



## **Three Day International Seminar**

On

# **LAW AND INSTITUTIONS FOR ECONOMIC DEVELOPMENT: THEORY AND PRACTICE FROM INDIA**

Organized by

**Inter University Center for Studies in Alternative Economics (IUCAE)**

**Department of Economics**


**University of Kerala**

**August: 16-18: 2017**

### **On the Seminar**

The pure theory of market believes that economic exchange is a spontaneous action between two parties therefore no third party intervention is meaningful to achieve the wellbeing of the individuals and their society. The view however assumes out the presence of transaction costs and externalities in the market mechanism. By assuming the costs of transaction and externality zero, the theory articulate a premise were information is symmetric hence all costs of production, consumption, and exchange internalized in the price of the commodity resulting a world of economic certainty. This theoretical utopia is not the world we do exchange commodities or produce commodities. The empirical premise is based on uncertainty and risk driven by asymmetric information on commodities and the people who do transaction. In such an empirical world, placing of development or growth comes with a positive transaction and externality costs, which adds additional costs over and above the prices of the commodities to individuals i.e. the social cost or benefit is greater than the corresponding individual cost or benefit. Therefore the intervention of third party is begged to reduce the risk and uncertainty in the process of production and exchange, i.e. a formal or informal institution or set of rules necessitate to correct such uncertainty and risk in the real world economy.

The institutions for better human conditions and interactions could be formal or informal, which act as constraints and regulate human behavior to have harmonious interactions for their growth and development. The informal institutional constraints are the constraints such as sanctions, taboos, customs, traditions, and codes of conduct in every day social and economic life whereas the formal institutional constraints include constitutions, laws, property rights, governments, bureaucracy etc. In the observation of North, institutions provide the incentive structure to an economy, as that structure evolves; it shapes the direction of economic change towards growth, stagnation or decline. The trajectory of change has been achieved through constraining individual behavior, is not presumed under the pure theory of market and its individual behavior. Studies of North point out that there is an inevitable trade off in the historical growth process between economies of scale and specialization on the one hand and transaction costs on the other. For instance, the closed small and face to face peasant



community, the transaction costs are very low. But if the division of labour and size of the economy (community) expands, a higher transaction cost is the result.

The importance of informal institution gains momentum over here; i.e. it is not necessary that the norms and laws are complementary, but can be substitutes. The customary norms or laws are not applicable in different community even if they are in the same region. In this regard often norms do contribute for the shaping of the laws of the land. Ellickson explains that social norms as 'customary laws' are superior to administrative or judicial dispute resolution among close knitted communities. The work of Avner Grief on trust based contract and its effective enforcement among Maghrib Traders received much accolade in the Institutional and Law and Economics literature. In India, similar kind of activities can be seen among different communities and villages. A classic case can be Lakshadweep, the union territory, where most of the island police station and jails (legal institutions of correction) having no cases hence it almost closed down due to the reason that everyone knows everyone else hence things worked based on social and customary norms than legal regulation. Therefore, the norms have a higher practical relevance in the present economic structures and hence economists started discussing on the importance of these issues. On the flip side, when production rapidly expands due to division of labour and higher economies of scale, and society is not closely knitted, then the economic transaction get complicated results a higher transaction cost and uncertainty, which demand well defined or formal institution to tackle such a structure of production and exchange.

The proposed seminar focus on the role and importance of both legal and extra legal institutions including different laws, legal procedures and judiciary as well as social norms and other extra legal institutions which facilitate the economic activities and its subsequent contribution to economic development. In a nutshell, if economic development is the central motto of all organized economies in the modern world then institutions (both legal and extra legal) are essential to realize economic development, hence a seminar on various dimensions indeed contribute to enhance our understanding of the operations of complex economic activities, which definitely the need of the hour. To serve the objective, we invite papers on theoretical and empirical aspects of different institutions with a thrust to legal institutions including law, legal procedure and judiciary in the development process. We also welcome the perspectives of economics and law in these institutional understanding. The seminar is first of its kind not only in the University of Kerala but also in the State of Kerala.

### **Broad Areas**

Legal institutions including Rights, entitlements and Privileges for Development/Judicial Procedures and Economic Development/Rules, Statutes and Regulations for Economic Development/Behavior of Judges, Lawyers & Courts for Economic Development

Extra legal institutions including norms, sanctions, taboos, customs, traditions, and codes of conduct for economic development



## Important Dates

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| Final Date of Submission of Abstract         | : June 9, 2017       |
| Date of Intimation of Acceptance of Abstract | : June 16, 2017      |
| Final Date of Submission of Full Paper       | : August 01, 2017    |
| Date of Seminar                              | : August 16-18, 2017 |

## About Inter University Centre for Studies in Alternative Economics (IUCAE)

Today the economic ideas, which are taught as universally acceptable principles and policies, are prescribed as one size fit for all. This homogenization derived from the individual rationality and utility maximization principle. Amartya Sen in his essay "Rational Fools" had given a critique to the behavioral foundation of such a single fit of the conceptual and theoretical underpinning of such theory and reality. Given the kind of socio economic reality of the present world economy, he kept arguing that the persuasion of standardized norm is not helpful for all, at least to achieve development and its assessment. It invokes us to think alternative trajectories to evaluate and pursue the question of development. At an alternative level, humanism is increasingly foregrounded in resolving present problems and the whole socio economic and even the political framework is incrementally getting revolutionized on the principles of rights rather than individual rationality. Development thus envisages new economic ideas and policy regimes, which need to be studied and evaluated with utmost care and quality. This begs us to have studies beyond the mainstream and dominant views and approaches that very much embedded in the curriculum, which slowly dismiss the heterodox approach from the present curriculum. In this context inter university centre for alternative economics is designed and committed to make discussions across the schools and approaches including the discussion between orthodoxy vis a vis heterodoxy.

Main Speakers: Prof Prabhat Patnaik, Prof. Satish Jain, Prof. B S Chimney, Prof. Ram Singh, Prof Jaivir Singh, Prof. Vijay, Prof. Chirashree Dasgupta

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