

**No one can escape the drumbeats for --**

- **Free markets, privatization, security of ownership, and contract enforcement.**
- **Is there anything more to say?**

**Pencavel & Craig: where are institutions in their model?**

- **Hourly earnings =  $f$  (output prices, input prices)**
  - Separate equations are estimated for co-ops and stock firms.
- **Other dependent variables modeled: employment, annual hours/worker, real earnings, etc. w. same independent variables.**

**Experimental design:**

**With and Without**

**X is the treatment variable-- cooperative structure in this case**

- **X Observed hourly earnings (estimated)**
- **Observed hourly earnings (estimated)**

• **Phosphate mining (interrupted time series design)**

$O_1 O_2 O_3 X O_4 O_5 O_6$  (The "X" is the change in factor ownership)

Each observation is an econometric estimate of pollution variable sign & sig.

• **Slavery**

a. For slave farms: factor productivity =  $f$  (scale, product mix)

b. For owner-op: factor productivity =  $f$  (scale, product mix)

• **Plywood Co-ops**

a. For co-ops Hourly earnings =  $f$  (output prices, input prices, etc.)

b. For stock firms Hourly earnings =  $f$  (output prices, input prices, etc.)

• **Development**

a. Per cap. growth rate =  $f$  (degree of trust, education, inequality, size, group membership, civic community)

## Choice of Farm Lease Type HIC to monitor yield, land care

- Structure: Informal
- 1. Unrelated parties.
- 2. Related parties.  
– (social capital?)
- Given situation (HIC), predict the chosen private governance.
- 1. Cash lease chosen (landlord avoids any tenant opportunism)
- 2. Share lease chosen

Landlord choice =  $f$ (identity of tenant, socializing, member of same church, risk attitude)

Dichotomous dependant variable,  
logit model

Significance of identity was .03  
Attitude toward risk was .06