

## The Politics of Order in Informal Markets

Property rights are important for economic exchange, but many governments don't protect them. Private market organizations can fill this gap by providing an institutional structure to enforce agreements, but with this power comes the ability to extort group members. Under what circumstances, then, will private organizations provide a stable environment for economic activity? Based on market case studies and a representative survey of traders in Lagos, Nigeria, this book argues that threats from the government can force an association to behave in ways that promote trade. The findings challenge the conventional wisdom that private good governance in developing countries thrives when the government keeps its hands off private group affairs. Instead, the author argues, leaders among traders behave in ways that promote trade primarily because of the threat of government intrusion.

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## Preface

Property rights are important for economic exchange, but in many parts of the world they are not publicly guaranteed. Private market associations can fill this gap by providing an institutional structure to enforce agreements, but with this power comes the ability to extort from group members. Under what circumstances do private associations provide a stable environment for economic activity? I examine original survey data collected from 1,179 randomly sampled traders across 199 markets in Lagos, Nigeria. I combine these results with market case studies and find that markets maintain institutions to support trade not in the *absence* of government, but rather in *response to* active government interference. I argue that associations develop pro-trade institutions when threatened by politicians they perceive to be predatory, and when the organization can respond with threats of its own; the latter is easier when traders are not competing with one another. In order to maintain this balance of power, the association will not extort because it needs trader support to maintain the credibility of its threats to mobilize against predatory politicians.

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In the summer of 2010 I was feeling sad that my original dissertation idea was not panning out. I wanted to study how Lebanese trading communities organized themselves in Nigeria, but struggled to get Lebanese businesspeople to agree to be interviewed. At the end of the summer, I visited Lagos for the first time and had the chance to wander around the markets. Nigerian traders – though often quite secretive as well – turned out to be more forthcoming than the Lebanese traders. I realized I could study trader organization with a different population.

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