

What is new in North's Limited Access Order Theories of Development?

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This paper explores the contradictions and implications of the latest reformulation of New Institutional Economic by Douglass North. Since 2007, North and his associates have developed the concept of limited access orders in developing countries. He claims that this approach represents a radical new break from his previous models of institutional change in developing countries by arguing that the social dynamics of developed countries are fundamentally different from those of developing countries, thus they propose that 'development tools based on first world experiences are ill-suited to the development goals in third world countries' (2007; 1). The basic idea is that the social logic that maintains order and controls violence is different depending on the level of development of a country. In developing countries societies can be characterised as limited access order (LAO). The LAO creates limits on access to political and economic functions as a way to generate rents. This is a potentially significant break with the previous analysis of rents coming from mainstream New Institutional Economics because it recognizes that some of this damaging rent creation can be functional. Institutions in LAOs are not malfunctioning, but are rather the normal operating form of developing economies. Advanced capitalist states are characterised as open access orders (OAO). This order relies on competition, open access to organizations and the rule of law to hold the society together. They characterise advanced capitalism as based on open competition where institutions ensure that the interests of political officials are to observe constitutional rules, including political control over a consolidated military. For most LAOs the most important development issue is to understand how the state can solidify itself and maintain or improve its control of violence and eventually to create a legal framework for non-state organizations. The actual distribution of coercive power is the decisive factor that will determine the pace and path of development. Development is conceived as a problem of moving from being a LAO to an OAO and the main focus of analysis is on elites and the formation of dominant coalitions within the state. While claiming to be a distinct break from his previous theories, the conception of the political and economic sphere embedded in the LAO approach remains fiercely tied to methodological individualist precepts, rational choice and the neo-classical perfect market. The paper argues that the new turn in North's work represents a powerful form of paradigm maintenance in the face of diverse challenges to the mainstream consensus on the role of institutions in development.