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Contract enforcement in the
Moroccan industry, 1956-82

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The Maghribi Industrialists: Contract Enforcement In The Moroccan Industry, 1956-82*

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ABSTRACT

Original oral history data shows that during the import-substituting industrialisation, state capitalist period delimited by the independence in 1956 and the structural adjustment program in 1982, Moroccan manufacturers were operating in an environment characterised by a high risk of contractual breach, and by long-term, face-to-face relationships with few trade partners. The judicial system was seldom used to enforce contracts, because it was dysfunctional, and would break up a valuable relationship. To avoid contractual problems, entrepreneurs were largely relying on their acquaintances: economic life was embedded in social life. Social capital was derived from the business network and social connections rather than from connections with the state, kin-based and ethno-geographic groups. Private enforcement does not work as the Maghribi traders suggest. It is a way of screening customers and suppliers based on on-demand, reciprocal exchange of imprecise information, rather than a way of inflicting collective punishment. Its efficiency depends on the structure of the business network and on the individual social capital that agents hold within this structure. The institutional environment deteriorated after the period, because an increased number of players disrupted the structure of the business network and decreased the efficiency of private enforcement.

* In standard Arabic, Maghribi means Moroccan.

Introduction

For the last two decades, there has been a growing agreement among economists that the quality of institutions is a major determinant of the pace and pattern of economic development. Institutions enable economic development by protecting property rights and enforcing contracts. *Which* institutions matter is much less agreed upon. North's seminal works originally focused on the rise of the Western world, and how formal institutions – namely impartial courts – enable economic growth by protecting property rights.¹

Shifting to other areas (eg. Asia) and other time-periods (eg. the Middle-Ages) led scholars to consider informal institutions, such as codes of behaviour or private judges. Informal institutions opened interesting avenues for research and policy-making. In particular, Greif showed that the Maghribi traders, a coalition of Jewish merchants operating across the 12th-century Mediterranean, successfully conducted overseas trade through an informal contract-enforcement mechanism.² This case-study became very popular because it showed that informal institutions – in this case, the threat of damaging a cheater's reputation – can substitute for formal ones in effecting economic development, and that such institutions are deeply rooted in society, as they are sustained by social capital and cultural norms.

However appealing they are in theory, the empirical evidence for the effectiveness of these informal institutions is mixed. Works that rely on qualitative analysis and anecdotal evidence suggest that they are very effective and widely relied upon contract-enforcement mechanisms. Works that rely on more systematic quantitative evidence suggest the opposite.³

This paper investigates how contracts were enforced in Moroccan manufacturing from independence in 1956 to the structural adjustment program (SAP) in 1982. Apart from the fact that institutional economics has surprisingly paid little attention to the Middle East,⁴ Morocco during the period represents a particularly favourable case to assess the role of informal contract-enforcement institutions. First, several features suggest that informal institutions should be heavily relied upon to enforce contracts. Morocco's largely inefficient judiciary leaves room for other enforcement mechanisms. Furthermore, similarly to many countries in the region, Morocco experienced state capitalism and import-substituting industrialisation policies (ISI) during the period. Responding to government incentives, a small, socially-homogeneous elite

¹ See North for a summary of his intellectual development. North, "Prologue," in *The Frontiers of the New Institutional Economics*.

² Greif, *Institutions and the Path to the Modern Economy : Lessons from Medieval Trade*.

³ See Section I for an extensive review of literature of the two sides of the argument.

⁴ To my knowledge, the only institutional economics works that covered the Middle East are Kuran's, for the pre-colonial period, and Benhassine's, for the modern period. Benhassine ignores however informal institutions. Benhassine, *From Privilege to Competition : Unlocking Private-Led Growth in the Middle East and North Africa*, Kuran, *The Long Divergence : How Islamic Law Held Back the Middle East*.

progressively took over manufacturing. This elite's dense social ties give good reason to believe that it would devise informal contract-enforcement institutions. Second, the other social groups operating in manufacturing, namely Europeans, can be used as natural control groups.

As the literature on Morocco does not cover contract enforcement, I used a wide array of sources – mostly Marxist economics, political science, and sociology – to derive several hypotheses on patterns of contract enforcement, the role of social capital, and institutional dynamics (Section II).⁵ Given the lack of data, I relied on oral history to collect original interview data from 33 manufacturers who were active during the period.⁶ Following oral history methods provided well-established guidelines to collect both interview and survey data and assess their reliability (Sections III and IV). Interview data was complemented by survey data in order to better contrast the two sides of the empirical debate. The hypotheses were then contrasted against the data (Sections V, VI, and VII). This, I argue, leads to a reconsideration of the workings of private enforcement.

I. Theoretical And Empirical Background

The theoretical rationale behind contract-enforcement institutions is that they mitigate what Greif calls the *fundamental problem of exchange* (FPOE).⁷ Trade is a *quid pro quo*. As exchange is sequential, there is a time-lapse between the *quid* and the *quo*. This time-lapse allows parties to renege on their contractual obligations. This is precisely FPOE: “one will not enter into an objectively profitable exchange relationship unless the other party can ex-ante commit to fulfil his contractual obligations ex-post”⁸. If the FPOE is not mitigated, exchange takes a rudimentary, cash-and-carry form.

Institutions provide mechanisms that mitigate FPOE. They broadly fall into four categories: self-enforcement, moral norms, legal enforcement, and private enforcement.⁹ Self-enforcement constitutes the baseline mechanism because society is not taken into account. It mitigates FPOE by considering that exchange between the two parties is personalised and repeated. The game-

⁵ Because of the extremely diverse disciplinary perspectives of the sources, and the imprecisions that result from the sometimes poor evidence they use, putting them together has been difficult. As the aim of this paper is very different from these sources, this paper may not fully do justice to their many subtleties. The most useful sources were Waterbury's reference book on Moroccan politics; M.G. Berrada and Tangeaoui's sociologies of the Moroccan entrepreneur. Berrada, "L'entrepreneur Marocain, Une Élite De Transition", Tangeaoui, *Les Entrepreneurs Marocains : Pouvoir, Société Et Modernité*, Waterbury, *The Commander of the Faithful : The Moroccan Political Elite : A Study in Segmented Politics*.

⁶ Interview transcripts and data collected available upon request to the author.

⁷ Greif, "The Fundamental Problem of Exchange: A Research Agenda in Historical Institutional Analysis."

⁸ *Ibid.*, Cited Pages, 254.

⁹ Fafchamps provides a theoretical model that brings together these mechanisms. See Fafchamps, "The Enforcement of Commercial Contracts in Ghana."

theoretical literature sees trust and threat of retaliation as two sides of the same coin: the interaction is formalised as a repeated game with infinite time-horizon, where enforcement is guaranteed by tit-for-tat strategies.¹⁰ Repeated interaction allows parties to collect information about the trade partner, especially about his capability and willingness to comply. Enforcement is second-party in the sense that threat of retaliation deters cheating.¹¹ Trust builds up precisely because of threat of retaliation.

The other categories of mechanisms arise from taking society into account, and allow either first- or third-party enforcement. Moral norms allow first-party enforcement; they are produced by society and *internalised* by agents during their first and secondary socialisations. Internalisation ensures enforcement in the sense that feelings of shame or guilt ensure compliance to the rule.¹²

Third-party enforcement differs according to whether the third-party is public or private. A public third-party corresponds to legal enforcement. There, enforcement is guaranteed by formal institutions that rely ultimately on the state's monopoly over legitimate force. Actual use of force is generally not required: the shadow of law, i.e. the threat of actual legal action, is enough to induce compliance.

The literature identified several problems with legal enforcement. First, and this is common to all third-party enforcement mechanisms, the asymmetry of information between the parties on the one hand, and the third-party on the other makes some dimensions of the relationship observable by the two parties, but not verifiable by the third-party. This limits the scope of third-party enforcement as unverifiable dimensions cannot be contracted upon, nor enforced.¹³ Second, threat of legal action may not be credible, when legal costs are too high compared to the amount at stake for instance. Legal enforcement then fails to induce compliance. Third, legal enforcement is a characteristic of developed economies, where "effective judicial systems include well-specified bodies of law and agents [lawyers, arbitrators, mediators], and one has some confidence that the merits of a case rather than private payoffs

¹⁰ See Telser, and Fudenberg and Maskin for good examples of such models. Fudenberg and Maskin, "The Folk Theorem in Repeated Games with Discounting or with Incomplete Information.", Telser, "A Theory of Self-Enforcing Agreements."

¹¹ North, "Comments," in *Communities and Markets in Economic Development*.

¹² Platteau, "Behind the Market Stage Where Real Societies Exist - Part I: The Role of Public and Private Order Institutions.", Platteau, "Behind the Market Stage Where Real Societies Exist - Part II: The Role of Moral Norms."

¹³ This is also why contracts are incomplete. See Hart and Holmström, "The Theory of Contracts," in *Advances in Economic Theory : Fifth World Congress*, 128-48.

will influence outcomes”¹⁴. In developing economies, dysfunctional judicial systems prevent agents from using legal enforcement.¹⁵

A private third-party corresponds to private enforcement. In this setting, exchange takes place within a community, and enforcement is provided by informal institutions, such as private arbitration or reputation. As for Greif’s Maghribi traders, repeated exchange within the community gives all agents a reputation. Cheaters are subjected to a coordinated punishment by all (or a subgroup of) other agents. Actual punishment is again not necessary: the threat of seeing one’s reputation undermined after cheating and punishment is sufficient.¹⁶ Dixit summarises the conditions under which reputation-based mechanisms ensure enforcement: (a) detecting deviation, transmitting the news of deviation to all members, and inflicting punishment must all be swift and accurate (otherwise, deterrence is less efficient); (b) community membership must be stable, i.e. members should not be able to exit after deviating.¹⁷ Finally, Li shows that private enforcement has small fixed costs, but high marginal costs of screening and monitoring additional members. Therefore, it becomes increasingly inefficient as the number of players increases.¹⁸ However, a private information-centralizing organization may mitigate this inefficiency. Law Merchant in Champagne fairs played such a role. It sustained private enforcement by centralising information about traders’ past transaction in a reduced form (whether they had outstanding judgments), and disclosing it to them at cost.¹⁹

Private enforcement draws on social capital, which poses a theoretical difficulty. Considering repeated exchange within a community, or a business network, draws on economic sociology’s paradigm that exchange is embedded in a concrete, on-going system of social relations.²⁰ Embeddedness led scholars to consider social capital. This concept has an individual and a collective meaning that both relate to private enforcement.²¹ Individual social capital is “the set of actual or potential resources that accrue from possession of a durable network of

¹⁴ North, *Institutions, Institutional Change, and Economic Performance*, p. 54-60.

¹⁵ This does not mean, however, that an effective judicial system automatically induces reliance on legal enforcement. Contrasting the UK to Germany and Italy, Deakin and Wilkinson show that a well-functioning judicial system can in fact provide, in some circumstances, a foundation for trust, and, in turn, for self-enforcement. Deakin and Wilkinson, “Cooperation, Contract Law and Economic Performance,” in *The Role of Business Ethics in Economic Performance*.

¹⁶ See Greif’s Maghribi traders and Kandori for good examples of such mechanisms. Greif, *Institutions and the Path to the Modern Economy : Lessons from Medieval Trade*, Kandori, “Social Norms and Community Enforcement.”

¹⁷ Dixit, *Lawlessness and Economics : Alternative Modes of Governance*, p. 59-65.

¹⁸ Li, “Relation-Based Versus Rule-Based Governance: An Explanation of the East Asian Miracle and Asian Crisis.”

¹⁹ Milgrom, North, and Weingast, “The Role of Institutions in the Revival of Trade: The Law Merchant, Private Judges, and the Champagne Fairs.”

²⁰ Granovetter, “Economic Action and Social Structure: The Problem of Embeddedness.”

²¹ Portes, “The Two Meanings of Social Capital.”

relationships"²². It facilitates contract-enforcement because one's network yields informational benefits, notably about other agents' past transactions. Collective social capital is "*those features of social organization, such as trust, norms and networks, that can improve the efficiency of society by facilitating coordinated actions*"²³. It facilitates contract-enforcement when the business network becomes the basis for joint punishment, or for the development of a "business culture" that promotes norms of good behaviour.²⁴ The literature seldom addresses the difficulty that the two concepts differ to the point that they can sometimes be at odds. When one uses his contacts to be awarded a public contract, individual social capital is actually undermining collective social capital.

However close institutional economics and economic sociology seem to be, they take a different stance on private enforcement, as economic sociology considers explicitly the business network's *structure*. The network consists of firms linked together either through arm's-length or embedded ties. Contrary to arm's-length ties, embedded ties are long-term and allow trust and cooperation to build up. According to Uzzi, the determinant of performance is not the efficiency of various enforcement mechanisms but the structure. Performance is maximal when the network reaches optimal balance between the two types of ties. Otherwise, the network is either *under-embedded* (too many arm's-length ties) or *over-embedded* (too many embedded ties). At the firm level, probability of failure is minimised when the firm reaches the optimal level of embeddedness.²⁵ At the network level, an under-embedded network lacks the benefits of embedded ties; an over-embedded one may be put at risk by failure of a core player, or see its successful firms turn into "relief organisations" that subsidise unsuccessful ones at the expense of expanding their own capacities.²⁶

Finally, deficient contract enforcement mechanisms may lead to vertical integration. Building on Coase's original insight on the boundaries of the firm, Williamson highlighted how transaction-specific investments lead to hold-up problems.²⁷ Property rights theory of the firm explains why hold-up leads to integration: as ownership of assets is a source of power when contracts are incomplete, the acquiring firm's incentive to make the relationship-specific investment increases after integration.²⁸ Lamoreaux et al. bring together boundaries of the firm

²² Bourdieu, "Le Capital Social."

²³ Putnam, *Making Democracy Work : Civic Traditions in Modern Italy*, p. 167.

²⁴ Fafchamps, *Market Institutions in Sub-Saharan Africa : Theory and Evidence*.

²⁵ Uzzi, "The Sources and Consequences of Embeddedness for the Economic Performance of Organizations: The Network Effect."

²⁶ Uzzi, "Social Structure and Competition in Interfirm Networks: The Paradox of Embeddedness," in *The Sociology of Economic Life*.

²⁷ Coase, "The Nature of the Firm.", Williamson, *The Economic Institutions of Capitalism : Firms, Markets, Relational Contracting*.

²⁸ Hart, *Firms, Contracts, and Financial Structure*.

and contract enforcement: hold-up problems can be solved by various *coordination mechanisms*, ranging from pure hierarchy to pure market exchange, with long-term relationships in between. The mechanism that is chosen is the one that mitigates hold-up best.²⁹ Therefore, integration should happen if the abovementioned contract enforcement mechanisms are not efficient.

Empirical works focused on determining which of the above contract-enforcement mechanisms are actually used to enforce contracts when legal enforcement is deficient. After Macaulay's first insight on patterns of contract-enforcement in the US, these works covered mostly three fields: economic history, with works such as Greif's Maghribi traders, the Champagne fairs, or Edo-Japan merchant coalitions (*kabu nakama*); developing countries, with works covering Africa, Latin America, India and China; and transition economies, with works on Poland and Russia.³⁰

The conclusions these works reach depend on the methodology used.³¹ Qualitative works use mostly anecdotal evidence or archives, such as the Maghribi traders' correspondence. They

²⁹ Lamoreaux, Raff, and Temin, "Beyond Markets and Hierarchies: Toward a New Synthesis of American Business History," 3-12.

³⁰ Macaulay, "Non-Contractual Relations in Business: A Preliminary Study." For economic history works, see Greif, *Institutions and the Path to the Modern Economy : Lessons from Medieval Trade*, Milgrom, North, and Weingast, "The Role of Institutions in the Revival of Trade: The Law Merchant, Private Judges, and the Champagne Fairs.", Okazaki, "The Role of the Merchant Coalition in Pre-Modern Japanese Economic Development: An Historical Institutional Analysis." For developing countries, see Banerjee and Duflo, "Reputation Effects and the Limits of Contracting: A Study of the Indian Software Industry.", Bigsten et al., "Contract Flexibility and Dispute Resolution in African Manufacturing..", Fafchamps, *Market Institutions in Sub-Saharan Africa : Theory and Evidence*, Kähkönen et al., "Contracting Practices in an African Economy: Industrial Firms and Suppliers in Tanzania.", Redding, *The Spirit of Chinese Capitalism*, Woodruff, "Contract Enforcement and Trade Liberalization in Mexico's Footwear Industry.", Yu and Zhang, "Adaptive Efficiency and Financial Development in China: The Role of Contracts and Contractual Enforcement." For transition economies, see Beckmann and Boger, "Courts and Contract Enforcement in Transition Agriculture: Theory and Evidence from Poland.", Greif and Kandel, "Contract Enforcement Institutions: Historical Perspective and Current Status in Russia," in *Economic Transition in Eastern Europe and Russia : Realities of Reform*, Hendley, Murrell, and Ryterman, "The Law Works in Russia: The Role of Legal Institutions in the Transactions of Russian Enterprises," in *Assessing the Value of Law in Transition Economies*.

³¹ For qualitative works, see Greif, *Institutions and the Path to the Modern Economy : Lessons from Medieval Trade*, Greif and Kandel, "Contract Enforcement Institutions: Historical Perspective and Current Status in Russia.", Milgrom, North, and Weingast, "The Role of Institutions in the Revival of Trade: The Law Merchant, Private Judges, and the Champagne Fairs.", Okazaki, "The Role of the Merchant Coalition in Pre-Modern Japanese Economic Development: An Historical Institutional Analysis.", Redding, *The Spirit of Chinese Capitalism*, Woodruff, "Contract Enforcement and Trade Liberalization in Mexico's Footwear Industry.", Yu and Zhang, "Adaptive Efficiency and Financial Development in China: The Role of Contracts and Contractual Enforcement." For quantitative works, see Banerjee and Duflo, "Reputation Effects and the Limits of Contracting: A Study of the Indian Software Industry.", Beckmann and Boger, "Courts and Contract Enforcement in Transition Agriculture: Theory and Evidence from Poland.", Bigsten et al., "Contract Flexibility and Dispute Resolution in African Manufacturing..", Fafchamps, *Market Institutions in Sub-Saharan Africa : Theory and Evidence*, Hendley, Murrell, and Ryterman, "The Law Works in Russia: The Role of Legal Institutions in the Transactions of Russian Enterprises.", Kähkönen et al., "Contracting Practices in an African Economy: Industrial Firms and Suppliers in Tanzania."

suggest that private enforcement is very effective and widely relied upon. Edwards and Ogilvie's reappraisal of some of these works casts doubt on these conclusions: to them, the Maghribi traders were in fact using self-enforcement, and contract enforcement in Champagne fairs was in fact done through public-order institutions.³² Quantitative works reach a similar conclusion: legal enforcement is indeed seldom used, first because a dysfunctional judicial system makes it too costly, and second because it breaks-up valuable long-term relationships. Private enforcement, however, plays a rather insignificant role, and agents mostly rely on self-enforcement.

II. Morocco: Industrial Policy, Components Of The Economic Elite, Hypotheses On Contract Enforcement Patterns

A. Industrial Policy: The Protected Economy

From independence in 1956 to SAP in 1982, Morocco gradually set up an industrial policy that individualises the period. This policy was threefold: import-substituting industrialisation, indigenisation and state capitalism.³³ In the late 1950s, the government promoted the expansion of local private enterprise, and instituted a protectionist trade regime. The 1958 and 1960 investment codes promoted indigenous industrial growth through fiscal incentive, while a modification of the treaty of Algieras in 1957 instituted trade barriers. Protectionism consolidated progressively throughout the period, especially during the 1970s. Local import duties rose steadily, ranging from 50 to 200% for certain consumer goods in the late 1970s. This was accompanied, in the 1970s, by overvaluation of the dirham and imposition of licences on imports. The 1973 Moroccanisation indigenised the economy. It stipulated majority ownership by Moroccan nationals of companies based on Moroccan soil in the secondary and tertiary sector. Although the regime had a rather liberal, pro-private sector ideology, its public sector took an increasingly large role in the economy. State-control took the form of direct ownership of a few key sectors – such as Cherifian Phosphates Office (OCP) for the phosphates' rent – and mostly equity positions through public holding companies – such as Industrial Development Office (ODI) or National Investment Company (SNI).

³² Edwards and Ogilvie, "Contract Enforcement, Institutions and Social Capital: The Maghribi Traders Reappraised.", Edwards and Ogilvie, "What Lessons for Economic Development Can We Draw from the Champagne Fairs?."

³³ Cammett, *Globalization and Business Politics in Arab North Africa : A Comparative Perspective*, p. 80-103, Richards and Waterbury, *A Political Economy of the Middle East*, p. 201-2.

B. Components of the Economic Elite

The protected economy favoured the consolidation of an economic elite. Neopatrimonialist analysis describes the process: in order to ensure its stability, the neopatrimonial monarchy distributes various rents (political, economic ...) to some groups to constitute a clientele.³⁴ The groups that captured these rents in manufacturing became Morocco's economic elite.³⁵

The first component of the economic elite is the *grandes familles* from Fes, Fassi families. Fes was the capital city of pre-protectorate Morocco, a major hub for caravan trade, and an important cultural centre. At the time, Fassi families were already enjoying significant power, and were closely tied to the state. During the protectorate, a great part moved to new cities (principally Casablanca). They concentrated wealth by intermarriages and better access to business opportunities, but still derived most of their income from trade. Forming the bulk of Istiqlal (the nationalist party), they sided with the Palace in the anticolonial struggle, as they expected the independent state to favour their interests. After independence, they started investing in the light industry, as their overlap with upper-level bureaucracy granted them privileged access to the state incentives for industrialisation. Investment targeted mostly construction, food-processing, and textiles, because of a built-in consumer demand and previous experience in the textile trade, dating back from pre-protectorate times.³⁶ Moroccanisation enabled them to consolidate their holdings, while encouraging the formation of large family-based business groups. Indeed, banks favoured large capital holders from prominent families when granting credit to purchase Moroccanised companies.³⁷

The second component of the economic elite is upper-level bureaucracy. State capitalism bolstered the creation of a *state bourgeoisie*.³⁸ Ministers, high government officials, and heads of parastatals first entered manufacturing as managers of public companies. They definitively joined the economic elite during Moroccanisation. Indeed, their position allowed them to set-up,

³⁴ Leca and Schemeil, "Clientélisme Et Patrimonialisme Dans Le Monde Arabe."

³⁵ Naming this group is difficult. Pre-1990s works refer to it as a rentier, or a non-bourgeois *bourgeoisie*. From the 1990s onwards, terminology becomes more evasive. Some refer to it as an economic elite; others as the dominant subset of a wider group of entrepreneurs. What should be clear is that within industrial entrepreneurs, the literature sees a dominated and a dominant group. I refer to the latter as the economic elite. See Belal for rentier bourgeoisie; El Malki for non-bourgeois bourgeoisie; Benhaddou for economic elite; Catusse, Kaioua and Tangeaoui for entrepreneurs. Belal, *Développement Et Facteurs Non-Économiques*, Benhaddou, *Maroc : Les Élités Du Royaume, Essai Sur L'organisation Du Pouvoir Au Maroc*, Catusse, *Le Temps Des Entrepreneurs. Politique Et Transformations Du Capitalisme Au Maroc*, p. 9-38, El Malki, *Trente Ans D'économie Marocaine : 1960-1990*, Kaioua, *Casablanca : L'industrie Et La Ville*, Tangeaoui, *Les Entrepreneurs Marocains : Pouvoir, Société Et Modernité*.

³⁶ Berrada, "L'entrepreneur Marocain, Une Élite De Transition", Kaioua, *Casablanca : L'industrie Et La Ville*.

³⁷ Berrada, "La Marocanisation De 1973 : Éclairage Rétrospectif."

³⁸ Waterbury, "Twilight of the State Bourgeoisie?."

join or sponsor private firms owing their welfare to governmental beneficence and benevolence.³⁹

Trade liberalisation after 1982 began a new period, as new opportunities in global markets disrupted the industrial tissue. While the most fragile companies of the formerly-protected sectors failed, many newcomers entered the industry.⁴⁰ These newcomers were younger and from much more diverse social and professional trajectories, including well-educated entrepreneurs promoting more modern and rationalised management methods.⁴¹ According to Tangeaoui, the new period was marked by an erosion of group solidarities, an increasing disrespect of one's word, and a loss of trust between individuals. He relates this to the rise of the modern, individualistic society that the more educated entrepreneurs embody.⁴²

C. Hypotheses on Patterns of Contract Enforcement

First, legal enforcement should play a minor role. Morocco has often been analysed as an authoritarian weak state.⁴³ If it promulgates laws, the weak state does not enforce them, or enforce them selectively, either because they are bogged by flaws or because it uses them as a device of power. Businessmen are therefore suspicious towards the legal system.⁴⁴ The Moroccan legal system suffered from inconsistent laws, because of the overlap of three judicial orders with different logics (customary, Islamic, and modern).⁴⁵ For commercial law in particular, property rights were poorly enforced by norms dating back to the protectorate until the reform of Code of commerce in 1996.⁴⁶ Quality of enforcement also decreased. First, arabisation of the judiciary in 1965 dragged an ever-less well-trained personnel to the judiciary. Second, the

³⁹ Ben Ali, "Etat Et Reproduction Sociale Au Maroc : Le Cas Du Secteur Public.", Waterbury, *The Commander of the Faithful : The Moroccan Political Elite : A Study in Segmented Politics.*, p. 130-3.

⁴⁰ Cammett, *Globalization and Business Politics in Arab North Africa : A Comparative Perspective*, p. 99-103.

⁴¹ Kaioua, *Casablanca : L'industrie Et La Ville*, p. 240-66, Tangeaoui, *Les Entrepreneurs Marocains : Pouvoir, Société Et Modernité*, p. 71-96.

⁴² Tangeaoui, *Les Entrepreneurs Marocains : Pouvoir, Société Et Modernité*, p. 71-96.

⁴³ Migdal, *Strong Societies and Weak States : State-Society Relations and State Capabilities in the Third World*.

⁴⁴ Gobe, *Les Hommes D'affaires Égyptiens : Démocratisation Et Secteur Privé Dans L'egypte De L'infitâh*, p. 221-55.

⁴⁵ Bouderbala and Pascon, "Le Droit Et Le Fait Dans La Société Composite - Essai D'introduction Au Système Juridique Marocain.", Hibou and Tozy, "Une Lecture D'anthropologie Politique De La Corruption Au Maroc : Fondement Historique D'une Prise De Liberté Avec Le Droit."

⁴⁶ Elbacha, "Rapport Sur L'état D'avancement De La Construction D'un Cadre Juridique Du Développement Humain Et Des Processus De Réformes Législatives Et Réglementaires Liés À L'encouragement Du Développement Général Et Humain En Particulier, Y Compris : Droit Des Affaires, Droit De Presse, Droit Social, Droit Administratif," in *50 Ans De Développement Humain & Perspectives 2025*.

budget steadily decreased. Third, a series of reforms of court system in 1974 drastically limited the right to a fair trial.⁴⁷

Second, and in line with moral norms enforcement, businessmen should have high moral standards. Indeed, from hypothesis 1, businessmen's morality should be higher than that of lawyers'. Furthermore, M.G. Berrada and Bégot state that businessmen were ashamed to file for bankruptcy and not to honour their debts, which is consistent with first-party enforcement.⁴⁸

Third, businessmen's moral standards should decrease after the period, while reliance on contracts and legal enforcement should increase. This stems from the dynamics outlined in the preceding subsection: the new generation of entrepreneurs was promoting more modern management methods, and trust decreased.

Fourth, private enforcement should play a major role. The economic elite forms a small, socially homogeneous group, with a strong group consciousness and dense commercial, marital and social ties.⁴⁹ Belal estimates it to 300 families.⁵⁰ Repeated transactions within such a small and densely connected group should favour private enforcement. Evidence of business practices from other Arab countries supports this hypothesis: the Arab executive often uses personal ties and connections for conducting business, notably "*knowing about, negotiating and eventually securing a multi-million dollar business contract*";⁵¹ for conflict-management, open confrontation is taboo, and "*values and norms dictate the use of a third-party to convey the message of rejection*".⁵²

Fifth, social capital should be derived from connections with the state, kin-based groups, and ethno-geographic groups. Regarding connections with the state, the weak state gives birth to *crony capitalism*, where "*businessmen and bureaucrats ally in cabals to seek mutual benefit by influencing the pattern of state intervention in the economy*".⁵³ There is a wide consensus that this pattern applied to Morocco.⁵⁴ Regarding kin-based groups, we discussed that the

⁴⁷ Ghazali, "Le Processus De Réforme Et De Mise À Niveau De La Justice Et Les Réformes Dédiées À Assurer Le Règne De La Loi," in *50 Ans De Développement Humain & Perspectives 2025*.

⁴⁸ Bégot, "Les Industries Textiles À Casablanca.", Berrada, "L'entrepreneur Marocain, Une Élite De Transition".

⁴⁹ Benhaddou, *Maroc : Les Élités Du Royaume, Essai Sur L'organisation Du Pouvoir Au Maroc*, p. 27-35; 56-71, Waterbury, *The Commander of the Faithful : The Moroccan Political Elite : A Study in Segmented Politics.*, p. 94-128.

⁵⁰ Belal, *Développement Et Facteurs Non-Économiques*, p. 53-64.

⁵¹ Muna, *The Arab Executive*, p. 74-78.

⁵² *Ibid.*, Cited Pages, 63-70.

⁵³ Sadowski, *Political Vegetables? : Businessman and Bureaucrat in the Development of Egyptian Agriculture*, p. 140.

⁵⁴ Brachet provides an enlightening example: in 1974, SIMEF, a motors-producing company was founded in Fes with public capital. Its rapid growth threatened private interests linked to motors imports, and tied to a former Prime Minister and several members of the royal family. In 1982, SIMEF saw its import licence

economic elite was characterised by dense marital ties. Family firms loomed large in Moroccan capitalism, especially in manufacturing.⁵⁵ Finally, kin-based solidarities played a major role in mobilising capital for industrial investment.⁵⁶ This suggests that agents should trade more with members of their extended family, as this would reduce enforcement costs. Regarding ethno-geographic groups, Leveau highlighted the political and economic rivalry between Fassis and Soussis, a subgroup of Berbers.⁵⁷ Soussis were originally associated with petty trade, and wholesale and retail trade in foodstuffs. They progressively entered the industry, often through bureaucracy. The Fassi-Soussi rivalry supposedly extended to manufacturing, where Fassi groups would compete against Soussi ones.⁵⁸ This suggests that people should trade more with members of their ethno-geographic group, as this would reduce enforcement costs.

Sixth, contrarily to the property-rights rationale, vertical integration should not decrease enforcement problems. Moroccan business groups were characterised by a low level of intra-group transactions, except OCP for public groups and ONA for private groups.⁵⁹ As Williamson suggested for conglomerates, rather than minimizing hold-up problems, their purpose was more to act as an internal capital market, because they allow better access to information and capital.⁶⁰ Box I recaps the hypotheses.

withdrawn. On the basis that the company was not anymore able to supply its customers, a licence was granted to a private company including these private interests to import motors from the UK and West Germany. Brachet, *Corruption Et Sous-Développement Au Maroc*, p. 95-6. See also Ben Ali, "Etat Et Reproduction Sociale Au Maroc : Le Cas Du Secteur Public.", Kaioua, "Les Grosses Fortunes Économiques Et Industrielles À Casablanca.", Waterbury, "Endemic and Planned Corruption in a Monarchical Regime."

⁵⁵ Saâdi, *Les Groupes Financiers Au Maroc*, p. 111-28.

⁵⁶ Berrada, "L'entrepreneur Marocain, Une Élite De Transition".

⁵⁷ Leveau, *Le Fellah Marocain : Défenseur Du Trône*, p. 83-9.

⁵⁸ Tangeaoui, *Les Entrepreneurs Marocains : Pouvoir, Société Et Modernité*, p. 146-55, Waterbury, *The Commander of the Faithful : The Moroccan Political Elite : A Study in Segmented Politics.*, p. 133-8.

⁵⁹ Saâdi, *Les Groupes Financiers Au Maroc*, p. 97-110; 40-53.

⁶⁰ *ibid.*, Cited Pages, 166-86, Williamson, "The Modern Corporation: Origins, Evolution, Attributes," p. 1557-60.

- H1.** Legal enforcement should play a minor role.
- H2.** Businessmen should have high moral standards during the period.
- H3.** After the period, businessmen's moral standards should decrease, while reliance on contracts and legal enforcement should increase.
- H4.** Private enforcement should play a major role.
- H5.** Social capital should be derived from connections with the state, kin-based groups, and ethno-geographic groups.
- H6.** Vertical integration should not decrease enforcement

BOX I

Hypotheses on patterns of contract enforcement

III. Research Methodology

Evidence of contracting practices was obtained from oral histories of 33 managers or high-ranking executives of companies operating in the Moroccan industry during the period (see Table A in Appendix). Small sample size was compensated by the richness of the collected data. Interviews were guided by the conceptual framework outlined in Section I. Questions were asked on the contractual problems firms encounter with customers and suppliers, to avoid biases resulting from firms' reluctance to speak about contractual problems in which they are at fault. For customers, questions focused on non- and late payment problems. For suppliers, they focused on non-delivery, late delivery, and deficient quality of supplied goods (see questionnaire in Appendix).

Data collection complied with widely accepted methodological principles for oral history.⁶¹ I contacted each respondent by phone after having been recommended by several persons. This proved essential, as for otherwise the respondent is distrustful or in a hurry. The study was conducted in two phases. A pilot study in December 2010 involved 6 respondents. Sessions lasted about 1h each and consisted of open-ended interviews complemented by survey questionnaires. Phase two, in April 2011, involved 27 respondents. Sessions lasted about 45min,

⁶¹ Howarth, *Oral History : A Handbook*, Yow, *Recording Oral History : A Guide for the Humanities and Social Sciences*.

and were divided in three parts: first, a survey questionnaire about the respondent and the company; second, a moderately directive interview about contractual problems, and ways to respond to them; third, a survey questionnaire about the same issues, to collect quantitative data, and to probe respondents on what they said in part 2.

Respondents were recruited by snowballing. Because of the time lapse with the period under study, and lack of data on entrepreneurial activities during the period, industrial entrepreneurs form a hidden population, from which a random sample cannot be drawn. Snowballing allowed the quick finding of people that were unknown, in a group that is difficult to approach.

Snowballing has two major drawbacks: first, a small, non-random sample severely restricts the array of statistical models that can be used; second, it induces a selection bias. Selection on explanatory variables concerns, at least, people with more social capital, as subjects with large personal networks are likely to be oversampled, and people belonging to particular ethno-geographic categories, namely Fassis and Europeans, as the first people included the sample influence the sample's final composition. However, selection on explanatory variables does not cause inference problems; it only restricts the generality of the conclusions we may draw.⁶² There is no *a priori* reason to believe that sampling involved selection on dependent variables (use of a particular enforcement mechanism, outcome of contractual disputes). If selection on a dependent variable occurred, it would target subjects that rely more on private enforcement, which is not a major problem, as we want to assess the use of private enforcement in the most favourable setting.

Oral history's methodological principles helped circumvent biases resulting from deficient memory. First, we retain what is important to us.⁶³ As commercial problems are an important matter to the company's survival, and to the manager's daily life, they are likely to be well-remembered. Second, "*memories of late adolescence and young adulthood are remarkably resistant to diminution*"⁶⁴, and during the period, all subjects were young adults. Third, questionnaires were designed in such a way as to circumvent memory issues. The period is delimited by events – independence and SAP – that had an obvious impact on the subjects' professional life. Questions about dates were limited to major events in the subject's life such as when he entered the company and when he left it. General questions about the company were limited to key indicators the respondent was asked about during his whole career (number of employees ...), and were therefore well-remembered. Finally, for evident reasons of accuracy, a

⁶² King, Keohane, and Verba, *Designing Social Inquiry : Scientific Inference in Qualitative Research*, p. 128-39.

⁶³ Yow, *Recording Oral History : A Guide for the Humanities and Social Sciences*, p. 38.

⁶⁴ *Ibid.*, Cited Pages, 39.

generalist approach was adopted (focus on *main* customers, ways of dealing with a *typical* problem), rather than the case-study approach often adopted in the quantitative literature (focus on *the last* occurrence of contractual dispute). Nevertheless, memory issues cannot be totally avoided, and figures especially are to be taken with a healthy level of suspicion. Furthermore as we compare firms from slightly different time-periods, it is rather difficult to aggregate results.

Given the drawbacks of snowballing and oral history, collected evidence was cross-referenced as much as possible, and was compared to available statistics averaged over the period.

IV. The Data

What follows presents the sample, and compares it with available data to identify the dimensions along which it is biased. Firm-level data is compared to data on industrial structure.⁶⁵ As no quantitative data is available to compare it to, individual-level data is compared to the patterns identified in the literature (see Section II.B).

Sample dynamics is a major difficulty, a population of firms that enter and leave the sample at different times, and of interviewees that enter and leave each firm at different times. Figure I gets around this difficulty by plotting against time firm-level and individual-level sample sizes. Two third of sample firms were created before the independence; the number of firms peaks in 1978. 3 respondents witnessed the independence while working in sample firms, 19 witnessed Moroccanisation, and 29 witnessed SAP. The period best covered is 1966 onwards, as more than half the respondents were working in sample firms. (See Table 1)

Firms' age suggests that the sample is plagued by survivor bias (Figure I). The average firm was founded in 1947; it was 35 years old in 1982. Hannah defines survivor bias as the fact that "*our current knowledge of survivors dominates our impression of the typical experience, and their triumphs are lionised, while the history of the failures is forgotten or considered untypical*"⁶⁶. As no statistics on firms' creation/destruction is available to compare the sample to, the bias' magnitude cannot be assessed. However, unusually high survival rates suggest that it may seriously affect the results. Indeed, 85% of sample firms were alive in 1982; two thirds in

⁶⁵ Unfortunately, there are only three industrial censuses from the period: one from 1970, the others from 1978 and 1980. The 1970 census was not available in Casablanca, Paris nor London. Direction de l'industrie, "Situation Des Industries De Transformation : Année 1978.", Direction de l'industrie, "Situation Des Industries De Transformation : Année 1980 : Résultats De L'enquête Réalisée En 1981 ", Direction de l'industrie, "Situation Des Industries De Transformation En 1970."

⁶⁶ Hannah, "Marshall's "Trees" and the Global "Forest": Were "Giant Redwoods" Different?," in *Learning by Doing in Markets, Firms, and Countries* 254-7.

2000. Hannah's solution – examining the evolution of a population of firms defined ex-ante – cannot be implemented in this setting. The bias will be taken into account by systematically comparing outcomes between firms that were closed and firms that were open in 2000. **(see Table 2)**

The sample is fairly representative of sectorial distribution, but over-represents large firms from Casablanca. Table I shows that the four sectors are fairly well represented. Casablanca was indeed dominating the industry, but the sample overstates this dominance. The sample is also biased towards large firms. Sample firms range from 10 to 1000 employees; the median firm is 150 employees. These biases will be taken into account by systematically comparing outcomes between Casablanca and other regions, and between SMEs (10 to 150 employees) and large firms (150+ employees).

The sample over-represents Moroccan firms and private firms (Table II). Discussing ownership is difficult, as data is very scarce and patterns change drastically over time, because of Moroccanisation and a decreasing role of the state.⁶⁷ I address the difficulty by averaging out the data over the period. Comparison remains crude, because aggregate amounts of capital are compared to a number of firms that have some foreign or state capital. However, the sample slightly overrepresents Moroccan firms, and clearly overrepresents private firms. As previous, outcomes will be systematically compared between Moroccan and foreign firms on the one hand; private and public firms on the other hand. **(See Figure 2)**

Respondents' age range from 57 to 92; the median respondent is 70 (Figure II). On average, respondents entered sample firms in 1968 and left in 1997, after an average 29-years career.

Jews and Berbers are under-represented. The literature suggests that the relevant ethno-geographic categories are Fassis, Soussis, Jews and Europeans.⁶⁸ Table III shows that the sample has a majority of Arabs. It also has no Moroccan Jew, and a minority of Berbers. Even if this is consistent with Berbers' late entry into manufacturing, such a small share suggests they may be underrepresented.⁶⁹ Among Arabs, Fassis are an overwhelming majority.

⁶⁷ For Moroccan-foreign ownership, I use Berrada's data, which comes from unpublished documents; for public-private ownership, I use El Malki's data. Berrada, "La Marocisation De 1973 : Éclairage Rétrospectif," p. 68, El Malki, *L'économie Marocaine : Bilan D'une Décennie [1970-1980]*, p. 175.

⁶⁸ See Section II for Fassis, Soussis and Europeans. For Jews, see Geertz, "Suq: The Bazaar Economy in Sefrou," in *Meaning and Order in Moroccan Society : Three Essays in Cultural Analysis*.

⁶⁹ Data on ethnicity is not available. Tangeaoui cites a survey on industrial ownership and ethnicity. Unfortunately, this survey is not reliable. Indeed, it only considers Fassi and Soussi ownerships, which is conceptually wrong since these categories are respectively an ethno-geographic group and an ethnic subgroup, and do not exhaust the ethno-geographic structure of the population. This survey and M.G. Berrada's sample suggest however that the sample may overstate Arab dominance on industrial

The sample is very educated (Table III). 6 respondents did not complete secondary education; the remainders had 4 years of higher education. To make a conservative estimate, assume that subjects who did not complete secondary education are illiterate. The sample's literacy rate is then 81%, much higher than the national literacy rate (30.3% in 1982). The sample is also much more educated than Tangeaoui's.⁷⁰ **(See Table 3)**

Finally, among the types of entrepreneurs identified in Section II.B, Fassis, bureaucrats and the educated new generation are well represented. The typical path of a Fassi respondent was to help out his father in the family firm, sometimes since early childhood, then to inherit the business. *"Since I was 10, I was already getting in touch with customers, during weekends. Aside from that, I was studying. Because tradition was that the eldest son would take over his father's business."* The family firm was generally selling imported goods on the local market, and shifted to industrial production in the 1960s. Bureaucrats typically began their career as civil servants or senior executives of public companies. They entered manufacturing in the 1970s with the long-held ambition of becoming, and Moroccanisation opened up opportunities to buy out a business. *"During every step of my career in civil service, I never accepted to be a civil servant because the idea of moving to the private sector was always at the back of my mind."* The educated new generation was tested by dividing the sample in two cohorts according to median birth year. A significantly different entry time in the sample supports the existence of two generations **(Table IV)**. There is little quantitative evidence for a difference in human capital, the test being significant at the 10% level, but this may be due to small sample size.

The sample is biased in favour of large, successful private firms from Casablanca. Entrepreneurs are a very educated group comprising of mostly Arabs and Europeans. Clearly, the sample does not give an accurate picture of industrial entrepreneurs as a whole. However, it does represent well the two core components of the economic elite (Fassis and bureaucrats) on the one hand, and foreign entrepreneurs on the other hand, which gives a usable control group.

V. Patterns of Contract Enforcement

A. Relationships With Clients And Suppliers

Table V depicts the way firms handle their clients and suppliers. Three quarters of surveyed firms sell at least part of their output to end-users of their products such as manufacturers and consumers; the rest is sold primarily to wholesalers and retailers. Two thirds

ownership. Berrada, "L'entrepreneur Marocain, Une Élite De Transition", Tangeaoui, *Les Entrepreneurs Marocains : Pouvoir, Société Et Modernité*, p. 147.

⁷⁰ Tangeaoui, *Les Entrepreneurs Marocains : Pouvoir, Société Et Modernité*, p. 314.

of sample firms trade with publicly owned entities. This is higher than in Bigsten et al., and consistent with state capitalism.⁷¹ Consistently with ISI, sample firms export a small share of their output. A written contract is used in less than half the sales to clients. Relations with clients are long-term: sample firms deal on average 10 years with their clients, which is also higher than in Bigsten et al.

Regarding suppliers, firms import on average 42% of their input. Consistently with ISI, this is higher than exports. 42% of the firms deal with at least one monopolistic supplier, and more than 20% have public companies as suppliers. These two figures are higher than in Bigsten et al. Firms are also more loyal to their suppliers than in Bigsten et al.: on average, they deal more than 10 years with their suppliers, and do not have many – half the sample has less than 16 suppliers. Altogether, this is consistent with state capitalism, where public companies play an important role, and with small, highly concentrated markets. Business relationships with suppliers are more formalised than with clients, as more than half the firms have a written agreement with their suppliers. This is because relations with foreign firms are usually more formalised, and sample firms have more relationships with foreign firms for imports than for exports.

B. Incidence Of Contractual Breach, Contract Enforcement Mechanisms And Effectiveness

Contractual disputes with clients and suppliers are a widespread problem (Table VI). For instance, almost every firm experienced late payment. Similarly to other studies, non-payment is experienced by fewer firms, and less frequently; late delivery and deficient quality are also widespread and roughly as frequent. Similarly to Fafchamps, non-delivery is rather infrequent.⁷²

Figure III shows that the ranking of the use of different contract-enforcement mechanisms is consistent with the quantitative literature: first and foremost, self-enforcement; then, far behind, shadow of law and legal enforcement; then, private enforcement. Legal enforcement does play a minor role compared to self-enforcement; hypothesis 1 is verified. Hypothesis 4 however is seemingly dismissed, as private enforcement seems to play a minor role. Section VI qualifies this conclusion. The fact that shadow of law is immediately followed by legal enforcement suggests that if the threat of taking legal action is credible, shadow of law is not followed by legal enforcement; if it is not, legal action follows. As one respondent puts it: *"if you don't start anything, the guy won't bother. If you drag him to legal action, he'll be forced to*

⁷¹ Bigsten et al., "Contract Flexibility and Dispute Resolution in African Manufacturing.," p. 9.

⁷² Ibid., Cited Pages, Fafchamps, "The Enforcement of Commercial Contracts in Ghana.," Kähkönen et al., "Contracting Practices in an African Economy: Industrial Firms and Suppliers in Tanzania."

get a lawyer, to do stuff. So at that point, he'll be bothered." Private arbitration deserves special attention. It is seldom used because it was largely non-existent at the time. The few surveyed that used it were members of CGEM, a major business association that pushed this mode of conflict resolution. Finally, Figure III suggests that enforcement has different patterns for customers and suppliers. The next subsection discusses this at more length.

The dispute's outcome depends on its gravity (Table VI). Respondents are usually satisfied with the outcome of little problems – late payment, late delivery and deficient quality –, and trade generally resumes. For big problems – non-payment, non-delivery –, satisfaction and chances for trade to resume both drop. When breaking the relationship, respondents distinguish between excusable default and bad type, i.e. deliberate cheating: if the partner is of a good type, default is excusable because it is due to exogenous factors, and the firm is willing to share the commercial risk; If the customer is of a bad type, the relationship breaks: *"You have clients who are honest and sincere. Once all debts are cleared up, I can resume credit on a new basis. But when you feel that the client is dishonest – for instance, he cashes the money instead of paying his debts, or he invests it on land ... This is a little disappointment. You manage the thing the best you can, till you get all your money back, then you switch to cash payment."*

C. Patterns

A series of simple tests (chi-2 and Fisher's exact test) were used in order to identify patterns of contract enforcement, as sample properties banned using more sophisticated statistical models (see Table VII for a summary of the main results). Results are only indicative, least because they do not measure the effect of a given variable *ceteris paribus*. For this reason, the significant relationships identified by statistical tests are complemented with interview data. What follows presents in turn the determinants of dispute occurrence, of the use of different mechanisms, and of dispute outcome.

Surprisingly, the only significant determinant of dispute occurrence is generational: the new generation is more likely to face disputes; either because it is less lenient about contractual problems, or because the institutional environment degraded with time (see Section VII).

Contract-enforcement mechanisms are used in correlation to each other (Table B in Appendix). Shadow of law, legalistic, and private enforcements are positively correlated. This suggests that if self-enforcement cannot solve a dispute, a package of all other enforcement methods is used. Inaction is negatively correlated to legal enforcement and shadow of law. This suggests that big problems lead to legal enforcement: *"someone who doesn't pay his cheque ...*

if we can't solve the problem by reaching an amicable agreement, we are forced to go to court."

Failed firms are more likely to do nothing after a dispute. They are also less likely to use legal and private enforcement. This suggests that it is inability to act that induced failure: *"a company that has very frequent payment problems ends up closing. It's as simple as that."* For instance, a sample firm had an Iraqi customer that defaulted because of Iran-Iraq war. The sample firm's export insurance refused to cover the default. Unable to recover its money, it filed for bankruptcy.

As nearly everyone uses self-enforcement, interview data rather than quantitative analysis is used to identify its determinants. Renegotiation seems to be used when lock-in is high and bargaining power is even: *"we split the credit payments such that the client wouldn't be totally penalised and such that we wouldn't lose. There's two things you've got to keep in mind, it's that we wanted to keep the client for the future, and that we wanted to get our money back."* Conversely, withholding future supplies is used when bargaining power is high: *"the demand for my products was so high that they needed them. They had to pay. To get some new, they must pay. [sic]"*

Firms located in Casablanca are more likely to use shadow of law and legal enforcement. First, firms may have better access to the judiciary system in large cities such as Casablanca. Second, as the business network is bigger in these large cities, the information it provides may be less accurate, which makes problems more acute, and forces firms to use legal enforcement.

After a dispute, two outcomes are of interest: is the firm satisfied? Does the relationship break up? In line with the quantitative literature, firms are less likely to be satisfied and less likely to resume the relationship after using legal enforcement. Unsatisfying outcomes seem to be due to cumbersome procedures, and unenforced rather than unfair decisions: *"the guy never paid. We sued him. 15 years later, we appealed against the decision. We realised that the guy disappeared, and that we won for glory. The judiciary is so complicated, so long that even when you manage to get a decision that's worth something, you can't have it enforced."* Legal enforcement also seems to have negative reputational effects: *"You want to sue Casino [major French food retailer], and you win. Great. You've just lost the client. For good. Not only did you lose him, but you also probably exposed yourself to the others."*

Bargaining power also impacts the outcome of a dispute. The smaller its bargaining power, the more the firm is likely to be held-up in a relationship it is not satisfied with, but locked into: for supplier-related problems, a firm is less likely to be satisfied if the supplier is a

monopolist, but as likely to resume trade. Contrary to the property rights rationale, vertical integration does not decrease enforcement problems; hypothesis 6 is confirmed. Having an ownership link with a supplier makes problems more likely to occur; the firm is more likely to do nothing, less likely to be satisfied, and as likely to resume trade. Among sample firms, integration concerns mostly bilateral monopolies that were linked together through public holding companies. Such a relationship is very prone to hold-up, but the holding company does not reduce enforcement problems. A sample firm had a monopoly on soda and beer production. It was linked to the monopolist on bottle production by SNI, and was facing numerous quality problems. SNI, however, was not playing any role in contract enforcement: *"We were big enough to defend ourselves. We preferred to defend ourselves alone than to go through [SNI]. Nobody ever put his nose in our business."*

Foreign firms and foreign trading firms constitute special cases of particular importance, as they allow the assessment of the roles of ethnicity and local institutions, respectively. When facing a dispute, foreign firms are less likely to do nothing, more likely to use the legal system, and less likely to be satisfied. This result is consistent with Bigsten et al., and suggests either that local firms have more lenient attitudes toward disputes, or are better at solving problems (see Section VI).

Exporting firms are less likely to use the legal system than non-exporting firms for customer-related problems. For customer- and supplier-related problems respectively, exporting and importing firms are more likely to be satisfied than locally-trading firms. Interview data shows that this pattern is due to the fact that when dealing with foreign-based firms, problems are more excusable because they often involve external factors, such as transportation and customs: *"we had late delivery problems due to suppliers, but it was rare. We mostly had transportation problems: ports issues, strikes issues ..."* Furthermore, transactions are protected by better-functioning institutions, such as letters of credit and insurances. Consequently, legal enforcement is used less often, and disputes are more satisfactorily resolved.

Finally, customer- and supplier-related problems differ: for supplier-related problems, enforcement mechanisms are less used, and inaction is more frequent (Figure III). Private enforcement and the legal system are more likely to be used for customer-related problems, and the relationship is more likely to break up when it is customer-related (Table VII). Customer-related problems are more acute than supplier-related problems. Firms hold large inventories to protect themselves against supplier-related problems (Table VIII). Customer-related problems have tax implications: *"if you wanted to show a loss in your balance sheet, you had to have taken some legal action."* They also reduce the firm's cash-flow: *"you don't always have money in your own till. So you use your bank. [...] But the bank isn't a milk-cow."* As customer-related

problems are more acute, self-enforcement is supported by more drastic forms of enforcement (private and legalistic). Using these more drastic mechanisms makes the relationship more likely to break up.

VI. Methods to avoid problems, social capital and private enforcement mechanisms

Typically, contractual disputes can be avoided by carefully screening customers and suppliers, increasing inventory to cushion supplier-related problems, and refusing trade credit for customers. There is little evidence for the latter. However, most firms hold extra inventory, and look for information on their partner before dealing with him – 93% for customers, 72% for suppliers (Table VIII).

The first source of information about trade partners is personal contact: *“from dusk to dawn, you follow the customer, you look, you smell. If the customer is in trouble, you must know almost at the same time as him. We see the customer every week.”* Acquaintances are the second source of information, followed by banks. This suggests that screening was more done through individual social capital than through formal sources, as the latter were quite unreliable: *“at the time, we didn’t have other sources [of information] than customers’ reputation. We could ask for bank information, but it wasn’t certain that the information was reliable. There wasn’t a real risk agency that would gather all the info for all retailers and manufacturers. [...] And it was said that [retailers] had three accounts: one for themselves, the real account; one for the bank; and one for the tax office.”*

To identify the relevant sources of social capital, respondents were asked how they found their main customer/supplier, and whom they asked to get information about their trade partners (**Figures IV and V**). Advertising’s small share confirms that markets are more face-to-face than impersonal. The fact that “Other” is a major source for knowing customers/suppliers reflects the fact that it was “obvious”, or already there when the respondent joined the firm. This is consistent with small markets where agents are tied together through long-term relationships. Business associations’ small role is consistent with the fact that they were still nascent.⁷³

Business acquaintances are the first source of information about trade partners. A respondent describes the process: *“I want to work with a new oil supplier. In my profession, I have two or three colleagues – even though they’re my competitors, we still have good relations*

⁷³ On business associations, see Catusse, *Le Temps Des Entrepreneurs. Politique Et Transformations Du Capitalisme Au Maroc*.

– *I'll go ask them what they think, they'll tell me. I may enlarge a bit into other professions. Maybe through a Chamber of Commerce.*" Business districts, such as Derb Omar or Rue de Strasbourg in Casablanca facilitated the formation of such informational networks.

The second source of social capital is social connections and friends. Social connections and friends are relevant to business because small markets induce a close overlap between agents' social and economic lives: "[information on customers and suppliers] is told during dinners in Casablanca, it is said in sports clubs ... Because people all meet. Casablanca isn't big." The network may have been constituted during early stages of socialisation: "I had my friends. My friends from university, my friends from high school ... My network, I built it before."

Family and locality play a small role in deriving social capital. Only 15.6% of respondents ever had a trade partner from their extended family. Interview data shows that this is because family often works in other sectors. When family overlaps with business relations, it does not reduce enforcement costs: "*family members, if they weren't serious, if they didn't have the necessary criteria to develop an activity, we preferred to stick to family relations.*" Family capitalism, however, seems to be a foundation for trust, in a pattern similar to Ben-Porath: members of the family-firm develop a collective reputation that rolls over through generations.⁷⁴ A respondent mentioned pursuing trade credit on the same conditions with the heirs of client family-firms, precisely because he knew their fathers.

Given the importance of Fassi family ties in the literature, another test is used to assess the importance of family as a source of social capital. Fassi respondents were asked to report their own surname, their mother's and their spouse's. Figure VI maps the network of Fassi respondents by activity sector. An edge connects two nodes if they have a surname in common. If family were an important source of social capital, we would expect a highly dense network, with more intra-sector edges than inter-sector edges. In fact, network density is low (.07), and only one tie in 10 is intra-sector.

Connections with the state are an insignificant source of social capital. Only one respondent used political organisations to get information about his clients: "*I had small payment problems [with Algerian semi-public companies]. I was there for the first commercial relation between Morocco and Algeria, and I interceded with the [Algerian] authorities, who eased payment.*" Interview data on public markets is mixed: some respondents suggested that the procedure for calls was transparent, and that late payments were more a matter of self-enforcement: "*as long as the work has been done, public companies pay ... on the condition*

⁷⁴ Ben-Porath, "The F-Connection: Families, Friends, and Firms and the Organization of Exchange."

that paperwork is standard, and that the case is followed properly." Others suggested that calls were not transparent, and that political connections did reduce enforcement costs: *"one who has connections, he sells well. One who doesn't have connections, he doesn't sell. And some calls were tailored for that someone. [...] People that have connections, they're paid. Immediately. People that were paid late were the ones who didn't have connections."*

Ethno-geographic groups are also an insignificant source of social capital. Only a few respondents acknowledged believing in ethno-geographic stereotypes: *"For instance, Agadir people are serious. Marrakech people are average. Rabat people are serious. Each region has its qualities."* However, when those were probed about giving trade credit based on ethno-geographic priors, they explained that they relied rather on a case-by-case basis: *"no, we grant credit to people we know well, who are serious, who are important."* The only exception is the Jewish community who may have built a group reputation by setting-up a collective default mechanism: *"I wasn't worried at all by one clientele: the Moroccan Jewish customers. Because there was the community, and if a customer left without paying, the community would pay for him. There was solidarity."* This is consistent with what Geertz observed in Sefrou, where Jews were forming a *hyperorganised* community whom leading traders would stand over to conduct business.⁷⁵

Social capital is derived mostly from business acquaintances, and other social connections. Connections with the state, kin-based groups, and ethno-geographic groups play an almost insignificant role. Hypothesis 5 is rejected. Therefore, the fact that foreign firms are more likely to use the legal system, and less likely to be satisfied after a contractual dispute (see Section V) may reflect that they were less well-inserted in the general business community rather than that they did not pertain to some kin-based or ethno-geographic groups.

Again, suppliers and customers show a different pattern: respondents look more for information about customers (Table VIII); secondary sources of social capital (social connections, friends, family, people from the same locality) are more important sources of information for customers (Figures IV and V). Indeed, the need to look for information on suppliers is less pressing because the firm is already protected by holding extra inventory. Furthermore, as we move up the supply chain, markets become increasingly concentrated, making business acquaintances good enough sources of information, and tempering the need to rely on secondary sources of information. As one respondent puts it: *"the supplier is there, he is well-established, and old. He is the one who needs to investigate on me."*

⁷⁵ Geertz, "Suq: The Bazaar Economy in Sefrou."

The major role social capital plays in screening leads to a reconsideration of the role of private enforcement. Section V showed that private enforcement was the least used mechanism. Indeed, interview data shows that Dixit's conditions for reputation-based mechanisms as efficient are not verified.

Transmitting the news of deviation to all members is not accurate. *"You can ask two suppliers, one will say 'He's a good client', the other one 'Be careful'."* First, people are reluctant to transmit the news of deviation for legal or moral reasons: *"it's forbidden by law. You can get sued for that"; "managing a company is not about tattling."* Second, the news of deviation is inaccurate because informants may have had different experiences: *"I'm a bad payer, I come to you and give you a 10000DH cheque. You cash it. I know you're a friend of that guy nearby. I go see him. He asks you for your opinion, you say he's good. I give him a 10000DH cheque, it returns unpaid."* Third, people may free-ride by withholding information: *"I try to get information from the public, but I don't give any."* Finally, for customer-related problems, transmitting the news of deviation may be counterproductive when locked in a relationship: *"if you undermine his reputation, it means you're penalising his sales, so he has less chances to repay you."*

Inflicting punishment is not accurate either, mostly because unverifiable information limits the scope for third-parties' intervention. Interview data shows no evidence for participating to a collective punishment. For the same reason, informants seldom become informal arbiters: *"I seldom ask [the informant] 'Can you intercede with him for me?' because he needs to have all the elements."*

However, all respondents declared paying great attention to reputation; to their own: *"your value is your reputation, not your bank account"*, and their trade partners': *"suppose you want to work with a new supplier. The first thing you do is to listen what people say about him. A customer told me once: 'A supplier whom everyone says is good can't be bad'."*

In fact, reputation works as a passive mechanism that disseminates information locally. Seemingly, information flows by itself. Respondents often referred to reputation as *"rumour"*, or *"white noise"*. They seem not to participate to the flow of information: *"[reputation] is undermined by itself. I don't have to undermine it personally. Me, I don't say anything. But it will be known. A bad payer, it's well-known."* How does information flow?

The information the network carries is imperfect. It is transmitted only locally, and on demand: *"if the client doesn't pay, we won't spread it around 'Careful, this one didn't pay me'. Except if one asks me."* Information-transmission is reciprocal: *"when I ask a friend, he tells me."*

If he asks me about a customer that caused me trouble, I'll tell him too." The transmitted information concerns only major problems: "if it's someone who really screwed up, of course [we tell]. But a delay ... we may as well wait for a month or two. We don't make a fuss". Cross-referencing overcomes imperfect information, and turns rumour into useful information: "there's no guarantee to what people say. It's just small pieces of information you can put one next to another, and investigate yourself. [...] Rumour is key, but must be checked out". Finally, a small market size facilitates information circulation: "the world today is a village. A bad customer or a bad supplier, it's immediately known on the market". Consequently, market events are easy to follow, without even having to circulate information actively: "if you have an enamel supplier called FERRAUD, and you break up with FERRAUD, all tile producers in Morocco know, and they wonder why".

Reputation's effect on contract enforcement is twofold: ex-ante, screening of customers and suppliers; ex-post, increased leniency and flexibility in the event of a dispute: "when you go through a hard blow, you have echo. People say 'Mr Harouchi has always been honest. Today, he has a problem, we must help him'. Either easing the terms of payment or giving a discount". Reputation is not, however, an enforcement mechanism like self-enforcement or legal enforcement: "I don't make it a means of pressure to tell him 'If you don't pay, I'll tell everyone'. No, 'If you don't pay, I'll take legal action. If you don't pay, I'll withdraw the material'".

Informal arbitration deserves special attention. As seen earlier, it is seldom used because of unverifiable information. When it is used, the private arbiter must have some sort of connection to both parties, which severely restricts its scope: "I rely to arbitration if the person I see has a strong link to the other company's manager, either friendship or family. But it's rare". Furthermore, rather than being an impartial private judge enforcing a norm, the arbiter is more a middle-man that transmits take-it-or-leave-it offers between parties: "the arbiter is a guy that comes to see you [...] and says: 'I'll handle this. What are you ready to give, what aren't you ready to give' etc."

As a result, reputation is more tied to information circulation and screening than to enforcement. It is a consequence of individual social capital, in the sense that the wider one's network of relationships, the more accurate the information it can collect, rather than a consequence of collective social capital, as reputation does not facilitate any sort of collective punishment. This has three implications. First, efficiency of private enforcement needs to be reconsidered. Following Uzzi's insight,⁷⁶ at the network level, efficiency of information

⁷⁶ Uzzi, "Social Structure and Competition in Interfirm Networks: The Paradox of Embeddedness.", Uzzi, "The Sources and Consequences of Embeddedness for the Economic Performance of Organizations: The Network Effect."

circulation depends on the structure of the business network. Because of the reciprocal and on-demand nature of information, the more embedded the network, the smoother information-circulation. At the firm level, efficiency of screening depends on the individual social capital that the two parties hold, and therefore on their position within this structure. Indeed, since social capital is derived mostly from the business network itself, a party that is connected to many network nodes should derive more social capital (increased capacity of access to on-demand information, increased capacity of cross-referencing imprecise information). Second, quantitative tests could not find any evidence of reputation mechanisms precisely because they were considering it as an enforcement mechanism. Third, given this reconsidering of private enforcement, the extent to which it affected contract enforcement cannot be assessed with certainty. Hypothesis 4 cannot be accepted nor rejected.

VII. Dynamics

The institutional environment deteriorated after SAP. Section V showed that the new generation of entrepreneurs was more likely to experience problems. Respondents confirmed this pattern: *"there is no doubt that payment delays of private agents got considerably longer ... in both senses: people tend to pay their suppliers with more delay, and with more difficulty. [...] If you ask me for a date, I'd say 1980"; "by 1980-85, we started to have problems with customers. [...] We were forced to go to court, for payment"*.

One hypothesis was that entrepreneurs' moral standard were high, then deteriorated after the period, while management practices became more formalised. Deteriorating morality would increase contractual disputes. Table IX shows that business executives had indeed the highest moral standards during the period, as they have the highest proportion of "High" and "Average".⁷⁷ Hypothesis 2 is confirmed. However, at best, business executives' moral standards did not deteriorate after the period (Table X). Furthermore, there is no significant difference in the use of contracts nor of legal enforcement between the new and the old generation (Table VII). Hypothesis 3 is rejected.

The institutional environment deteriorated due to a less embedded business network and more competitive market structures, rather than to the deterioration of generalised morality. Trade liberalisation opened up to agents the possibility to import, and easier access to capital encouraged agents to start new businesses. Consequently, market structures became more competitive, which equalised agent's bargaining power, with implications for self-enforcement. On the one hand, former monopolists saw their bargaining power decrease as liberalisation increased their customers' outside options, resulting in increasing customer-related contractual

⁷⁷ Judges and MPs have high non-response rates because respondents often felt uncomfortable answering these questions, and because the Parliament was suspended repeatedly during the period.

disputes. A respondent used to manage the only cold-storage warehouse in Fes. After 1980, competing warehouses were founded, and he saw payment problems increase as his customers now had the possibility to go to competing warehouses. On the other hand, customers of these monopolies saw their bargaining power increase, which reduced supplier-related contractual disputes: *"in 1984, import licences are deleted. Tariffs are still high, but it is possible to import, and the relationship with this monopolistic supplier begins to change. [It] forced this supplier to make efforts of quality upgrades and price reduction, and it's much better than in the past"*. As a first approximation, we can conclude that equalisation of bargaining power had, overall, a null effect on self-enforcement, as decreasing supplier-related disputes were compensated by increasing customer-related disputes.

The preceding section showed that the business network was very embedded. Respondents suggested that entry of new entrepreneurs decreased embeddedness by breaking the social ties that were overlapping with business, which disrupted private enforcement mechanisms: *"there were few market actors [before SAP]. We used to know better, personally, the actors, and so more important personal relations used to develop"; "[before], people used to know each other; we used to know what was going on. Cheaters were known. Today, we don't have that possibility anymore. Because we live in big cities of 5, 6 million inhabitants like Casablanca. So it's more difficult to know what's going on."*

An increasing number of players decreased the efficiency of private enforcement, which corresponds to Li's dynamic.⁷⁸ However, the judicial system's quality did not increase, leaving the efficiency of legal enforcement unchanged. Efficiency of self-enforcement did not change either. Therefore, overall, efficiency of enforcement mechanisms decreased, and contractual disputes became more frequent. Furthermore, adoption of *new management* (just-in-time ...) in order to cut costs put agents at more risk, as they had to reduce the inventory they formerly held to protect themselves against supplier-related problems.

Conclusion

During the ISI, state-capitalist period, Moroccan manufacturers were operating in an environment characterised by high risk of contractual breach, and by long-term, face-to-face relationships with a small number of customers and suppliers. To enforce contracts, they were relying primarily on direct negotiation with customers or suppliers. Legal enforcement played a minor role, because it would lead to break up a valuable relationship, and because a dysfunctional judicial system would not necessarily lead to a satisfactory outcome.

⁷⁸ Li, "Relation-Based Versus Rule-Based Governance: An Explanation of the East Asian Miracle and Asian Crisis." See Section I.

To avoid contractual problems, entrepreneurs were largely relying on their acquaintances: economic life was largely embedded in social life. However, social capital was derived from the business network and social connections rather than from connections with the state, kin-based and ethno-geographic groups. Therefore, the fact that foreign firms were more likely to use the legal system, and less likely to be satisfied after a contractual dispute may reflect more that they were less well-inserted in the business community than that they did not pertain to some kin-based or ethno-geographic groups.

The Maghribi industrialists qualify the Maghribi traders: interview data shows that private enforcement is a way of screening customers and suppliers based on on-demand, reciprocal exchange of imprecise information, rather than a way of inflicting collective punishment. This implies that the efficiency of private enforcement depends, from a collective point of view, on the structure of the business network; from an individual point of view, on the individual social capital that agents hold within this structure. The existing quantitative literature on contract enforcement could not find any evidence on private enforcement because it considered it as an enforcement mechanism rather than as an information-circulation and screening mechanism. Because of this reconsidering of private enforcement, the extent to which it was affecting contract enforcement cannot be assessed with certainty. Further research is needed to precise the impact of the business network's structure on private enforcement.

Finally, the institutional environment deteriorated after SAP and the dismantling of state-capitalism. However, it seems that this deterioration was not due to a decline of generalised morality, but to the fact that the business network became less embedded, as an increased number of players disrupted its structure and decreased the efficiency of private enforcement. As the efficiency of legal enforcement did not increase, the efficiency of enforcement mechanisms decreased overall, which led to increased contractual disputes.

APPENDIX

Variables' definition

Sectors: use of SIC 1982, recoded as follows:

- Food processing: sector 10 (Produits des industries alimentaires), sector 11 (Autres produits des industries alimentaires), sector 12 (Boissons et Tabacs).
- Textile: sector 13 (Produits textiles et bonneteries), sector 14 (Habillement (à l'exclusion des chaussures)), sector 15 (Cuirs, dérivés du cuir et articles en cuir).
- Light industry: sector 16 (Bois et articles en bois), sector 17 (Papier, Carton et imprimerie), sector 21 (Construction de machines et matériels d'équipement (non compris les matériels de transport)), sector 22 (Matériels de transport), sector 23 (Matériels électriques et électroniques), sector 24 (Machines de bureau, instruments de précision, de mesure, et de contrôle optique et horlogerie), sector 26 (Articles en caoutchouc ou en plastique), sector 27 (Produits des autres industries manufacturières).
- Heavy industry: sector 18 (Produits issus de la transformation des minéraux de carrière), sector 19 (Produits de l'industrie métallique), sector 20 (Ouvrages en métaux (non compris les machines et matériels de transport)), sector 25 (Produits de la chimie et de la parachimie).

Regions: use of 1982 administrative division:

- Sud
- Tensift
- Centre (Casablanca)
- Nord-Ouest
- Centre-Nord
- Oriental
- Centre-Sud

Length of relationship with clients and suppliers: discrete categories recoded as follows:

- Less than 1 year: 0.5
- 1 to 3 years: 2
- 3 to 5 years: 4
- 5 to 10 years: 7.5
- More than 10 years: 12.5. Given the average age of the firm in 1982 (35 years), this seems to be a conservative upper bound. Length of relationship is higher than Bigsten et al. (2000: 10) for upper bound = 10 with client, for upper bound = 11.2 with suppliers.

Cohorts: respondent classified as belonging to the old cohort if his birth year is strictly inferior to the median birth year (1941). Classified as belonging to the young cohort otherwise.

Categories of mechanisms:

- Do nothing: if has responded "wait, do very little".
- Other categories: if has responded "yes" to at least one mechanism of the category. Shadow of law has been merged with legal enforcement.

For tests:

- Exporting firm: if share of exported output strictly higher than mean (23%)
- Importing firm: if share of imported input strictly higher than mean (42%)
- Large firm: if number of employees strictly higher than median (150)

TABLE A
SUMMARY OF INTERVIEWS

Type of firm	Firm's birth year	Firm's death year	Number of employees	Respondent demographics	Respondent's position	HQ location	Interview length	Date
Food processing (Pilot study)	1917	n/a	450	European Christian	Sales manager	Casablanca, Citycenter	1h10min	23/12/10
Food processing	1957	n/a	45	Arab Muslim	Managing director	Casablanca, Ain Sebaa	40min	30/03/11
Food processing	1944	1985	30	European Christian	Sales manager	Safi	55min	12/04/11
Food processing	1923	n/a	50	Arab Muslim	Chairman	Fes	1h15min	13/04/11
Food processing	1946	1984	115	Berber Muslim	Chairman	Safi	45min	13/04/11
Food processing	1947	n/a	20	Arab Muslim	Director	Safi	45min	15/04/11
Food processing	1955	n/a	400	Arab Muslim	Sales manager	Casablanca, Roches Noires	30min	18/04/11
Food processing	1947	n/a	150	Arab Muslim	Chairman and CEO	Agadir	35min	22/04/11
Heavy industry (Pilot study)	.	2010	10	Arab Muslim	CEO	Casablanca, Maarif	45min	22/12/10
Heavy industry (Pilot study)	1947	2002	150	European Christian	CEO	Casablanca, Citycenter	1h	23/12/10
Heavy industry (Pilot study)	1964	n/a	65	European Christian	CEO	Safi	45min	27/12/10
Heavy industry	1923	n/a	500	Muslim	Chairman and CEO	Casablanca, Ain Sebaa	40min	28/03/11
Heavy industry	1948	2001	60	Arab Muslim	CEO	Casablanca, Ain Sebaa	45min	28/03/11
Heavy industry	1976	n/a	950	Arab Muslim	Chairman and CEO	Casablanca, Sidi Maarouf	45min	29/03/11
Heavy industry	1959	n/a	50	European Christian	CEO	Casablanca, Ain Sebaa	55min	31/03/11
Heavy industry	.	n/a	53	Arab Muslim	Chairman	Casablanca	1hmin	06/04/11
Light industry (Pilot study)	.	1987	200	European Christian	CEO	Mohammedia	1h05min	13/12/10
Light industry (Pilot study)	1966	1986	35	Arab Muslim	Chairman and CEO	Casablanca, Ain Sebaa	1h	28/12/10
Light industry	1948	n/a	450	European Christian	CEO	Casablanca, Mers Sultan	50min	01/04/11
Light industry	1920	n/a	700	Berber Muslim	CEO	Casablanca, Liberté	45min	04/04/11
Light industry	1950	1988	300	European Christian	CEO	Casablanca, Ain Sebaa	1h	05/04/11
Light industry	1966	n/a	15	Arab Muslim	CEO	Rabat, Quartier Hassan	1h15min	07/04/11
Light industry	1927	1980	300	European Christian	CEO	Casablanca, Route Mediouna	1h15min	08/04/11
Light industry	1967	n/a	325	Arab Muslim	Chief accountant	Fes, Quartier industriel	55min	13/04/11
Light industry	1930	n/a	15	European Christian	CEO	Casablanca, Citycenter	55min	14/04/11
Light industry	1937	n/a	500	European Christian	Managing director	Casablanca, Ain Sebaa	50min	15/04/11
Light industry	1952	2000	200	Arab Muslim	CEO	Casablanca, Maarif	35min	25/04/11
Textile	1946	n/a	23	European Jewish	Chairman and CEO	Casablanca, Maarif	1h	15/03/11
Textile	1955	1978	150	Arab Muslim	CEO	Casablanca, Ain Sebaa	40min	30/03/11
Textile	1976	1985	120	Arab Muslim	Chairman and CEO	Casablanca, Ain Sebaa	45min	04/04/11
Textile	1918	n/a	300	Muslim	CEO	Casablanca, Ain Sebaa	40min	05/04/11
Textile	1950	1991	700	Arab Muslim	Chairman and CEO	Casablanca, Ain Sebaa	55min	09/04/11
Textile	1935	2001	1000	Arab Muslim	Chief accountant	Casablanca, Ain Borja	1h25min	12/04/11

TABLE B
CORRELATION AMONG CONTRACT ENFORCEMENT MECHANISMS

	Self-enforcement	Private enforcement	Shadow of law	Legalistic enforcement	No action taken
Self-enforcement	1				
Private enforcement	0.12	1			
Shadow of law	0.11	0.28***	1		
Legalistic enforcement	0.10	0.26***	0.83***	1	
No action taken	-0.12	0.09	-0.17*	-0.24**	1

Note. ***, **, * indicate significance at the 1, 5 and 10% levels respectively.

INTERVIEW QUESTIONNAIRE

Informations biographiques

1. En quelle année êtes-vous né ? Où ? :

2. Quel est votre groupe ethnique ? (*plusieurs choix possibles*)
 Arabe
 Berbère
 Européen
 Autre (préciser _____)
3. Quelle est votre religion ? (*plusieurs choix possibles*)
 Chrétien
 Juif
 Musulman
 Autre (préciser _____)
4. Où est né votre père ? _____
5. Quelle était sa profession ? _____
6. Où avez-vous fait vos études supérieures ?

7. Lesquels de ces diplômes avez-vous ?
 Baccalauréat
 Licence (ou équivalent Bac+3)
 Master (ou équivalent Bac+5)
 Doctorat
8. En quelle année êtes-vous entré en fonction dans l'entreprise ? _____
9. Quelle était votre position dans l'entreprise ? (*titre officiel. Si évolution, prière de mentionner*).

10. En quelle année avez-vous quitté l'entreprise ?

Informations sur l'entreprise

11. Comment s'appelait l'entreprise ?

12. En quelle année a-t-elle été fondée ? _____
13. Où étaient situés les bâtiments principaux ? (ville, quartier) : _____
14. Quel était son secteur d'activité ? _____

15. En quelle année a-t-elle été rachetée ou a-t-elle fermée ? (*si non pertinent, laisser vide*) _____

16. Combien y avait-il d'employés à temps-plein ?

17. Quel était le chiffre d'affaires annuel ?

18. Y-avait-il du capital étranger ?
 Oui
 Non
19. Y-avait-il du capital public ?
 Oui
 Non
20. Quel était le groupe ethnique du manager ? (*plusieurs choix possibles ; si vous étiez le manager, laisser vide*)
 Arabe
 Berbère
 Européen
 Autre (préciser _____)
21. Quelle était la religion du manager ? (*plusieurs choix possibles ; si vous étiez le manager, laisser vide*)
 Chrétien
 Juif
 Musulman
 Autre (préciser _____)

Informations clients

22. Quel a été le nombre minimum de clients réguliers ?

23. Quel a été le nombre maximum de clients réguliers ? _____
24. Avec vos clients réguliers seulement, combien de temps duraient vos relations commerciales typiquement ?
 Moins d'un an
 Entre 1 et 3 ans
 Entre 3 et 5 ans
 Entre 5 et 10 ans
 Plus de 10 ans
25. Avez-vous vendu au consommateur final ?
 Oui
 Non
26. Avez-vous vendu à des entreprises publiques ?
 Oui
 Non
27. L'entreprise ou certains de ses actionnaires

possédait-ils du capital de certain de vos clients ?

- Oui
- Non

28. Pendant une année typique, quelle part de votre production était exportée ? _____ %

Informations fournisseurs

29. Quel a été le nombre minimum de fournisseurs réguliers ? _____

30. Quel a été le nombre maximum de fournisseurs réguliers ? _____

31. Avec vos fournisseurs réguliers seulement, combien de temps duraient vos relations commerciales typiquement ?

- Moins d'un an
- Entre 1 et 3 ans
- Entre 3 et 5 ans
- Entre 5 et 10 ans
- Plus de 10 ans

32. L'un de vos fournisseurs était-il en situation de monopole ?

- Oui
- Non

33. L'un de vos fournisseurs était-il une entreprise publique ?

- Oui
- Non

34. L'entreprise ou certain de ses actionnaires possédait-ils du capital de certain de vos fournisseurs ?

- Oui
- Non

35. Pendant une année typique, quelle part de votre matière première était importée ? _____%

Partie 2

- Quelle a été votre occupation jusqu'à votre prise de fonction dans l'entreprise ?
- Comment a évolué l'activité de l'entreprise de votre entrée en fonction au plan d'ajustement structurel ?
- Quelle était la clientèle de votre entreprise ?
- Avec vos clients, avez-vous eu des problèmes de retard de paiement ou de non-paiement ?
- Comment essayiez-vous de régler ces problèmes ?
- Comment essayiez-vous de prévenir ces problèmes ?
- Qu'advenait-il de la relation avec le client après un de ces problèmes ?
- Qui étaient les fournisseurs de votre entreprise ?
- Avec vos fournisseurs, avez-vous eu des problèmes de retard de livraison, de non-livraison ou de qualité ?
- Comment essayiez-vous de régler ces problèmes ?
- Comment essayiez-vous de prévenir ces problèmes ?
- Qu'advenait-il de la relation avec le fournisseur après un de ces problèmes ?
- Vos relations avec vos clients ou vos fournisseurs ont-elles changé après l'indépendance ?
- Vos relations avec vos clients ou vos fournisseurs ont-elles changé après la marocanisation ?
- Vos relations avec vos clients ou vos fournisseurs ont-elles changé après le plan d'ajustement structurel ?
- En économie, on considère que la confiance prévient les problèmes avec les clients et les fournisseurs parce que dévier de ses engagements brise la confiance dans la relation commerciale. Comment définiriez-vous la confiance ? Celle-ci jouait-elle un rôle dans vos relations avec vos clients et vos fournisseurs ?
- En économie, on considère que la loi prévient les problèmes avec les clients et les fournisseurs parce que dévier de ses engagements est puni par la loi. Avez-vous recours à la loi dans vos relations avec vos

clients et vos fournisseurs ?

- En économie, on considère que les réseaux sociaux qui entourent les affaires protègent des problèmes commerciaux parce qu'ils attribuent une réputation à chacun. La réputation jouait-elle un rôle dans vos relations avec vos clients et vos fournisseurs ?
- Au Maroc, on attache beaucoup d'importance à la famille. Les relations familiales (au sens large) jouaient-elles un rôle dans vos relations avec vos clients ou vos fournisseurs ?
- Au Maroc, les Shleuh ont la réputation d'être honnêtes. Etiez-vous plus rassuré si votre client ou votre fournisseur était d'une certaine origine ?

Relations avec les clients

36. Comment avez-vous connu votre principal client ?
(plusieurs choix possibles ; laisser vide si celui-ci était déjà client à votre entrée en fonction, ou s'il était « évident »)

- A travers une association professionnelle
- A travers la publicité, des brochures d'information
- A travers d'autres relations d'affaires
- Il était de la même localité
- C'était un ami
- C'était un membre de la famille étendue
- A travers vos relations sociales ou religieuses
- A travers des organisations politiques

37. Avec vos clients, aviez-vous un document écrit ?

- Oui
- Non

38. Avec vos clients, aviez-vous un contrat exécutable devant un tribunal ?

- Oui
- Non

39. Essayiez-vous de recueillir des informations sur vos clients ? (Si non, passer à la question 42.)

- Oui
- Non

40. Pour recueillir ces informations, aviez-vous recours ? (plusieurs choix possibles)

- A un contact personnel (visites à son entreprise ...).
- Au système bancaire
- A vos connaissances

41. (Répondre à cette question si vous avez coché la case « A vos connaissances » à la question précédente) Vos connaissances, qui en particulier ?

- Membres d'une association professionnelle
- Autres relations d'affaires
- Personnes de la même localité
- Amis
- Membre de la famille étendue
- Vos relations sociales ou religieuses
- Des membres d'organisations politiques

42. Pratiquiez-vous la vente à crédit ? (si non, passer à la question 59.)

- Oui
- Non

43. Avez-vous eu des problèmes de retard de paiement ? (si non, passer à la question 51.)

- Oui
- Non

44. A quelle fréquence ?

- 1 = Très peu fréquent
- 2 = Peu fréquent
- 3 = Moyen
- 4 = Fréquent
- 5 = Très fréquent

45. Après un retard de paiement, que faisiez-vous pour accélérer le paiement ? (plusieurs choix possibles)

- Insister pour que l'engagement soit respecté (réclamations, rappels ...)
- Négocier le paiement (montant, échelons)
- Menacer de refuser les commandes futures
- Endommager la réputation du client
- Avoir recours à un arbitre
- Avoir recours à un intermédiaire ou un ami
- Menacer de prendre des mesures juridiques
- Faire appel à un avocat pour résoudre le conflit
- Aller au tribunal
- Trouver un nouveau client
- Attendre, faire presque rien.

46. (Répondre à cette question si vous avez coché la case « endommager la réputation du client » à la question précédente)auprès de qui en particulier endommagiez-vous la réputation du client ?

- Membres d'une association professionnelle
- Autres relations d'affaires
- Personnes de la même localité
- Amis
- Membre de la famille étendue
- Vos relations sociales ou religieuses
- Des membres d'organisations politiques

47. (Répondre à cette question si vous avez coché la case « Avoir recours à un arbitre » ou la case « Avoir recours à un intermédiaire ou un ami » à la question 45.) Qui était cet arbitre, cet intermédiaire ou cet ami ?

- Membre d'une association professionnelle
- Autre relation d'affaires
- Personne de la même localité
- Ami
- Membre de la famille étendue
- Une relation sociale ou religieuse
- Un membre d'une organisation politique

48. Typiquement, après un retard de paiement, le problème était-il résolu ?

- Oui
- Non

49. Typiquement, étiez-vous satisfait du résultat ?

- Oui

Non

50. Typiquement, continuiez-vous à commercer avec le client ?

Oui

Non

51. Avez-vous eu des problèmes de non-paiement ? (*si non, passer à la question 59.*)

Oui

Non

52. A quelle fréquence ?

1 = Très peu fréquent

2 = Peu fréquent

3 = Moyen

4 = Fréquent

5 = Très fréquent

53. Après un non-paiement, que faisiez-vous pour accélérer le paiement ? (*plusieurs choix possibles*)

Insister pour que l'engagement soit respecté (réclamations, rappels ...)

Négocier le paiement (montant, échelons)

Menacer de refuser les commandes futures

Endommager la réputation du client

Avoir recours à un arbitre

Avoir recours à un intermédiaire ou un ami

Menacer de prendre des mesures juridiques

Faire appel à un avocat pour résoudre le conflit

Aller au tribunal

Trouver un nouveau client

Attendre, faire presque rien.

54. (*Répondre à cette question si vous avez coché la case « endommager la réputation du client » à la question précédente*) auprès de qui en particulier endommagiez-vous la réputation du client ?

Membres d'une association professionnelle

Autres relations d'affaires

Personnes de la même localité

Amis

Membre de la famille étendue

Vos relations sociales ou religieuses

Des membres d'organisations politiques

55. (*Répondre à cette question si vous avez coché la case « Avoir recours à un arbitre » ou la case « Avoir recours à un intermédiaire ou un ami » à la question 53.*) Qui était cet arbitre, cet intermédiaire ou cet ami ?

Membre d'une association professionnelle

Autre relation d'affaires

Personne de la même localité

Ami

Membre de la famille étendue

Une relation sociale ou religieuse

Un membre d'une organisation politique

56. Typiquement, après un non-paiement, le contentieux était-il résolu ?

Oui

Non

57. Typiquement, étiez-vous satisfait du résultat ?

Oui

Non

58. Typiquement, continuiez-vous à commercer avec le client ?

Oui

Non

Relations avec les fournisseurs

59. Comment avez-vous connu votre principal fournisseur ? (*plusieurs choix possibles ; laisser vide si celui-ci était déjà fournisseur à votre entrée en fonction, ou s'il était « évident »*)

A travers une association professionnelle

A travers la publicité, des brochures d'information

A travers d'autres relations d'affaires

Il était de la même localité

C'était un ami

C'était un membre de la famille étendue

A travers vos relations sociales ou religieuses

A travers des organisations politiques

60. Avec vos fournisseurs, aviez-vous un document écrit ?

Oui

Non

61. Avec vos fournisseurs, aviez-vous un contrat exécutable devant un tribunal ?

Oui

Non

62. Avec vos fournisseurs, faisiez-vous attention à avoir du stock ?

Oui

Non

63. Essayiez-vous de recueillir des informations sur vos fournisseurs ?

Oui

Non

64. Pour recueillir ces informations, aviez-vous recours ? (*plusieurs choix possibles*)

- A un contact personnel (visites à son entreprise ...).
- Au système bancaire
- A vos connaissances

65. (Répondre à cette question si vous avez coché la case « A vos connaissances » à la question précédente) Vos connaissances, qui en particulier ?

- Membres d'une association professionnelle
- Autres relations d'affaires
- Personnes de la même localité
- Amis
- Membre de la famille étendue
- Vos relations sociales ou religieuses
- Des membres d'organisations politiques

66. Avez-vous eu des problèmes de retard de livraison ? (si non, passer à la question 74.)

- Oui
- Non

67. A quelle fréquence ?

- 1 = Très peu fréquent
- 2 = Peu fréquent
- 3 = Moyen
- 4 = Fréquent
- 5 = Très fréquent

68. Après un retard de livraison, que faisiez-vous pour accélérer la livraison ? (plusieurs choix possibles)

- Insister pour que l'engagement soit respecté (réclamations, rappels ...)
- Négocier les termes de l'arrangement
- Refuser de payer
- Demander un remboursement
- Endommager la réputation du fournisseur
- Avoir recours à un arbitre
- Avoir recours à un intermédiaire ou un ami
- Menacer de prendre des mesures juridiques
- Faire appel à un avocat pour résoudre le conflit
- Aller au tribunal
- Trouver un nouveau fournisseur
- Attendre, faire presque rien.

69. (Répondre à cette question si vous avez coché la case « endommager la réputation du client » à la question précédente) Au près de qui en particulier endommagiez-vous la réputation du client ?

- Membres d'une association professionnelle
- Autres relations d'affaires
- Personnes de la même localité
- Amis
- Membre de la famille étendue
- Vos relations sociales ou religieuses
- Des membres d'organisations politiques

70. (Répondre à cette question si vous avez coché la case « Avoir recours à un arbitre » ou la case « Avoir recours à un intermédiaire ou un ami » à la question 68.) Qui était cet arbitre, cet intermédiaire ou cet ami ?

- Membre d'une association professionnelle
- Autre relation d'affaires
- Personne de la même localité
- Ami
- Membre de la famille étendue
- Une relation sociale ou religieuse
- Un membre d'une organisation politique

71. Typiquement, après un retard de livraison, le contentieux était-il résolu ?

- Oui
- Non

72. Typiquement, étiez-vous satisfait du résultat ?

- Oui
- Non

73. Typiquement, continuiez-vous à commercer avec le fournisseur ?

- Oui
- Non

74. Avez-vous eu des problèmes de non-livraison ? (si non, passer à la question 82.)

- Oui
- Non

75. A quelle fréquence ?

- 1 = Très peu fréquent
- 2 = Peu fréquent
- 3 = Moyen
- 4 = Fréquent
- 5 = Très fréquent

76. Après une non-livraison, que faisiez-vous pour accélérer la livraison ? (plusieurs choix possibles)

- Insister pour que l'engagement soit respecté (réclamations, rappels ...)
- Négocier les termes de l'arrangement
- Refuser de payer
- Demander un remboursement
- Endommager la réputation du fournisseur
- Avoir recours à un arbitre
- Avoir recours à un intermédiaire ou un ami
- Menacer de prendre des mesures juridiques
- Faire appel à un avocat pour résoudre le conflit
- Aller au tribunal
- Trouver un nouveau fournisseur
- Attendre, faire presque rien.

77. (Répondre à cette question si vous avez coché la

case « endommager la réputation du client » à la question précédente) Auprès de qui en particulier endommagiez-vous la réputation du client ?

- Membres d'une association professionnelle
- Autres relations d'affaires
- Personnes de la même localité
- Amis
- Membre de la famille étendue
- Vos relations sociales ou religieuses
- Des membres d'organisations politiques

78. (Répondre à cette question si vous avez coché la case « Avoir recours à un arbitre » ou la case « Avoir recours à un intermédiaire ou un ami » à la question 76.) Qui était cet arbitre, cet intermédiaire ou cet ami ?

- Membre d'une association professionnelle
- Autre relation d'affaires
- Personne de la même localité
- Ami
- Membre de la famille étendue
- Une relation sociale ou religieuse
- Un membre d'une organisation politique

79. Typiquement, après une non-livraison, le contentieux était-il résolu ?

- Oui
- Non

80. Typiquement, étiez-vous satisfait du résultat ?

- Oui
- Non

81. Typiquement, continuiez-vous à commercer avec le fournisseur ?

- Oui
- Non

82. Avez-vous eu des problèmes de qualité ? (si non, passer à la question 90.)

- Oui
- Non

83. A quelle fréquence ?

- 1 = Très peu fréquent
- 2 = Peu fréquent
- 3 = Moyen
- 4 = Fréquent
- 5 = Très fréquent

84. Après un problème de qualité, que faisiez-vous pour régler le problème ? (plusieurs choix possibles)

- Insister pour que l'engagement soit respecté (réclamations, rappels ...)
- Négocier les termes de l'arrangement
- Refuser de payer

- Demander un remboursement
- Endommager la réputation du fournisseur
- Avoir recours à un arbitre
- Avoir recours à un intermédiaire ou un ami
- Menacer de prendre des mesures juridiques
- Faire appel à un avocat pour résoudre le conflit
- Aller au tribunal
- Trouver un nouveau fournisseur
- Attendre, faire presque rien.

85. (Répondre à cette question si vous avez coché la case « endommager la réputation du client » à la question précédente) Auprès de qui en particulier endommagiez-vous la réputation du client ?

- Membres d'une association professionnelle
- Autres relations d'affaires
- Personnes de la même localité
- Amis
- Membre de la famille étendue
- Vos relations sociales ou religieuses
- Des membres d'organisations politiques

86. (Répondre à cette question si vous avez coché la case « Avoir recours à un arbitre » ou la case « Avoir recours à un intermédiaire ou un ami » à la question 84.) Qui était cet arbitre, cet intermédiaire ou cet ami ?

- Membre d'une association professionnelle
- Autre relation d'affaires
- Personne de la même localité
- Ami
- Membre de la famille étendue
- Une relation sociale ou religieuse
- Un membre d'une organisation politique

87. Typiquement, après un problème de qualité, le contentieux était-il résolu ?

- Oui
- Non

88. Typiquement, étiez-vous satisfait du résultat ?

- Oui
- Non

89. Typiquement, continuiez-vous à commercer avec le fournisseur ?

- Oui
- Non

Divers

90. L'un de vos clients ou de vos fournisseurs était-il de votre famille étendue ?

- Oui
- Non

91. Ce lien vous protégeait-il des problèmes commerciaux ?

- Oui
- Non

92. Les questions suivantes comparent différentes organisations. Comment qualifieriez-vous l'éthique et l'honnêteté de la police à l'époque ?

- Haute
- Moyenne
- Basse

93. Des hommes d'affaires ?

- Haute
- Moyenne
- Basse

94. Des juges ?

- Haute
- Moyenne
- Basse

95. Des parlementaires ?

- Haute
- Moyenne
- Basse

96. Selon vous, comparé à avant le plan d'ajustement structurel ; aujourd'hui, un contrat est :

- Plus facilement exécutable devant un tribunal
- Moins facilement exécutable devant un tribunal
- Pareil

97. Selon vous, comparé à avant le plan d'ajustement structurel ; aujourd'hui, l'éthique des affaires :

- S'est améliorée
- S'est détériorée
- Pareil

-

TABLE I
SAMPLE STRUCTURE, FIRMS

	Census		Sample	
	Firms	Employee s	Firms	Employee s
<i>Sectors</i>				
Food processing	24.7%	20.1%	24.2%	14.9%
Textile	28.2%	35.6%	18.2%	27.2%
Heavy industry (metal works, chemicals)	21.4%	23.0%	24.2%	21.8%
Light industry	25.8%	21.2%	33.3%	36.1%
<i>Locations</i>				
Centre (Casablanca region)	57.7%	62.2%	75.8%	90.9%
Other	42.3%	37.8%	24.2%	9.1%
<i>Size</i>				
0-9 employees	28.0%	2.8%	0.0%	0.0%
10-49	43.6%	15.6%	24.2%	2.3%
50-99	13.4%	15.7%	15.2%	3.3%
100-199	8.0%	16.8%	15.2%	8.1%
200-499	5.1%	23.7%	27.3%	34.7%
500+	1.9%	25.4%	18.2%	51.6%
Average number of employees		65		255

Source. Direction de l'industrie (1982a, 1982b)

Note. Census data are averages of 1978 and 1980. Refer to Appendix to see how sectors and locations are constructed.

TABLE II
OWNERSHIP IN THE INDUSTRIAL SECTOR

	Moroccan capital	Foreign capital
Before Moroccanization ¹	18.8%	81.2%
After Moroccanization ¹	63.7%	36.3%
<i>Average before-after</i>	41.2%	58.8%
<i>Sample</i>	50.0%	50.0%
	Private capital	State capital
1965 ¹	21.8%	78.2%
1975 ¹	27.6%	72.4%
<i>Average 1965-75</i>	24.7%	75.3%
<i>Sample</i>	90.6%	9.4%

Source: Berrada (1988: 68) for nationality; El Malki (1982: 175 for public-private)

¹ Percentages based on aggregate quantities of capital.

² Percentages based on number of firms that have some foreign/state capital

TABLE III
SAMPLE STRUCTURE, RESPONDENTS

	Sample	Moroccans	Europeans
<i>Ethnicity</i>			
Arabs	54.8%		
Among which: Fassis ²	48.4%		
Among which: other	6.5%		
Berbers	6.5%		
Europeans	38.7%		
N	31		
<i>Education</i>			
No bac	18.2%	26.3%	8.3%
Bac	9.1%	10.5%	0.0%
Bac+3 (or equivalent)	18.2%	21.1%	16.7%
Bac+5 (or equivalent)	54.5%	42.1%	75.0%
Average years of higher education ³	4.0	3.7	4.6
N	33	19	12

¹ Respondents' ethnicity does not significantly differ from managers' ethnicity.

² A Fassi is an Arab who was born in Fes or whose father was born in Fes.

³ Conditional on completion of secondary education.

TABLE IV
SAMPLE STRUCTURE, COHORTS

	Older cohort	Younger cohort	Test	Summary stat.
<i>Birth year (average)</i>	1932	1947	t-test	-8.22***
<i>Entry year in the firm (average)</i>	1964	1972	t-test	-2.71**
<i>Exit year (average)</i>	1997	1997	t-test	-0.05
<i>Education</i>				
No bac	33.3%	5.6%		
Bac	0.0%	16.7%		
Bac+3 (or equivalent)	20.0%	16.7%		
Bac+5 (or equivalent)	46.7%	61.1%		0.11
N	15	18	exact	0.09*

Note. ***, **, * denote significance at the 1, 5 and 10% levels respectively.

TABLE V
RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

Customers		Suppliers	
<i>Loyalty of clients</i>		<i>Loyalty to suppliers</i>	
N. clients (median)	50	N. suppliers	16
length of relationship ¹ (years)	10.1	length of relationship ¹	10.4
<i>Type of client</i>		<i>Market power</i>	
sells to end-users	72.7%	one supplier monopolistic	42.4%
sells to public firms	66.7%	one supplier public firm	21.9%
share of exported output	23.3%	share of imported inputs	42.1%
<i>Formalism</i>		<i>Formalism</i>	
written document	93.9%	written document	93.9%
written contract	42.4%	written contract	55.2%

Note. percentages refer to the proportion of responding firms in the category.

¹ See Appendix for details on how length of relationship was computed.

TABLE VI
CONTRACTUAL DISPUTES WITH CUSTOMERS AND SUPPLIERS

	With customers		With suppliers		
	Late payment	Non-payment	Late delivery	Non-delivery	Deficient quality
<i>Incidence of disputes</i>					
respondents citing problems	90.9%	60.6%	71.9%	25.0%	68.8%
frequency (1 to 5 scale)	2.11	1.35	1.96	1.13	1.59
<i>Outcome of disputes</i>					
dispute settled ¹	96.3%	82.4%	95.2%	85.7%	95.0%
satisfied with outcome ¹	72.0%	50.0%	76.2%	57.1%	78.9%
continue to trade ¹	80.8%	27.8%	95.0%	57.1%	94.4%

Note. Percentages refer to the proportion of responding firms in the category. Otherwise, the mean response is reported.

¹ Conditional on a dispute having occurred

TABLE VII
PATTERNS OF CONTRACT ENFORCEMENT, MAIN RESULTS

Variable	Mean (%)	Variable	Test	Summary stat.	Variable	Mean (%)	Variable	Test	Summary stat.	Variable	Mean (%)	Variable	Test	Summary stat.
<i>Occurrence of a dispute</i>					<i>Shadow of law and/or legal enforcement</i>					<i>Satisfied with outcome</i>				
Old generation	52.8 (72)	72.2 (90) New generation	chi-2	6.53***	Alive firm	38.8 (67)	21.2 (33) Failed firm	chi-2	3.10*	Did not use legal enforcement	78.7 (61)	46.2 (26) Used legal enforcement	chi-2	9.02***
Customer private company	81.8 (22)	72.7 (44) Customer public company	chi-2	0.66	Firm outside Casablanca	11.1 (27)	41.1 (73) Firm in Casablanca	exact	.004***	Customer private company	60.0 (15)	64.3 (28) Customer public company	chi-2	.077
Supplier private company	58.7 (75)	42.9 (21) Supplier public company	chi-2	2.05	Old generation	34.2 (38)	32.3 (62) New generation	chi-2	.041	Supplier private company	73.7 (38)	77.8 (9) Supplier public company	chi-2	1.00
Supplier non-monopolistic	48.1 (54)	64.3 (42) Supplier monopolistic	chi-2	2.49	No foreign capital	25.5 (51)	42.6 (47) Foreign capital	chi-2	3.19*	Supplier non-monopolistic	90.5 (21)	61.5 (26) Supplier monopolistic	exact	.042**
No ownership with supplier	16.3 (43)	71.4 (7) Ownership with supplier	exact	.006***	Customer-related dispute	50.0 (50)	16.0 (50) Supplier-related dispute	chi-2	13.1***	No ownership with supplier	82.5 (40)	28.6 (7) Ownership with supplier	exact	.008***
<i>Having a written contract</i>					<i>Private enforcement</i>									
Old generation	40.7 (27)	54.3 (35) New generation	chi-2	1.12	Non-exporting firm, dispute w. customer	69.7 (33)	11.8 (17) Exporting firm, dispute w. customer	exact	.000***	No foreign capital	80.5 (41)	58.3 (48) Foreign capital	chi-2	5.03**
<i>Doing nothing</i>														
Alive firm	11.9 (67)	36.4 (33) Failed firm	chi-2	8.24***	Alive firm	49.3 (67)	27.3 (33) Failed firm	chi-2	4.38**	Non-exporting firm, dispute w. customer	51.7 (29)	85.7 (14) Exporting firm, dispute w. customer	exact	.045**
No foreign capital	29.4 (51)	10.6 (47) Foreign capital	exact	.025**	No foreign capital	45.1 (51)	38.3 (47) Foreign capital	chi-2	.465	Non-importing firm, dispute w. supplier	54.2 (24)	95.7 (23) Importing firm, dispute w. supplier	exact	.002***
Customer private company	16.7 (18)	15.6 (32) Customer public company	exact	1.00	Customer-related dispute	58.0 (50)	26.0 (50) Supplier-related dispute	chi-2	10.5***	<i>Relationship resumes</i>				
Supplier private company	22.0 (41)	33.3 (9) Supplier public company	exact	.668						Did not use legal enforcement	85.0 (60)	50.0 (26) Used legal enforcement	chi-2	11.7***
No ownership with supplier	16.3 (43)	71.4 (7) Ownership with supplier	exact	.006***						Supplier non-monopolistic	89.5 (19)	88.5 (26) Supplier monopolistic	exact	1.00
										No ownership with supplier	86.8 (38)	100.0 (7) Ownership with supplier	exact	.577

Note. This table reads as follows: for the first line, first column, a dispute occurred in 52.8% cases out of 72 potential disputes for the old generation; it occurred in 72.2% cases out of 90 potential disputes for the new generation. A chi-2 test shows that the frequency distribution is significantly different at the 1% level.

The elementary unit of analysis is the contractual dispute. ***, **, * denote significance at the 1, 5 and 10% levels respectively.

TABLE VIII
SOURCES OF INFORMATION ABOUT
CUSTOMERS AND SUPPLIERS

	Cu stomers	S uppliers
<i>Get</i>	93.	7
<i>information</i>	9%	1.9%
<i>Sources¹</i>		
Personal	90.	9
contact	3%	1.3%
Acquaint	77.	8
ances	4%	6.4%
Bank	76.	5
	7%	0.0%

Percentages refer to the
proportion of responding firms in the
category.

¹ Conditional on getting
information

TABLE IX
PERCEPTIONS OF HONESTY AND ETHICAL STANDARDS IN
VARIOUS PROFESSIONS, BETWEEN 1956 AND 1982

	Police	Business Executives	Judges	Members of Parliament
High	12.0%	34.6%	18.2%	9.1%
Average	60.0%	57.7%	36.4%	36.4%
Low	28.0%	7.7%	45.5%	54.6%
N	25	26	22	11

Note. Percentage of respondents reporting various levels of honesty and ethical standards of different professions.

TABLE X
EVOLUTION OF LEGAL ENFORCEABILITY OF CONTRACTS,
BUSINESS ETHICS BETWEEN 1982 AND TODAY

	Legal enforceability of a contract	Business Executives' ethics
Got better	20.0%	38.5%
Stayed the same	68.0%	46.2%
Got worse	12.0%	15.4%
N	25	26

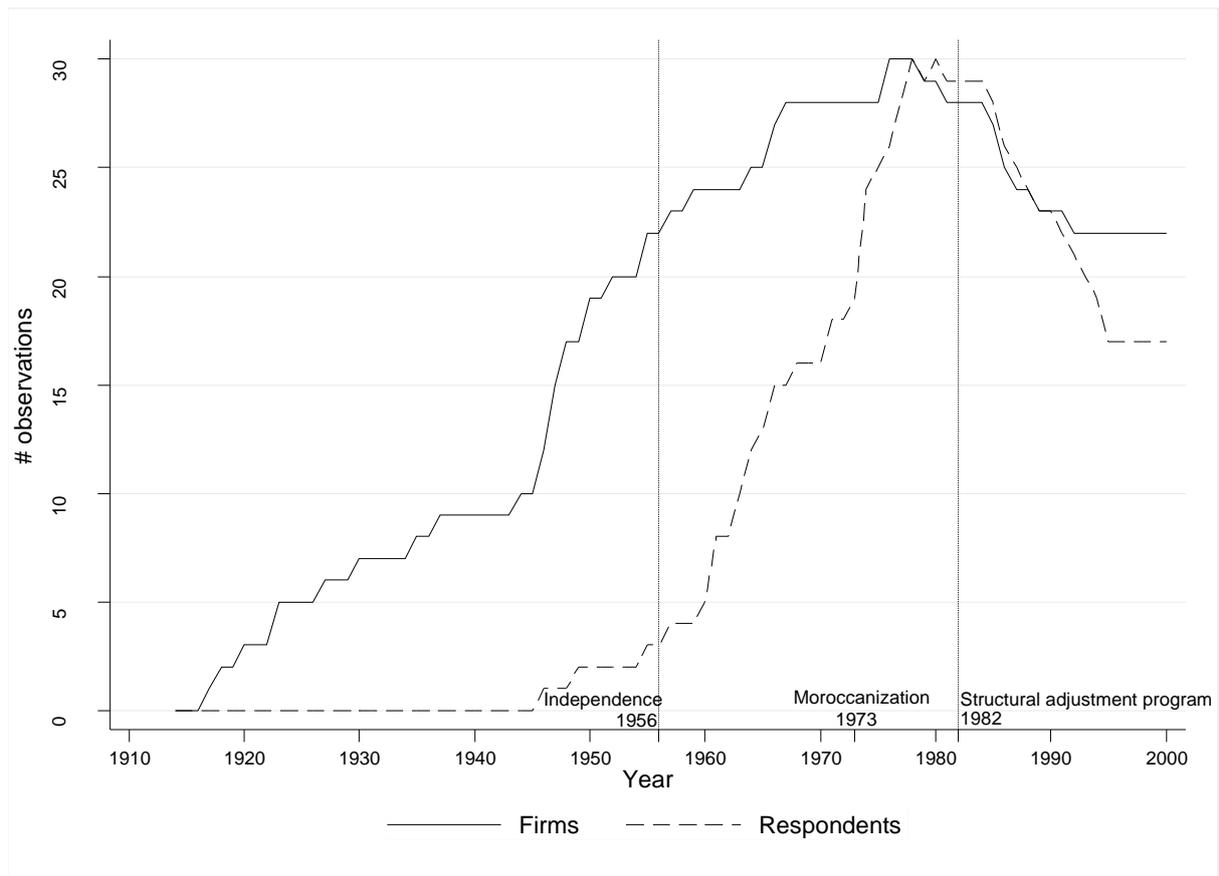


FIGURE I

Sample size against time

Note. Respondents' curve above firms' curve due to missing data.

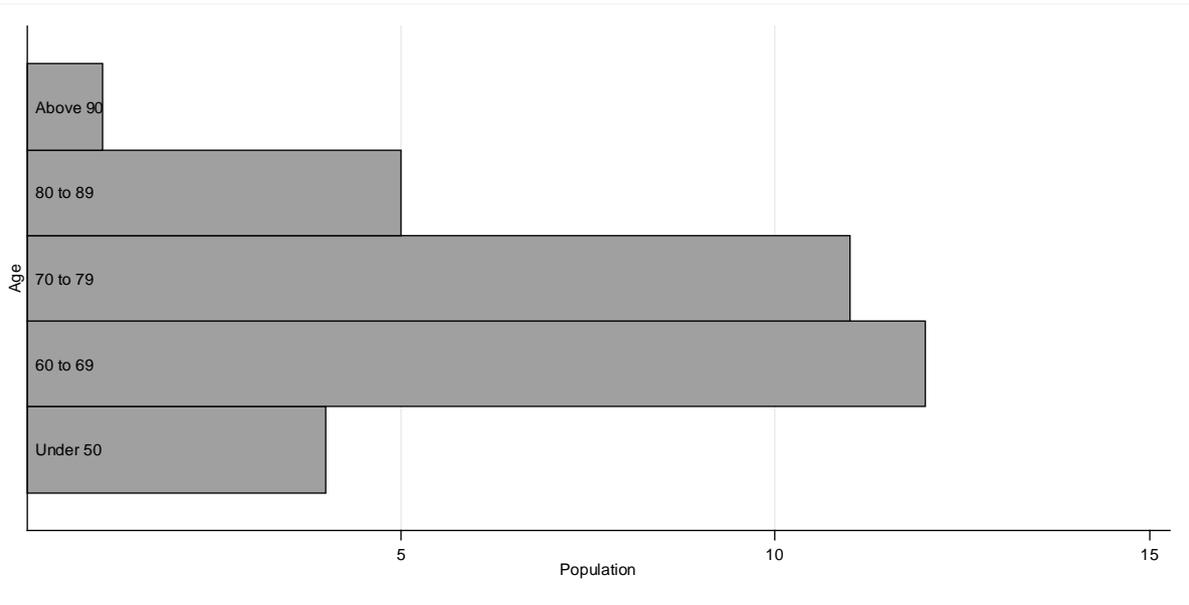


FIGURE II
Population pyramid

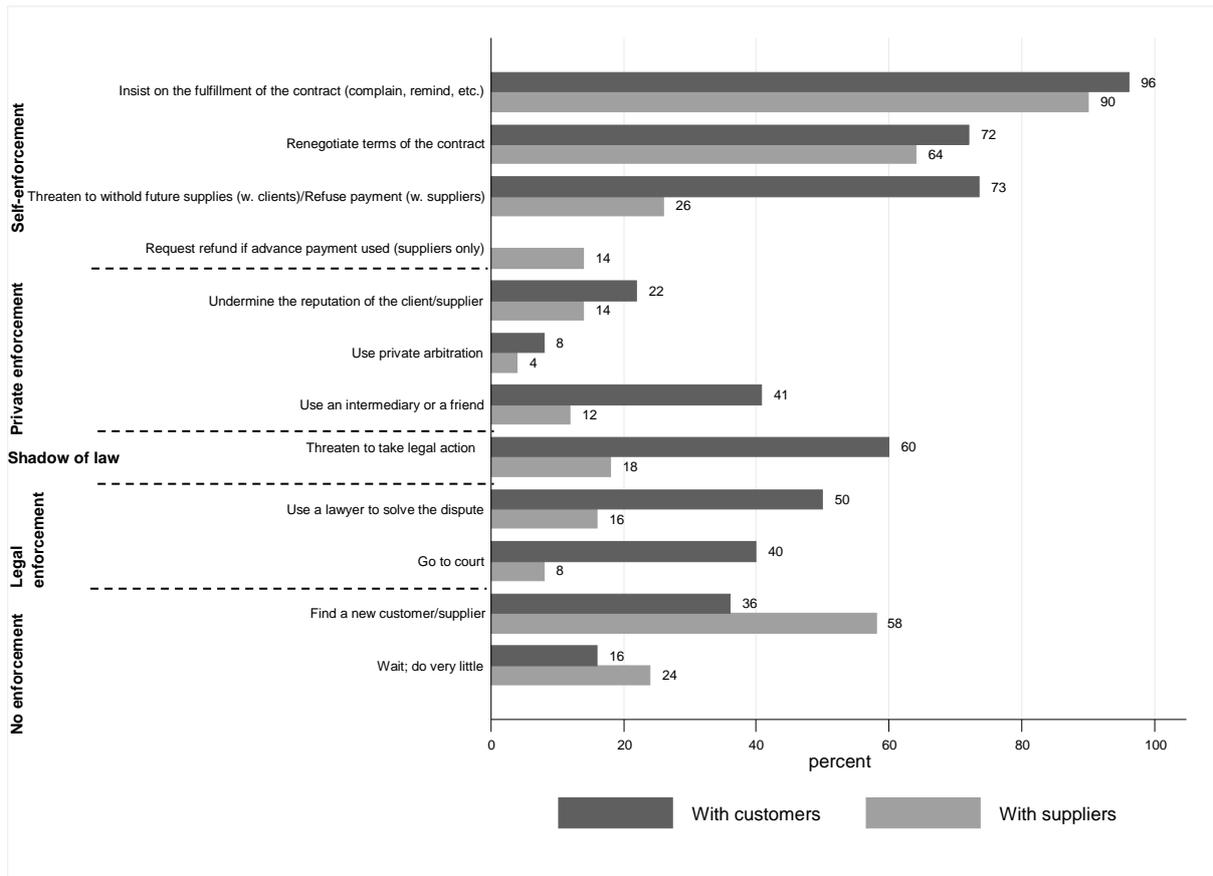


FIGURE III

Use of contract enforcement mechanisms

Percent of firms using each mechanism, firms can use more than one mechanism.

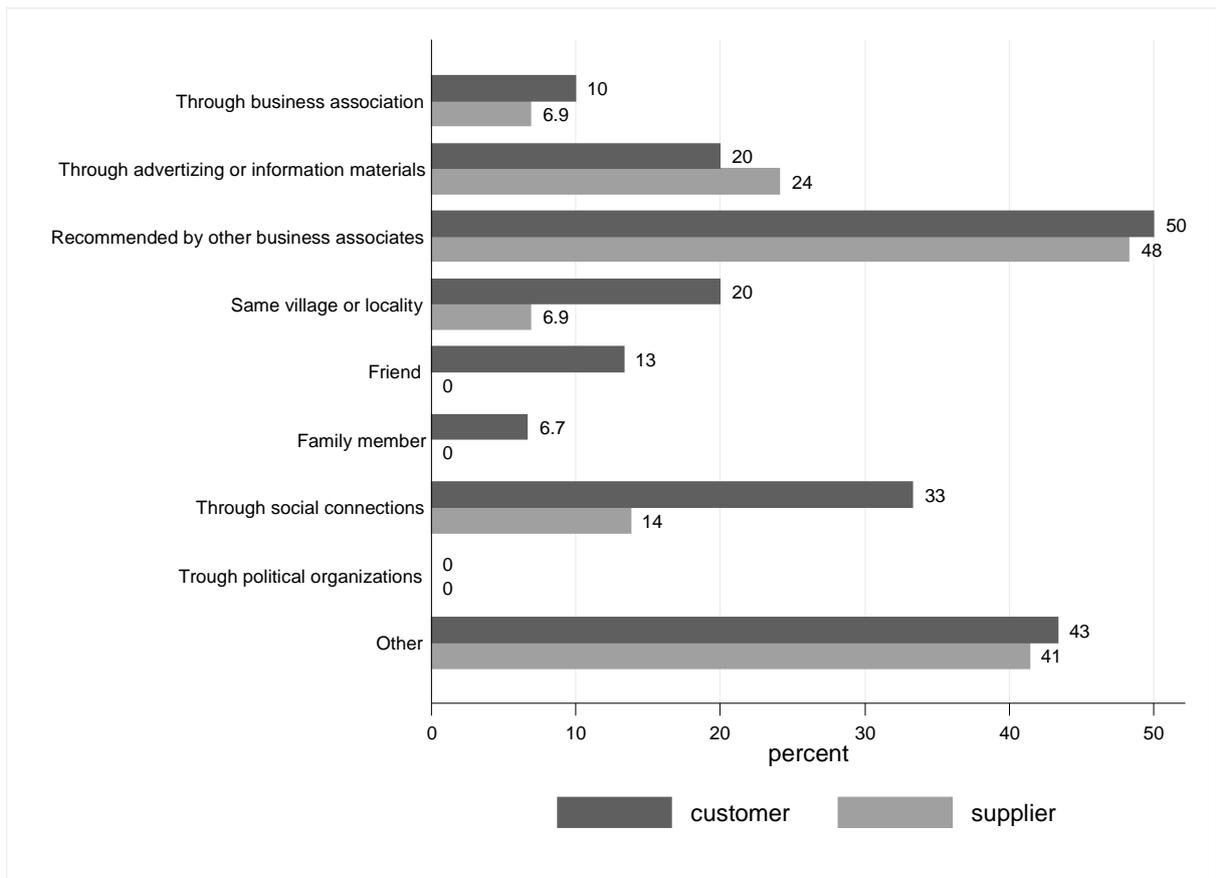


FIGURE IV
How did you come to know your principal customer/supplier
 Percent of firms citing each source, firms can cite more than one source

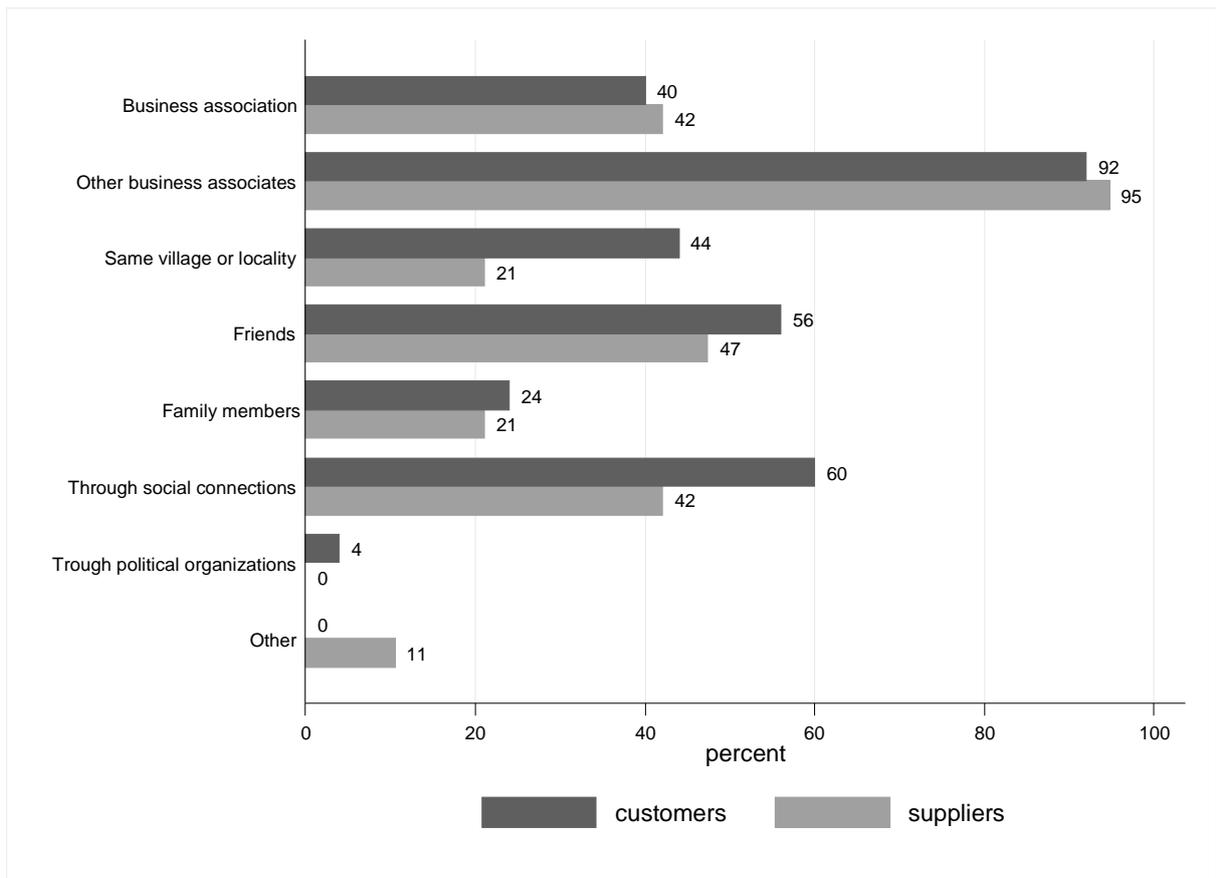


FIGURE V
Acquaintances as sources of information about customers/suppliers
 Percent of firms citing each sources, firms can cite more than one source

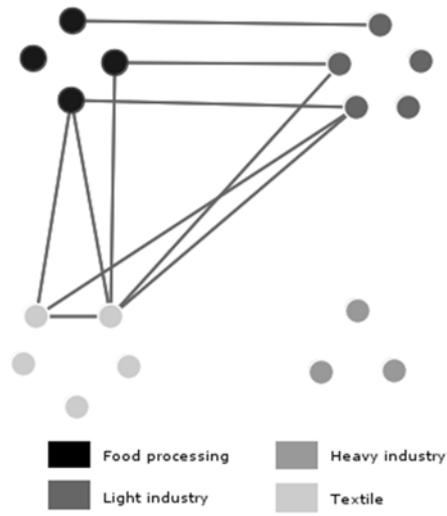


FIGURE VI

Network map of Fassi families

Note. An edge connects two nodes if there is a common surname in the two triplets of father's, mother's and spouse's

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