

Memo

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Theories from the economics of organization provide useful insights both for explaining variation in institutional performance and for developing clever innovations in service delivery. I used to work with court systems in Africa. Some of the more useful experiments employed in the courts rest on some of the same ideas, although not always intentionally so. For example, how can a court reduce corruption on the part of clerks? Well, adopting new case calendars that limit the numbers of points at which a clerk touches the papers associated with a case seems to help. Streamlining procedures makes a difference. How is it possible to reduce abuse of prisoners and limit the ability of police to lock up opponents without a trial? Auditing helps. If the judiciary is independent, then sending judges and magistrates to prisons to take stock every so often tends to reduce the problem. In common law countries such visits have long been part of the inherent powers of the court. The visits were used to considerable effect by Justice Goldstone in South Africa. Want to reduce judicial corruption and venue-shopping? Assign cases to judges using a random number generator, whether on a computer or out of the back of an old statistics text.

There are aspects of institutional performance that may remain unaffected by the sorts of incentive structures that are central in this way of thinking, however. Our colleagues have pointed to some. Let me offer a few additional observations, some of which are quite closely related to the economics of organization logic but depart a bit.

1. In many parts of Africa, there is a tendency for people to say, “what we need are better leaders.” I don’t know how many times I have said in reply, “We have this problem everywhere; what you should do is figure out how to make institutions less subject to capture by the leaders who aren’t so good.” Yet maybe we haven’t taken the observation seriously enough. Where information is in short supply, maybe it makes a lot of sense to focus on a leader’s character and behavior. Perhaps employees are more likely to take cues from the behavior of a manager under these conditions. After all, if the way to keep one’s job is a bit of a guessing game, then maybe the best standard is to watch how the head of the organization conducts himself and model one’s own behavior accordingly. The clearer the rules and the more information available about them, the less influential leader behavior becomes (maybe...tell that to business schools!).

2. Similarly, maybe we haven’t paid enough attention to “focal points” in establishing new institutions or reforming old ones. In our program’s current oral history series, which focuses on police services, one person told us about a chance innovation in the Balkans. The police had always been allied with powerful interests. Most people tried to stay clear of them. In the aftermath of civil war and ethnic cleansing, there was a big attempt to create a new police service and transform the way people perceived the men in blue (they were, indeed, in blue). With a police adviser from Alaska came a fairly ridiculous outfit for a police mascot, a brown bear costume. Just what one needs in a fragile state! But...after someone worked up the guts to wear the costume, kids came up

to see and parents followed. Soon the police bear was visiting community centers and schools, and one day, the police started to get telephone calls for the police bear to come and help. Unfortunately, the costume had to be sent back to Alaska before this chance experiment could continue further. What the anecdote may suggest, however, is that an out of the ordinary focal point may at once overcome inhibitions and provide a way to transfer information more efficiently than can be managed in other ways.

3. A third observation is one that Avinash and Jim Robinson have both made elsewhere. Sometimes what matters is a conjunction of conditions, and if not all the elements come together at about the same time, no changes may happen. For example, in the 1800s, in the United States there was a lot of grumbling about corruption, delay, and other problems in the courts. Reform materialized only very gradually, on a much slower time frame than aid agencies impose on countries today. Among other things, it took time for reformers to acquire a base—a way to earn a living while thinking about reform. The “change agents” of the business school literature had to have a place where they could accumulate information and develop proposals. Law schools and professional associations began to provide this forum. There is a risk that good proposals for institutional reform will show no results simply because one or another critical condition is not also present.

4. A question. There may be moments in which it is possible for reforms to take root and other moments when reform is more difficult. In Africa, some of the leaders who had to distinguish themselves from authoritarian predecessors, discipline their party militants, or find a way to police the lower levels of the civil service cheaply temporarily delegated some independence to judiciaries. Whether they could then retract this independence has depended in part on what the judges did in the interim to build constituencies and lock in the changes. It has also depended on the degree to which independent judges have constrained the electoral clout of the incumbent. What defines a “productive moment” for institutional change?

Some things that should be on our reading lists:

David Leonard’s book, *African Successes*. The central chapters present interesting ethnographies of institutional change.

Jose Harris’s biography of William Beveridge (Oxford, 1977) on the man and the process that helped develop British welfare policy.

Jean Tirole. *The Theory of Industrial Organization*

James Robinson, “Politician-Proof Policy?” Background paper to the 2004 World Development Report. Available on Jim’s website.