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The Importance of Traditions for Development: Why Sometimes "Good Enough *Is* Enough"

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- Informal institutions such as traditions, social norms and family structures can help or hinder development.
- Promoting institutional change requires an honest assessment of the local reality and the balance between existing formal and informal structures.
- Dealing with traditions may imply counter-intuitive policy options, accepting that sometimes "good enough *is* enough".

Sustainable development requires well co-ordinated and functioning formal and informal institutions. In developing countries, courts, regulations and formal conventions are often observed in the breach or fail to function. By default, informal institutions – tradition, culture, family structures and general social norms – play a crucial role. Trust, solidarity and social cohesion make up the tripod of community identity which can even promote development, as the Nobel Committee recognised by awarding its 2006 Peace prize to the micro credit pioneering Grameen Bank and its founder Muhammed Yunus.

Yet, informal institutions are not always conducive to development and can sometimes even work against human rights. How, then, can we decide which institutions need change? How do we accord formal regulations to informal institutions? And most importantly, how can we achieve institutional change without making matters worse?

The Good, the Bad and the Ugly Sides of Institutions

Institutions are the "rules of the game". If everybody knows and respects them, institutions can reduce transaction costs and provide a healthy environment for market economies. The Grameen example shows that informal institutions can help open credit and insurance markets even to the poor. From this it appears that societies work best when informal institutions either accommodate or complement formal ones; in the Grameen Bank case the formal credit system relies on peer-pressure enforced by the informal institutional setting.

Solidarity based on kinship structures, family assistance and social capital often is the cornerstone of non-state social security systems in developing countries. Credit and saving groups in Latin America, community-based health insurance schemes in South Asia and funeral associations in Sub-Saharan Africa bear testimony to the organisational variety of such systems.

Some institutions, however, can also impede economic growth and social development. The same set of institutions that constitute the basis of informal social security, for example, can turn out to be a "tax on success''. A hard-working farmer in Benin who has accumulated some wealth over the years often has to share the fruit of his labours with his enlarged family, including distant relatives. Family pressure obliges him to pay school fees for his nieces and nephews or the health costs if anyone in his entourage gets sick. This can heavily distort incentives to work and diminish the capital base for future investment.

While these examples focus on economic effects, other informal institutions, such as forced marriages and female genital mutilation, severely violate human rights. Promoting social justice, gender equality and human rights often implies changing centuries-old traditions.

Institutional Change: Selection and Procedures

We frequently need to decide which institutions to tackle and how. Changing those that violate human rights is not a choice but a moral obligation. The tricky part of institutional change is to identify correctly those institutions that are conducive to development and those that may be harmful. Solving this puzzle always depends on the specific country context. Social pressure to accommodate even distant family members, for example, is a form of forced solidarity and in certain circumstances is a valuable form of welfare. At the same time, such practices can replace more efficient arrangements and lead to exploitation of the host.

Similarly, trying to eliminate corruption in environments with strong patronage-based power and redistribution mechanisms without addressing the root problems can do more harm than good and might even lead to violent conflicts about new resource sharing. Changing laws alone, without proper enforcement mechanisms, might pose even higher costs for the alleged beneficiaries. In Pakistan, for example, women may place their lives in danger by reporting rape cases under the new Women's Protection Bill. For poor rural women it might be very difficult to provide the necessary evidence that leads to an investigation. If the complainant can not sufficiently prove her case, then she risks traditional punishment. Introducing legal change to improve gender equality needs effective enforcement and a gradual change of male attitudes; otherwise it is bound to be ineffective or even counterproductive.

Think Locally First...

Changing a country's institutional system and tinkering with its balance is a delicate affair that needs to be done with caution and sometimes against common reform dogma. Policies that worked in one country may very well fail in another and are rarely optimal elsewhere. "Think globally, act locally", therefore, no longer seems a valid motto, at least in the context of institutions.

If we fail to understand the mind sets of people and the incentive structures that govern their behaviour, we will not be able to bring about changes promoted at the national or supra-national level. This holds true for conflict resolution, gender equality, investment promotion and good governance. We should be wary of absolute answers, best practices and blueprints of how to achieve development. Rather, we need to accept that some times "good enough *is* enough".

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