaviour. Space limitations mean that no attempt is made to conduct a review of the theoretical argu-

ments of the new institutional economics nor their relevance to understanding markets in Third World economies. Instead the reader is referred to the excellent surveys in Bardhan P.K. (1989), Datta and Nugent (1989), Eggertsson (1990) and North (1990).

2 INSTITUTIONS, CONTRACTS AND THE RURAL LABOUR RELATIONS

P.K. Bardhan defines institutions as '... the social rules, conventions and other elements of the structural framework of social interaction' (1989: 3). Hayami and Kikuchi define them as '... rules sanctioned by the members of the community' (1981: 5). Whatever the definition, these rules are thought to demarcate and limit the set of choices of individuals over the use and exchange of scarce resources and, through the clear specification of rights to resources (property rights) and exchange of such rights (contracts), to reduce uncertainty and facilitate the efficient allocation of resources. In the study of agrarian economies, social rules governing the use and exchange of scarce factors of production - land, labour, capital - are of most interest. As well as defining social practices governing the use of factors, these rules act as the medium through which changing endowments and technology influence production and income distribution in village communities and are thus reflected in the structure and terms of contractual arrangements undergirding market transactions.

At least two main strands exist in the theoretical/empirical work on rural labour markets in developing economies. The first concentrates on the determination of rural wages under conditions of employer uncertainty and imperfect information. The second strand, which actually contains a series of interconnecting themes, concentrates more directly on the structure and content of contractual arrangements in the labour market and in other connecting factor markets. The early theoretical work concentrated on modelling tenancy and sharecropping contracts, much of it at a fairly abstract level. Since then empirical work has concentrated on explaining the coexistence of many different types of contract and contractual terms across people, seasons and factor markets in the same region.

Bardhan and Rudra's (1981) study of the terms and conditions of labour contracts in rural West Bengal was one of the first to examine labour arrangements aside from rates of remuneration. Their study found

significant differences in wages paid to labourers on annual contracts as a reward for loyalty and dependability and a more or less uniform daily casual wage based on a competitive, daily-wage labour market. Labourers leasing-in land from their employer were paid a wage below the open-market rate and labourers with employer-loan agreements were paid at an 'accounting wage' below the daily market rate. Finally, wage variation by sex was significant, with female labourers consistently paid a lower rate for the same task or operation as men. Across village markets they found that in 'high-risk villages' the benefits to village employers of attachment with own-village labourers exceeded the costs of discriminating against 'free' labourers from surrounding villages.² Attachment reduces employer problems of adverse selection whilst facilitating interconnecting transactions in credit and land which are of benefit to agricultural labourers. Although 'feudal' in appearance, these relations between employers and labourers are, according to Bardhan and Rudra, a rational response by villagers to the uncertainty of production and labour hiring in seasonally unpredictable and risky conditions.

Nonetheless, coexistent with the 'efficiency' of attached contracts is the inescapable fact of the economic dependence of labourers on employers and the highly unequal bargaining power between them. '[T]he attachment relations with labourers and their careful interlocking with personalised transactions in credit or land allotment enable the employer to increase his social control over them' (1981: 110). This raises the question of whether the principal logic of customary contracts is in fact to improve on efficiency or instead to undergird positions of power and social control for rural patrons.

Hayami and Kikuchi's *Asian Village Economy at the Crossroads* (1981) is a classic illustration of how neoclassical economists have operationalised the concept of institutions within the choice-theoretic framework. Hayami and Kikuchi see the rationale for persistent forms of personalized exchange in village labour markets as lying in a combination of production uncertainty, such as the peak demand for labour under tight labour market conditions, and the absence of a set of specialized markets for factors of production and insurance. In the market for labour, uncertainty over supply of labour at peak

periods can be reduced through contracts involving mutual help and various exchanges, not all necessarily in the labour market; '[H]iring a labourer, even if it is a casual employment by itself, tends to be part of a complex personal relationship involving a variety of exchanges. Such relationships enable employers to depend on a supply of labour from local workers for unpredictable demand peaks' (1981: 13).

They explain pervasiveness of patron-client relations in the Asian village context by the smallness of markets and the limited gains to be had from specialization of labour and tasks. Multi-stranded patron-client relationships provide '... a substitute for a set of specialised markets for labour, land, credit, insurance ...' (1981: 14). Moreover, because monitoring of agricultural work is, by its very nature, difficult and information about the quality of labour is absent or highly asymmetrical' ... multiple transactions between the same parties permit the saving of transactions costs because much of the cost of information collection and contract enforcement is common to all transactions (1981: 14).

The authors cite the example of the *hunusan* rice harvesting system in the Coastal Region of the Philippines where landlords offered daily harvesting and threshing contracts on an output-share basis. Problems of output monitoring were minimized by locally formulated (paternalistic) rules coordinating resource use by villagers, making it unnecessary to adopt fixed wage or fixed payment contracts.

The rural labour market as characterized by Hayami and Kikuchi is a 'personalized market', a '... decentralized system of independent producers tied by personalized exchanges' (1981: 16) enforced by locally defined rules and norms. This kind of market is, according to the authors, neither an anachronism nor a rural idyll, but an efficient way of maximizing output and long-run profit by minimizing the cost of monitoring and enforcing contracts. The fact that personalized exchanges often have the 'appearance' of altruism and mutual-help is not, the authors contend, inconsistent with the fact that peasants are egoists seeking personal gain. Reciprocal labour exchanges, nominal wages or interest rates above market-clearing rates exist only as long as the benefits of acting altruistically outweigh the costs. Where villagers violate village norms, it is because they see

2. Attachment between labourer and employer can take a number of forms but the rationale is generally to gain access to land, current consumption loans and/or because of unpaid family debt.

some opportunity to gain from violation. Consequently, Hayami and Kikuchi argue that social interaction is not sufficient to compel conformity to village institutions. When production relations change with changing endowments and technology, so the opportunities for violating or seeking alternative institutional arrangements increase.

In the case of rice harvesting contracts in the Philippines, the authors claim that changes which effectively signalled a fall in the real wage rate were only possible within the parameters of the existing social custom governing harvest-shares. Employers were able to continue to take advantage of the 'goodwill' surrounding harvesting contracts whilst simultaneously lowering the effective wage paid to workers in order to maintain profits in changed economic circumstances. The shift in contractual terms apparently occurred smoothly but there is no examination by the authors of any 'extra-economic' pressures applied to ensure worker compliance, nor what implications the deterioration in the real wage held for the standard or quality of life of the agricultural labourers.

The functional (indeed functionalist) neatness of Hayami and Kikuchi's story raises a number of possible objections. The first, in line with Dreze and Mukherjee (1987), is that generalizations about the personalized and interlinked character of labour contracts in agrarian markets make little sense given enormous regional variations and differences in the material conditions of production in agriculture. Research in Palanpur, India, for example, failed to uncover any examples of interlinkage, inter-seasonal labour-tying, collusion between employers or labourers, or monopsonistic discrimination by employers. My own current research in Uganda supports this finding, in spite of the pervasiveness of market uncertainty. In fact, the range of institutional arrangements available to offset the costs of adverse selection in labour markets seems very limited compared to the Hayami and Kikuchi story.

The second objection, which is perhaps a more persuasive one, is that instead of interlocking or multi-stranded labour arrangements being an efficient (evolved) solution to the problems of moral hazard and adverse selection in markets, they are reflections of power relations that facilitate exploitation and appropriation of resources by powerful and not necessarily efficient producers and landowners. Hart's study of agrarian change in Java (1986a,

1986b) is representative of this view. She argues that the Hayami and Kikuchi story of interlocking transactions is overly deterministic and leaves important features of the exchange process unexplained.

Hart specifically identifies features of the labour process which she argues are critical for social control by powerful members of the rural community, but which fit uneasily in the standard neoclassical model: '... in many agrarian labour arrangements the mechanism that ensures effort is the workers perception of being in a comparatively privileged position; conversely from the employers' point of view, the essential feature of this strategy of labour management is the selective extension of 'privileges' to particular workers' (1986a: 12). The strategy of 'inclusion' and 'exclusion' of workers, manifest in various kinds of market segmentation, is a powerful instrument of social control by employers. The need to exercise such control is not, as Hayami and Kikuchi might argue, solely a matter of policing and enforcing personalized contracts but also a result of wider social and political forces. These wider forces emanate from the macro-political and economic sphere and include, very importantly, the state's interest in and relation to different rural groups.

Hart's own analysis of rural labour arrangements in Java sees patron-client relations and personalized contractual arrangements as operating as mechanisms for social control. They institutionalize and strengthen the personal obligations of individual workers and cultivators, reinforcing patterns of social privilege, subservience or dependency. These patterns, which are manifest in relations of class and gender at the village level, extend from the domestic economy up to the macro-political level. Where the traditional neoclassical approach 'neutralizes' the power and politics behind personalized transactions and patron-client relationships by treating them as market relationships, Hart argues that it is not possible to understand rural labour arrangements by abstracting from wider power structures (1986b). In her model, the need amongst owners of the means of production to devise ways of mobilizing labour that ensure worker discipline and exercise social control helps to explain the dynamics of institutional arrangements and institutional change.

P.K. Bardhan (1989) is equally critical of the crude functionalism of institutional economics. He points to the failure of the neoclassical model to comprehend the role of extra-economic coercion and sanc-

tions in enforcing personalized and patron-client relationships, although such mechanisms must be implicit in the neoclassical story. The origin of such neglect lies, in his view, in the assumption that contracts are basically voluntary and that all voluntary contracts involve mutually beneficial exchange. But as Basu (1986) shows, when one moves beyond the assumption of dyadic 'principal-agent' relationships it is entirely possible to conceive of transactions that leave one party worse off (labourer) but are entered into because the other party (employer) has the power to 'hurt' in other ways; specifically by ruining reputation or trust relations with other important agents. The fact that one party voluntarily enters the transaction despite getting negative utility from it is illustrated by the sentiment, 'It's an awful deal ... but I'd better take it because he's a powerful man' (1986: 268). The power to threaten or disrupt economic relationships beyond the parameters of principal-agent relations is the kind of extra-economic coercion or influence that the neoclassical model fails to make explicit. But such a possibility puts into doubt the optimistic conclusion of Hayami *et al.* that personalized market transactions are a function of voluntary and mutually beneficial exchange.

3 GENDER, MARKET POWER AND INSTITUTIONAL ARRANGEMENTS

Despite the potential importance to the institutional approach of considerations such as the personal relations and status of individual asset owners, there has been only limited analysis of gender-differences in contractual arrangements in rural labour markets, and virtually no attempt to examine the way in which gender relations shape and are shaped by the institutional environment. Whilst there is fairly extensive evidence, certainly in the South Asian literature, that employment opportunities and wages are frequently differentiated by gender (as well as by class, caste and ethnic group) and that ownership of assets and rights to property and common resources are not equally available to women and men, little has been done to explain such differences within the institutional economics framework. Part of the reason for such limited attention is the core neoclassical assumption that individuals and groups behave according to a universally applicable set of maximizing rules and principles. This means that, other than specific differences in resource or human capital endowment, individual identities are not important in explaining or predicting behaviour. The fact that

it is women with fewer claims to resources or rights to excludable property is, if you like, immaterial. What matters is the way in which an individual with a given set of endowments behaves within the sphere of exchange.

After years of empirical study, we know that gender differences in resource endowment are not simply given but are themselves the product of deeply-rooted asymmetries in status and bargaining power (Folbre 1986b, Evans 1991, Kabeer 1990, Sen 1987). It seems obvious then, that underlying inequalities in status and bargaining power between women and men are integral to the institutional environment and must influence the rights of women and men to use and exchange resources through labour and other contracts. Binswanger acknowledges that one of the major neglected themes of the theoretical and empirical literature on rural labour markets in South Asia is the heterogeneity of labour and the different conditions affecting female participation in rural markets. He concludes that '... rural labour markets exhibit differential patterns of male and female employment and earnings' and the existence of cultural-religious norms that affect female occupational and farm-to-farm mobility '... has implications for production efficiency and makes welfare evaluations of rural labour market mechanisms more difficult' (1984: 33).

K. Bardhan (1983) reviews research on rural labour markets in India and finds that where there is evidence of wage differentials between women and men, the relatively lower wages for women working as agricultural labourers can be attributed to the fact that women are generally poorer and with fewer opportunities than men. Restricted job opportunities, because of *de facto* exclusion of women (and other socially 'inferior' groups) from particular tasks or occupations, lower women's effective supply price. The more restrictions placed on women's labour in the form, for example, of the heavy burden of domestic labour, the greater the capacity of monopsonistic employers to price discriminate between male and female labourers. Related to this, employers use ideologically-based norms of female physical inferiority and 'preference' for domestic work to justify women's relatively poorer contractual status in labour markets. Women are not seeking out inferior contracts but their choices are constrained by conventions within the matrix of 'male dominated' institutions, involving most characteristically conventions around female access to educa-

tion, to nutrition and health care (as in Bangladesh) and socially sanctioned views on their suitability for certain tasks and occupations.

The fact that women's choices are differentially constrained by social convention, especially around domestic labour and education, is hardly a new observation, but the question is whether the persistence of such conventions is market efficient. To presume so simply because they persist hardly seems adequate given the role of social prejudice and preconceptions in undergirding rural labour relations and the role of 'feedback transmission' in sustaining gender asymmetries in labour markets over time (Sen 1987).

Hart (1991) in a study of gender and labour power in Malaysia's Muda region examines explicitly the gendered nature of patronage relations. She focuses on ethnographic evidence on the region³ revealing major differences between women and men in the organization of labour arrangements and forms of 'resistance'. Women displayed greater capacity than men to organize collectively and challenge openly the interests of large landowners. Poor women labourers were able to exert more control of the process of labour recruitment and management by resisting employers' efforts to break up their 'share-groups' in favour of individual wage contracts. Poor women favoured share-groups for work both on their own farms and as hired wage-labourers not only as a mechanism of labour organization, but also as a source of material and emotional support. Some groups operated informal credit arrangements. The reason for women's greater capacity for 'collective action' lay not in any superior hold over the political process but in their exclusion from it. Hart argues that '[S]uch exclusion from the formal political process, together with the difficult material circumstances which poor women confront, enabled them to develop - and put into practice - a more direct and open critique of key elements of the 'master narrative'. This critique was reflected not only in their relationships with their employers, but also their husbands. In short, the struggles within the labour process '... intersect with those in the domestic arena and with formal politics in the local community' (1991: 94). The situation was not the same for all women, however, and Hart points to the circumstances of wealthier village women who had withdrawn from physical labour and who described themselves as

'housewives', invoking their husband's responsibility for them (1991: 107).

Men, on the other hand, were less able to resist the shift to waged contracts, despite the suitability of group labour under the prevailing technology, and were, as a result, more exposed to employer control. Poor men were deeply entrenched in patron-client relationships which placed on them all kinds of responsibilities and obligations to powerful patrons. Such subservience to political patrons militated against collective action and, according to Hart, undermined their ability to identify as a class and to articulate their interests in opposition to their employers. As a consequence male forms of resistance tended to involve much more clandestine forms of sabotage than openly articulated expressions of collective opposition (see Scott 1985).

Hart identifies gender ideology as a central pivot in the struggle and resistance of agricultural labourers. Whereas social rules and norms have generally been taken as ungendered in the institutional economics approach, Hart clearly identifies the way in which the ideological construction of gender forms part of the institutional environment '[N]ot only are men incorporated into political patronage relations, while women are largely excluded: in addition, they are confronted with a principle that defines them as superior and responsible for women, simultaneously with an incapacity to put this principle into material practice in the domestic sphere' (1991: 115). Interestingly, the contradictions surrounding the ideological construction of men as superior, more responsible beings provided economically and politically dominant men with a wider array of controls over other men than over poor women.

This account exemplifies the way in which gender ideology not only constructs male-female relations but also relations between men and between women. In this case, it is poor men that appear the more constrained by ideological norms, facing as they do the double responsibility of being good providers whilst fulfilling the obligations demanded of them by their (male) employer-patrons. Despite women's greater capacity for collective action, women's peripheral relationship to formal power structures is deeply constraining. In particular, women 'paid for' their exclusion by being denied access to land and non-farm resources available to male clients in return for political support.

3 Hart concentrates on James Scott's work *Weapons of the Weak* (1985).

In her earlier work on Java (1986a) Hart argued that employer-patrons use strategies of exclusion/inclusion in labour arrangements as a means for social control, the implication being that those who are excluded occupy contractually inferior positions in labour arrangements and are left to deploy huge amounts of labour to low productivity, low earnings activities. This analysis would seem equally relevant in the Muda case. Poor women, although organizing collectively, are still constrained 'contractually' with respect to their employment options, their opportunities for raising labour productivity and thus their income. The same process of exclusion that gives space to women's resistance undermines their capacity to respond to larger changes in production relations. As Hart states, '[I]n addition to the reorganization of agriculture, larger structures of political and economic power have been transformed in ways that render women workers increasingly marginal' (1991: 115).

Hart's study, which offers much more detail than summarized here, provides a useful insight into how power and gender ideology (and political-religious ideology) influence the formation and change of rural labour arrangements. The question now is where does this leave the institutional approach?

4 IDEOLOGY AND POWER - MISSING ELEMENTS?

Some institutional economists have begun to recognize that ideology is likely to be influential in shaping the terms and conditions of institutional arrangements and the course of institutional change. For example, Datta and Nugent state: '[B]oth the adherence to contracts and the efficiency of performance can be affected by perceptions about the fairness and legitimacy of contractual arrangements. Since these factors, in turn, can be affected by ideology, ideology can also play an important role in reducing transactions costs ... At the same time, however, ideology can increase the transactions costs of changing contractual forms and terms and thereby also the inefficiency of institutions in the long run' (Datta and Nugent 1989: 38). North (1981) goes further arguing that modifications of social values - that is, changing ideologies - are a major factor in institutional change, and that institutional economics is incomplete without a theory of ideology (Eggertsson 1990).

Ideology and ideologically-motivated behaviour can be accommodated within the rational-choice para-

digm by treating ideological beliefs as if they were tastes. Ideological beliefs are assumed to be substitutable with other goods at the margin. Ideologies and self-imposed standards of conduct (notions of fairness and justice) influence people's choice-sets whilst institutions limit them by altering the price people must pay for expressing and exercising choice. Whether ideas, ideologies or dogmas influence people's actual choices will depend ultimately on the price of doing so '... where the price to individuals of being able to express their own values and interests is low, they will loom large in the choices made; but where the price one pays for expressing one's own ideology or norms or preferences is extremely high, they will account much less for human behaviour' (North 1990: 22).

The extent to which ideology influences choice is a function of price and the pattern and development of institutions. But does the choice of institutions and the expression of ideology really yield to price in the same way as consumer preferences for coffee or tea? As Platteau (1992) argues, individuals may choose between goods, between traders or labour markets, but it is hard to imagine them choosing between institutions, customs or ideological norms.

The study by Hart demonstrates the complex way in which political and gender ideologies influence the social rules of interaction between women and men of the same as well as different class groups. Particularly interesting is her illustration of how ideological constructions of female 'inferiority' and 'dependence' and male 'superiority' and 'responsibility' have complex and contradictory effects. On the one hand, the deeply entrenched ideology of female dependence leads to women's practical exclusion from formal political processes. This is presumably in the interests of all men who reinforce their superior access to decision-making power and confirm their 'importance' in the management of both household and community affairs. On the other hand, exclusion presents poor women with an ideological 'window' in which they can organize and resist the efforts of employers (and husbands) to exercise total control over contractual arrangements and the labour process. Moreover, whilst the practical exclusion of women from the political sphere may be in the interests of all men, the cost to poor men of maintaining the ideology of male superiority is high in terms of the practical difficulties they face in fulfilling their economic and social responsibilities to their families and to their patrons. The result is that the capacity of poor men to identify as workers

and to act collectively in the face of changes in contractual arrangements is weakened, making them '... resort to more deferent, manipulative and indirect methods than did women in their dealings with powerful men both within and beyond the labour process' (1991: 115).

This example illustrates how ideology enters into people's behaviour in highly complex and inconsistent ways. This complexity makes it difficult to imagine adding-on ideology as an exogenous variable in an existing utility function. Furthermore, the lack of consistency in the way ideology influences preferences (as is likely in the case of poor men in Java) makes it difficult if not impossible to imagine reading off from a given institutional mapping some kind of meaningful 'price' for the individual expression of ideologically motivated preferences. Hart (1991) shows how the construction of worker and employer identities, and the social values and norms that influence individual and group interaction, makes ideology a central **endogenous** component in the formation and maintenance of institutional arrangements. By treating ideology as synonymous with tastes, the neoclassical model is able to sidestep any explicit treatment of ideology as endogenous and, consequently, as a powerful source of institutional stability and change over time. To incorporate some of these complications, institutional economists need to be more willing to address questions of individual and group preference formation and the 'subjective' role of ideology therein (Hodgson 1988). They also have to be willing to make explicit the role of power and in this case gender-power in sanctioning institutional arrangements.

In the hypothetical world of perfectly competitive markets, power forces are absent. In imperfect markets, power enters as 'capacity'; that is, the capacity to shift the terms of exchange in their favour by comparison with the fully competitive outcome. The focus of power analysis then becomes the distortions arising in the competitive process in the form of monopoly and monopsony rather than the **relationships of power in society**. But how far does a concept of 'power as capacity' take us in explaining gender differences in labour market participation? P.K. Bardhan and Hart have argued that rural employers and landowners in Asia frequently use contractual arrangements as methods of social exclusion and inclusion and thus as techniques for social control. The objective is not necessarily to monop-

olize sources of labour but to maintain social and political standing in the community. With such political objectives, can we usefully operate a notion of power that is abstracted from local and larger social and political power structures?

It is certainly possible to explain the social exclusion or contractual inferiority of rural women in the market place in terms of inadequate endowments and overriding budget and price constraints, but the powerlessness that women may experience in such a situation is not fully expressed by their initial endowment and the reigning prices of goods and factors, but also by her status within the household, her relative status within the community and the prevailing views and social norms about female education, domestic labour, child-rearing and so on. By analytically separating power relationships from market relationships and power from ideology, the neoclassical approach neutralizes the political or ideological content of economic transactions. This makes it extremely difficult to fully explain aspects of rural market behaviour from a gender perspective.

The absence of a clear treatment of power and ideology in institutional explanations of markets raises a number of problems, but there is only space to mention one or two here. First is the conceptualization of voluntarist agency and mutually beneficial exchange. Agents are assumed to enter into contractual arrangements 'voluntarily' with a view to maximizing expected utility. The institutional model simply applies this standard maximizing calculus to a more widely defined set of production relations (pre-capitalist as well as capitalist). But can we safely assume voluntarist agency and mutually beneficial exchange in transactions embedded within power relations? What about the role of extra-economic coercion, how does this affect the terms and conditions of contracts and the distribution of costs and benefits between active parties? Pollack has argued there is a strong tendency in neoclassical analysis to assume away the possibility that conflict and the threat of physical violence are real aspects of decision-making which have implications for the exchange process. 'Whether between husbands and wives or between workers and firms, economists seldom recognise the possibility of violence' (1985: 600), restricting the capacity for voluntary action. Such behaviour, which may contradict the goal of welfare maximization, is frequently sanctioned by a wider set of societal ideas about class or

gender dominance. In such cases, exchanges are entered into not voluntarily (in the sense of yielding positive utility) but under the threat or fact of coercion.

Secondly, socially sanctioned gender-power affects the life-choices of women and men in terms of differential access to initial endowments and in terms of different capabilities to convert endowments into claims on resources through access to markets and contracts. Ideological restrictions on mobility and the relatively higher cost of female participation in markets, due to the time costs imposed by domestic labour and their exclusion from education and skills training, provides the objective and subjective basis for women's contractual inferiority in labour (and other factor) markets. The importance of ideology and power in shaping and enforcing institutional rules cannot be ignored in such cases. What we are left with is the possibility not only that power relations are highly influential in determining the choice and direction of institutional innovation, but also that gender and class ideologies are central in the formation and maintenance of socially sub-optimal institutions. In this case the failure to challenge sub-optimal institutions arises out of the lack of bargaining power or political voice of particular groups, and the lack of any challenge means that the rules they embody become a self-fulfilling prophecy. Or, alternatively, that individual preference formation is

influenced by the justification given by others for their preference for the *status quo*, thus leading to a 'collective conservatism' in institutional arrangements.

5 CONCLUSION

The work of the new institutional economists is an important breach of the limits of traditional microeconomics. No longer is it tenable to assume that economic coordination is only a matter of price signalling - economic and political institutions also matter. But **the institutional approach continues to analyse economic behaviour within a social power vacuum**. The focus is on market outcomes rather than on the processes generating those outcomes; on optimal or efficiency-improving institutions abstracted from local and wider power structures and pressures for redistributive institutional change. What is needed is a widening of institutional analysis to include **extra-economic** variables; that is, the bases of preference systems and the power over individual agency exerted within family and gender systems, and the role of perception biases and bargaining power in decisions regarding market entitlements and contractual choice. Any loss of algebraic precision and clarity is compensated for by a greater depth of field and a quantitatively and qualitatively richer analysis of the dynamics of contractual choice and decision-making in economic markets.

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