Empowerment and the Triad

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Consider a person living in rural Sambalpur District, Orissa, India, and applying for formal credit. If he happens to own land between 0.1 and 1.25 acres, it would on average take him 15 days to get the loan sanctioned and 32 days to actually get the loan (from the day that he applied); if he happened to have land between 1.25 and 2.50 acres, it would take him 12 days to get the loan sanctioned and 22 days to actually get the loan; if he had between 2.5 and 5 acres, the corresponding figures would be 10 days and 24 days; if he had between 5 and 10 acres, the figures would be 8 and 17; and, finally, if he had over 10 acres, these would be 7 and 14. This inverse-monotonic relation between the wealth of the borrower and the transactions cost (in terms of waiting) that the borrower has to face is reported by Sarap (1991, chapter 3) based on his personally conducted empirical study in six villages. Sarap’s study also shows that the largest farmers get more loans and also default more. This shows, in a rather stark fashion, that to be poorer or less wealthy does not mean simply to have less money or wealth, as would be definitionally true, but to be worse off in other ways as well. The “clout” of the larger farmers enables them to do better for themselves than the calculus of pure wealth would suggest and, conversely, the powerlessness of poor farmers mean that they do less well than would be suggested by the pure numbers of their income, land-ownership, the size of cattle stock or utensils.

This example draws our attention to how empowerment and poverty are, at the same time, related and not the same thing; and that, usually, differences in empowerment magnify the differences of wealth and income. Accordingly, one of the major challenges of policy is to try to use empowerment to reverse and mitigate some of the direct inequities of wealth.
Empowerment can come from the possession of information, the structure of rights allowed under the law and other ways. I shall here be concerned with empowerment that can occur in more implicit social and institutional ways—through social norms and the rules of social ostracism. The importance of such ‘social channels’ of empowerment is recognized widely enough (see, for instance, Narayan et al., 2000, Chapter 3); yet this is very hard to give formal shape. Thus in most existing writings on empowerment, this is left at the level of broad descriptions. In this lecture I want to indicate ways of moving towards a relatively precise interpretation of the notion of social empowerment; and argue that to understand this is a first step towards policy to empower the disadvantaged.

I shall, in particular, argue that one person’s power vis-à-vis another person often depends on how these two person relate to others or the ‘third party’, who may not be directly involved in their dealing. I had discussed the role of the ‘triad’, that is, relationships that hinge on the uninvolved third party, in Basu (1986). I am here using the word triad, borrowed from the sociologist George Simmel, to talk not of one person but may be several who, though in some ways in the background and usually dormant, become the source of one person’s power and another person’s lack of it.

In the example from Sambalpur described above, Sarap, based on his experience in the field, tells us why the richer farmers get treated better than what their money can buy and the poorer farmers get a worse deal than pure money-based calculations would dictate. Usually formal credit is disbursed by relatively junior people in the local bank. Such junior officers are aware of the big landlord’s influence and friendship with the senior bank officials and with other influential members of society and they realize that a displeased big landlord, even if he cannot hurt the officer directly, can hurt her by damaging her relation with these others with whom the officer has may have other dealings and interactions.

Let us consider another example, crossing over from Orissa to the western flank of India, rural Haryana. In a field study of credit markets that Shiela Bhillal (1976) had done in 1972-73 she found widespread evidence of ‘managed borrowing’. In managed borrowing, the borrower is a laborer and the lender is a shopkeeper or a big landlord. But this direct relationship between the borrower and the lender is mediated by a third party,
who does not, typically, have to do anything but simply stand guarantee. This skeletal description can have, as Bhalla notes, many variants. The essential contrast with the more standard lending is that in the case of managed lending there is a third party involved. The interesting observation that Bhalla made in the field is that, under managed lending loans typically command a higher interest rate than in regular lending. And she speculates that the role of the “guarantor” may not be quite the helpful one that it appears to be at first sight. Au contraire, the presence of the so-called guarantor may allow the lender to leverage a more exploitative deal than he may have been able to on his own.

I believe that this ability to leverage power through ‘others’ is an important mechanism that is often used to increase some people’s power and decrease that of others. This is what can make poverty more than the poverty of money and wealth. One encounters this time and again in the *Voices of the Poor*, whether it be in the form of the man in Cameroon saying that poverty is characterized by “a feeling of powerlessness” or the old man in Uganda, who says, “It is the feeling of helplessness that is so painful, more painful than poverty itself.” (p.32, Narayan et al, 2000). This notion of empowerment can be applied not just in contexts of rural poverty but also industrial competition and international economic relations (see Basu, 2000, Villanger, 2002).

To formalize the notion of empowerment or disempowerment by using the leverage of others, consider a landlord making an offer of a wage to a worker to work on his plot of land. It is routine in economic theory to assume that the landlord will offer the lowest wage that “the market will bear”, in this case, the lowest wage the laborer will be willing to take. And how does one calculate the latter? This is done in economic theory via the ubiquitous concept of “reservation utility”. The laborer calculates the utility that she will get if she fails to get the landlord’s work. This is the worker’s reservation utility. As long as the package that the landlord offers—the work and the wage—leaves her at least as well off as the reservation utility, she takes the offer. Knowing this the landlord pays her just that minimal wage that leaves her at the level of (or may be epsilon above) the reservation utility.

In all standard neoclassical modeling however the reservation utility is treated as exogenous to the transaction in question. In reality that is not the case. One way in which a landlord can get extra power is by threatening the laborer that if she “insults” the
landlord by not accepting his offer, he will ensure that others with whom she has to deal will ostracize her. This threat is often something that does not have to be uttered. It is something that Galbraith described as “conditioned” power. It involves a threat that permeates through this society. It is common knowledge.

Check now how the laborer will make her calculations once she knows this. She will know that to turn down the landlord is to lose not just the landlord’s custom but that of others as well. Hence, she will be willing to accept a deal which takes her below what would be the standard definition of reservation utility. Here, this “voluntary exchange” leaves a person worse off than if she had not had the exchange. This is the troublesome aspect of ‘social disempowerment’. It happens with very little overt evidence. The disempowered does not have to be dragged to the exchange, she does not resist, no one has to come and snatch away what she does not want to part with. Instead, she herself is complicit in her own disempowerment. The threats being persistent and unchanging make no news and meet with no resistance. The disempowered just gives in and the social equilibrium persists undisturbed, like an efficient Walrasian equilibrium.

Does this theoretical idea stand up to serious empirical scrutiny, over and above the piecemeal and anecdotal evidence suggested above? The only proper empirical investigation into this that I have seen (Hatlebakk, 2002) seems to suggest that it holds up well. A study using household survey data from Nepal suggests, where landlords are able to leverage others in the village or in the vicinity, the laborers get a worse deal. In other words, what he finds is that the market wage is not the outcome of the standard forces of demand and supply alone, but is implicitly affected by the distribution of power of the landlord.
References


