

# Essays on Institutions and Economic Outcomes

av

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## AKADEMISK AVHANDLING

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## Abstracts

**Paper 1** discusses the impact of tenure insecurity on land-related investment and the policy currently in place to promote tenure security. The empirical results, based on the Ethiopian Rural Household Survey panel dataset, show that tenure insecurity has a significant effect in discouraging land-related investments, and that this effect varies with region and type of investment. To address the problem of tenure insecurity, the Ethiopian government has introduced land registration and titling schemes. Despite the positive impact of this intervention, its sustainability is in question. This paper argues that there is a high likelihood of reversal and discusses the necessary constraints to assure the continuity of the policy.

**Paper 2** examines the role of governance for agricultural productivity using household survey data from rural Ethiopia. The paper argues that the impact of governance is household specific and identifies some governance indicators accordingly. Political trust, competence of civil servants, and political connection are used as governance indicators. A stochastic frontier production function is specified and estimated to capture the effects of governance on productivity or technical efficiency of agricultural households. The results show that good governance could cut technical inefficiencies significantly and therefore could increase productivity.

**Paper 3** tests for nonlinearity in households' income dynamics using a decade-long rural household panel survey dataset from Ethiopia. The paper argues that non-linearity in income dynamics could arise from the historical dynamics of institutions, and supporting evidence is provided from Ethiopian history. The empirical results support non-linearity in income dynamics and hence the existence of poverty traps. The comparative static analysis of the empirical results shows the importance of policy interventions in terms of breaking out of the poverty trap.

**Paper 4** proposes that ethnicity coupled with ethnic nepotism may reduce interpersonal generalized trust. We use the 2001 wave of the World Values Survey data for eight African countries to test this claim, and show that while ethnicity and ethnic nepotism are each important in affecting generalized trust levels, their interaction has a self-reinforcing and negative effect on trust levels. The results underscore the importance of institutions in controlling ethnic nepotism and thus partly in mitigating the adverse effects of ethnicity on trust.

**Keywords:** Africa, agricultural productivity, efficiency, Ethiopia, ethnic nepotism, ethnicity, governance, institutions, investment, land registration, land tenure, nonlinearity, policy reversal, political trust, poverty trap, trust.

**JEL classification:** D02, D13, D23, D24, I39, O12, Q12, Q15, Z13

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