

# Discussion on “Social Barriers to Entrepreneurship in Africa, The Forced Mutual Help Hypothesis”

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# Starting point

- Strong social norms to support relatives and weak social security systems in Sub-Saharan African countries.
- Successful entrepreneurs must support relatives in form of transfers and employment.

# Value added

- Proposes an entrepreneurship/employment model where Sub-Saharan African entrepreneurs face the cost of norms to support relatives (as an extra tax).
- Shows that these norms reduce incentives to become entrepreneurs, to hire relatives, to provide job training and reduce profits.

# Value added

Using surveys from 7,514 manufacturing firms in 31 Sub-Saharan African countries, they find that fully Sub-Saharan African owned firms have

- (i) higher labor/capital ratio,
- (ii) more job training in labor/capital intensive firms,
- (iii) lower profits,
- (iv) the results become weaker in countries with stronger social security systems.

# Comments: describe and explore the norm

- The forced mutual help norm is very much in reduced form.
- - Why not utility from helping relatives?
- - Why do relatives give away labor for free?
- - Why do not relatives understand that they could receive more transfer if they abstain from being employed?

# Comments: explain the norm

- Could you explain the norm versus social security?
- - Is asymmetric information the explanation why relatives become employed instead of getting transfers?
- - Does the cost of the norm increase when technology improves? Bad employees then more costly?
- - Is there some type of coordination failure that explains that social security is not implemented?

## Comments: various

- Could the norm also affect risk behavior?
- Other explanations for the empirical results: Foreigners simply better and less financially constraint?
- Trade Union presence might mitigate power of norm?
- ISI index seems to capture social security for workers not all citizens?