

Organizing Informal Labor in India: Alternate Perspectives

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Challenges to organizing informal workers in India are myriad. The objective of this study is to develop a conceptual understanding of the same and to propose alternative perspectives on collectivization of informal labor. The theoretical antecedents, definitional origins of the concept and different types of informal labor are explained. Further, the need and motivation to collectivize and the unique characteristics of informal labor are analyzed as an underpinning to the proposal made in the paper. The major challenges are discussed in detail to elucidate the need for alternative perspectives and the suitable adaptation methods are explained. Finally appropriate governance models based on the adaptation methods are examined.

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Introduction

Industrial production started in India more than 150 years ago. The first attempt to organize workers happened as early as 1918 in erstwhile Madras and current Ahmedabad. India have had many luminaries in the field of industrial management, labor studies and organizing workers including a former President of India. Labor movements have largely influenced the polity and civic arrangements in India. Despite all these achievements, the reach and impact of unionization, to a great extent, have been limited to formal workers that form a meager 8 percent of the national workforce. National Commission for Enterprises in Unorganized Sector (NCEUS) in 2005 estimated that the number of informal workers in India was 423 million of which 395 million belonged to informal sector and the rest belonging to the informal workers in formal sector. Women con-

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stituted one third of the workforce in informal sector and 61 percent of the urban informal sector were self-employed (Bhowmik, 2013).

The existence and growth of trade unions, the spread and effectiveness of labor movement, and fulfillment of India's socialist governance objectives largely depend on the upliftment of informal sector labor. Organizing the workers in informal economy as an area of immediate attention and urgent need has taken the center stage of labor studies due to its myriad reasons affecting the country and economy. It is increasingly becoming difficult to understand the complexity of characteristics, criteria and classification of informal and formal sector. Many terminologies are used interchangeably in the current literature, such as informal and formal employment, informal and formal sector, and organized and unorganized sector. NCEUS working papers on the definitional and statistical issues related to informal sector have thrown light and clarity into the classification and evolution of the concept of informal sector.

The purpose of this paper is to analyze the major challenges to organizing informal labor and propose new ways of adaptation to the unique characteristics of informal labor. The paper begins with the theoretical underpinning that legitimizes the existence of informal labor and the need for alternate perspectives. Further, definitional clarification is explained to establish the scope of this paper.

Theoretical Background

Julius Herman Boeke and Arthur Lewis espoused the theory of dual economy or dualism to explain the existence of two different economies or dual society in the same country characterized by different technology, development, and supply of labor. Any society which is not homogeneous will naturally have multiple social status or social system, which forms the basis for dual economy. Traditional or agriculture sector and modern or manufacturing sector are the two classifications envisaged by the theory of dual economy. The fundamental difference between these two sectors exists in the factors of production as well as in the nature of returns. Historically, land and labor has been the factors of production in agriculture sector while labor and capital constitute the factors of production in manufacturing sector (Jorgenson, 1961). The focus of these theories was to study and make available the surplus labor of agriculture sector for capital accumulation in manufacturing sector (Bhalla, 2009). Even though, many theories espoused by corporate denigrate informal labor and even consider as a threat to economy due to reasons like inferior quality of human capital, the idea of dualism legitimizes the existence of informal labor (Porta & Shleifer, 2008). Unlike the earlier times when dualism divided the country or economy into two different sectors, the modern equivalent of dualism is manifested in the forms of two types of labor existing in the same sector. With the advent of the concept of informal labor, the focus of dualism has shifted from low

productivity and surplus labor, to better working conditions and vulnerability (Kannan, 2009), because the links between informality and vulnerable conditions are substantiated and straight (Unni, 2001). This essentially arises from the unique characteristics of informal labor and since the focus has now changed, the methods of collectivization need a relook.

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The term informal income was first used by Keith Hart to explain the activities of self-employed migrants of Frafras tribe of Africa, who could not get jobs in the formal sector (Hart, 1971; 1973). Till then the labor discourse had termed such migrants as unproductive or surplus labor (Mehta, 1985). Hart found out that the labor that is dependent on the informal income neither disappeared nor got income starved. They worked, earned and supported their families through informal means. Later when ILO World Employment Program used this concept widely in various country studies the term informal sector got recognition, meaning and importance (ILO, 2014).

As per NCEUS all private unincorporated enterprises constitute informal sector and includes all activities carried out by individuals based out of home or outside, employing others or alone, technically qualified or unqualified (Bhalla,

2009). Informal sector can be defined from both enterprise as well as employment perspectives. The main criteria of differentiation from an enterprise perspective are the limited number of employment opportunities and the status of non-registration. Accordingly, all enterprises can be summarized into any of the three categories namely formal sector, informal sector and households. On the other hand, the employment perspective primarily considers the nature of work and not the person doing the work. Here the same person can have multiple informal work or a combination of informal and formal work. Accordingly, informal employment can include workers employed in their own informal sector enterprise, contributing family members, employees holding informal job in formal sector, members of informal producers cooperatives and own account workers engaged in household production of goods for own consumption (Hussmanns, 2003). In summary, formal employment is by and large confined to formal sector enterprises, whereas informal employment can be seen in formal, informal and household enterprises.

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The scope of this study is limited to the task of organizing workers in informal sector and in an Indian context. The dynamics and characteristics of formal and informal sector are very different and generalization would be difficult. Hence for reducing the ambiguity, informal la-

bor in the context of this study will be limited to informal sector only. Peasants, migrants, unskilled workers, women, nomadic and vulnerable groups are different constituents of informal sector, which is growing in size and complexity through the process of informalization, specifically casualization or the replacement of full or part time labor with need based labor. The unorganized nature of the informal labor is considered to be a major reason for the multitude of miseries.

Need for Collectivization

For convenience and ease of understanding informal economy can be viewed in isolation. But is it really isolated from formal economy and does formal economy in any way influence the informal economy? Informal sector can be linked to formal sector through capital mobility and labor productivity (Marjit & Kar, 2009). A decline in capital intensive import sector and a decline of home grown industries will unleash more capital and labor into informal sector. Such changes may be visible but may not reflect in the data and documents related to informal sector as the pragmatic issues related to sampling and collecting data still remains as a major challenge. Such practical constraints need to be rectified to delve deep into informal sector. This situation will change with the increasing degree of collectivism or unionization in informal sector. Govt. agencies can depend on trade unions to collect data on informal sector, which in turn can positively influence the policies on informal sector. Thus, collectivization can be looked at as a tool to unearth information on the informal sector.

Collectivizing the workers is a necessity not only for the informal labor but also for the trade unions. In India trade unions have thrived with their political affiliation and strength of membership. The power to make rules and to govern the country lies in the democratic system which heavily depends on the number of supporters each party has. Most trade union federations (AITUC, INTUC, CITU, BMS etc.) at national level have political affiliation and most national parties (BJP, INC, CPI, CPIM, etc) have their own trade union arms. With 92 percent of work force falling under the informal sector there is immense potential for political parties and trade unions to increase their strength and bargaining power by collectivizing informal labor. Thus, organizing informal workers becomes an essential element for growth and expansion of trade unions.

The benefits that formal workers enjoy in terms of social security, work protection, minimum wages and protection from occupational hazard are insufficient from an egalitarian perspective and calls for radical reforms. Nonetheless, those benefits, if made accessible to informal labor by making necessary changes in the law, can bring in sweeping changes into the lives of informal workers and their families. Unionizing and collective bargaining can bring in such changes the way it has happened in formal sector. In 2015, Govt. of India announced Atal Pension Yogna, a pension scheme targeted at informal workers. In addition, the Employee State Insurance Scheme will also be extended to taxi and auto drivers, anganwadi workers and

workers of shopping establishments in 2016. Spread and success of such schemes can be augmented by high involvement and support from trade unions, like the Ghent system in countries like Denmark, Finland and Sweden (Scruggs, 2002).

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In case of informal sector, collectivization or unionizing will only unite the workers without much mandate or scope for collective bargaining. Collective bargaining in formal sector has achieved a social order that is guided by industrial rights. This is possible in informal sector with formalization of the enterprises. Evidence shows that only very few informal firms join the formal economy by becoming suppliers or vendors to formal firms (Porta & Shleifer, 2008). Trade unions should focus on those informal firms that are currently an indirect or illegal supplier to the formal economy, which has a likelihood of formalizing in the future. Such firms exist mostly in the lower spectrum of manufacturing and agro-based industrial sector. The aftermath of collectivizing in such enterprises will be a win-win situation for both workers and unions. On the other hand, informal labor who does not have a chance to formalize through an enterprise, like hawkers, porters, vendors and daily wage workers can benefit from the welfare initiatives taken by trade unions for the

family and dependent members of workers, through intra union activism and co-operation (Bhowmik, 2013).

Analyzing the Challenges

The challenges of organizing workers in informal sector are numerous, which stem from the complex inherent characteristics of informal labor. Since the root causes of these challenges are different it makes the task of organizing informal labor complex and daunting. The challenges can be grouped into two broader categories and each needs to be analyzed separately.

The first category includes issues like common identity, population heterogeneity and gender diversity that makes the context much more complex. Some unionists are yet to consider self-employed and own account workers in the ambit of trade union movement and still view informal employment as an initial stage of becoming an entrepreneur (Birchall, 2001). Contributing family members and own account workers are generally considered as quasi-entrepreneurs rather than informal workers. From the perspective of holding capital and having control and authority on the work, an entrepreneur may be seen as extended capitalists. The focus of trade unions and motto of unionization is to unite and empower the workers who do not have control and authority over their work. This creates an acknowledgement and acceptance issue. The legal invalidity of the labor status of informal workers makes it difficult for them to confront the employer or approach the authorities

(Bonner & Spooner, 2011). Thus the existence and validity of an identity is missing for the informal workers. This lacuna becomes a roadblock to emergence of leadership, for which identity, validity and legitimacy are essential. This does not indicate that the informal labor is a completely loose, scattered and independent bunch of humans. Local or micro level dominant voices do exist among them, but inadequate and incapable of creating an organization for a larger cause. Also such micro dominant voices impede the emergence of alternate leadership for the fear of losing the limited clout and influence they enjoy. Converting such dominant voices into an ideologically oriented and labor sensitive leadership is again a difficult and risky affair.

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Further, the scale of unregistered and diverse activities in informal sector is so huge and the population that is part of informal labor is so heterogeneous and diverse that collectivizing activities becomes more difficult (Tanaka, 2010). For example, the proportion of female workers in informal labor compared to the formal counterpart is very high. Here the issue is not gender but the perception of society towards women and the social norms that assign specific roles for women at home and in society. Traditionally, all trade unions in India grapple with the idea of emancipation of women in

society. We can find lesser participation of women in trade unions and even lesser representation of women in union leadership roles in formal sector. Despite the legal and welfare benefits, women find it difficult to engage in labor activities and this can be attributed to the predisposition upheld by the society, that women are meant only for household work or rather are unfit for societal roles. Such prejudice equally exists in informal sector and augmenting the barrier are the poor economic, legal and educational conditions.

The second category deals with the much more observable and evident characteristics of informal labor. The opportunity cost that a worker incurs in an informal economy is large compared to in formal sector. Informal labors possess very low resources, both financial and social, and hence the willingness to donate it for a common cause that doesn't guarantee any betterment in future, will be nominal (Tanaka, 2010). Augmenting this challenge is the threat of free riding, which may further reduce the willingness to support common cause. When resources are expended for common cause, an informal labor takes a higher risk and incurs higher opportunity cost. Workers will be willing to take such risk and to incur such cost provided there are results in the positive direction. But the size and complete absence of regulatory and protective measures in informal sector raises the threshold level for realizing the initial results. Hence the initial task of roping in and activating a few becomes highly difficult. Among formal workers, since the work and livelihoods are compara-

tively better, ideological inclination can be one of the initial criteria for attracting members. The work and livelihood conditions of informal workers are so bad that there are no low hanging fruits unlike in the formal sector.

In addition, informal labor is scattered across the length and breadth of the country and hence administering benefits, creating awareness and mobilizing cannot be done through the existing network of institutions and would require a vast network of worker facilitation centers at local level (Jhabvala, 2005). Also, the trade unions lack physical resources for mass mobilization of informal workers. In the formal sector most trade unions have dedicated workers from each firm or industry who with the approval of management involve in union activities and at the same time get paid for being an employee. Such emissaries will not be seen in informal sector since the idea of registered firm and fixed salary doesn't exist. Creating such mobilizers is ideologically and pragmatically challenging.

The traditional method of collectivization to a large extent depends on common issues, common identity and common institutional rules that are binding on all. In the absence of these factors and owing to much larger spread, scale, heterogeneity and diversity of informal labor, the need for alternate methods of organizing is pertinent. In the case of formal labor, collectivization is the means to the end called collective bargaining with the person or the group that holds the control and authority over work and

capital whereas for informal labor, the end may or may not be collective bargaining. Informal labor can come together and form groups and organizations, wherein the control and authority on the work and capital remains with the labor themselves. It is for this reason that alternate methods of collectivization of informal labor needs to be sought.

Discussion

The challenges and diverse characteristics of the informal labor necessitates alternative approach to unionization but, based on the basic principles of collectivism. Trade unions have ideological and methodological antecedents, but a new approach that considers them as a collection of humans or as a group of like-minded people is required. Informal labor should adhere to the principles of economics of governance for which the two pillars are adaptation methods and governance models (Williamson, 2005).

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The first step in this direction is adaptation and hence trade unions should understand the basic tenets and adapt to the new reality. Many informal sector jobs are based not on legal or financial contracts but on relationship and/or geographical proximity. Hence the basis of the unionization in informal sector can also be relationship based and/or geo-

graphic similarity based. If the trade unions can adapt to this idea of a relationship that is non-financial and non-legal, then many of the constraints related to second category of challenges like opportunity cost, geographical spread and lack of volunteer mobilizers can be minimized. In addition, trade unions should also adapt to the idea of geographic proximity based collectivization to overcome the first category of challenges related to common identity, population heterogeneity and gender diversity.

The second step is to arrive at a suitable form of governance for informal sector. Two governance models that can adapt to geographic proximity based collectivization are forming self-help groups (SHGs) or co-operative

societies. The rationale behind this proposal is the fact that these two models perform better when confined to limited geographic scope and can transcend the first category challenges like common identity, population heterogeneity and gender diversity. Identity and relationship based adaptation to mitigate the second category challenges like large geographic spread, high initial opportunity cost and lack of volunteer mobilisers can be achieved through the governance models based developmental organizations or community based organizations. Here the pragmatic and physical difficulties are overcome by appealing to the identity of the people and the relationships that they hold among each other. A summary of the same is given in Table 1.

Table 1 Framework for Organizing Informal Labor

Framework - Organising Informal Labour		
Charecteristic/ Challenge	Adaptation Method	Governance Model
Non- acceptance of self-employed as informal labour Heterogenity of labour Higher women proportion	Geographic Proximity based	Co-operative Society & Self-Help Groups
Opportunity Cost Geographical Spread Lack of Volunteer Mobiliser	Identity & Relationship based	Development Organisation & Community Based Organisation

Forming co-operatives for informal workers has many advantages. The perception of parity and equality that all the members from this co-operative have will make the initiative more effective. In addition, co-operatives have a collective and democratic form of working that instills a sense of justice in the minds of its members. A co-operative have the natural advantage of being in existence

for and supporting all its members equally. In the absence of a common issues or a common legal binding, such an emotional sense is essential for involvement and commitment of all members. Co-operatives have lesser of behavioral and cultural issues even though they can have structural and management issues (Davis, 1996). Co-operative societies and co-operative activities shouldn't be

considered as a different type of organization for a different purpose but rather as a different method of uniting and addressing issues of the poor and the marginalized (Birchall, 2001). ULCCS (Uralungal Labor Contract Co-operative Society) based in Kozhikode (Kerala) is a good example of a successful worker co-operative (Sapovadia & Patel, 2013; Chaudhary, 2005).

Self-help groups (SHG) primarily have many advantages like being economical, being based on trust and relationship, having informal structure, being sustainable in long run, maintaining diversity of members and catering to heterogeneous needs (Birchall, 2001). SHGs have the potential to integrate women and empower them socially and economically (Ahn & Ahn, 2012). SHG have been a successful model in organizing forest produce dependent workers in Orissa and municipal sweepers in Kerala. This can be a model for rural as well as urban workers. SHGs can resolve many challenges like organizing women and empowering them, non-availability of financial resources and the huge opportunity cost incurred by workers while unionizing.

Development organizations exist in myriad forms like advocacy-oriented, legal support provider, quasi-unions, welfare collectives and even job providers. They have legal validity as a self-governed society and have high level of acceptance in the society. Here the objective of a sustained self-reliance through a development organization will look achievable and beneficial to informal labor. This model can mitigate the absence

of benefit perception among informal workers that is causing a hindrance to unionization by increasing the initial opportunity cost to recruit volunteer mobilisers.

Community based organization (CBO) and religious institutions need not necessarily have a formal membership mechanism or a fee collection system (Davis, 1996). In spite of that such organizations remain cohesive and active, impacting the lives of many. If relationship can be a basis for collectivizing the relationship that exists among workers by virtue of their community or caste cannot be ignored. India is a complex caste conundrum with an over-riding sense of identity and attachment to such commonalities. Indian trade union spectrum has been dominated by socialist ideology that has pre-dominantly negated the preponderance of faith, community and caste based identities. Such identities are considered an impediment to the larger labor unity and progress. But, leveraging on such relationship and at the same time focusing on the labor causes can prove to be a good strategy for collectivizing. If not collectivizing, such a strategy can help reach large masses to spread awareness. The time is ripe for trade unions to widen the horizon and expand its network by engaging with CBOs without losing the multi faith credentials and upholding the secular fabric of trade unions.

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The unique characteristics or challenges are not mutually exclusive and hence the basis of adaptation is also not. The challenges can co-exist and theoretically adaptation methods can also co-exist. But it may cause dilution of focus and core characteristic of the collective. The governance models are unique legal entities in individual capacity but from a social perspective each category of governance is mutually exclusive from the other since it won't be possible to follow two different models simultaneously. All these models have an inherent commonality, which is the ability to accommodate skilled and unskilled labor. The core idea that binds these models is the complementary nature of skills and needs.

Conclusion & Implications

This framework fundamentally answers the question of how to organize informal labor by reaching out far and wide, but doesn't answer the question of what such organizations should be doing? Emulating the governance model of developmental organization or community based organizations necessitates embracing a few activities of such groups for meeting the basic objectives. Educating about govt. schemes, skill training, im-

Educating about govt. schemes, skill training, improving living amenities, community development and microfinance are a few activities that trade unions in informal sector should implement to ensure labor participation and empowerment.

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The proposal is a new direction of thought but does have a few limitations as well. Firstly, the characteristics and challenges are not comprehensively exhaustive and there may be a few more challenges. This was done to maintain parsimony and to focus on specific topics. Secondly, the current methods of collectivizing informal labor like hawkers, head load workers etc is not discussed. This was kept outside the scope of this paper since all those methods adopt similarity of skills or trade as the basis for collectivization. This paper wanted to focus on the methods of collectivization based on complementary skills and needs. In spite of these limitations, this paper makes significant contribution to the study of informal labor collectivization in India. The first two methods, co-operative societies and self-help groups have been studied extensively in India, but the other two methods, developmental organizations and community based organizations are new ideas to this topic. The number of such organizations in India is high and the same methodology can be used to bring together informal labor as well.

The implications of this proposal to look at new ways of organizing informal labor are several. Firstly, this proposal can help trade unions explore the possibility of collectivizing informal labor based on identity and relationships. Secondly,

the idea of collectivization based on complementary nature of skills is worth pursuing as it can help in realizing synergies of the group and thereby realizing self-reliance. Finally, trade unions should collaborate with community based organizations to reach out to the bottom of the pyramid in order to instill a sense of collective welfare. There exists no single and all-encompassing formula for organizing informal workers and a shared responsibility lies with workers, trade unions and ILO to achieve the objectives of decent work and social justice (Ahn & Ahn, 2012). This paper recommends many alternative methods of organizing informal labor. But, each of these adaptation methods and governance models require further research to understand the conducive conditions and facilitating factors.

Acknowledgements

An earlier version of this paper was presented at the 7th National Industrial Relations Conference at XLRI, Jamshedpur.

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