

Two Introductory Essays on Institutional Design: The Economies of Mosuo Group-Visiting Marriage and China's Property Exchanges

Heping Cao and Bozhang
Peking University School of Economics

I. The Economy of Mosuo Group-Marriage at Lugu Lake Area

1. Zouhun

Geography and population Over thousands of years, Mosuo people, around Lugu Lake in south-west part of China (graph 1), have been evolving into a unique marriage arrangement-Zouhun, roughly can be understood as group-visiting marriage. The population of Mosuo is about 40,000, scattered over 32 villages in a area of 4,000 square kilometers. While there are 4-5 villages commercialized due to tourism expansion from Kunming, the capital city of Yunnan, up to north, Dali and further north to Lijiang and Shangri-la, spreading over a scope including Lugu lake area, there are still 85% of Mosuo keeping their “fascination-arousing” marriages. Nevertheless, these villages, an equivalent of 15% population, are enduring a dissipation of their unique marriage due to the very commercialization.



Graph 1: The location of Mosuo People, China

Zouhun In Mosuo, the marriage is arranged within their own people, outsiders can marry a Mosuo or *vice versa*, but is discouraged. Normally, when a girl grows up, the family would prepare her a “flower” room in their court yard. With the invitation of the girl, a male adult from other villages, might be acquainted from tribe social events, would visit her in the flower room in the evening. Before down, her boyfriend would leave the girl for his village. The visiting distance

usually is 3-10 miles. The uniqueness is that this boyfriend-ship would carry on as long as their love stay without end up to a wedding ceremony. The kids born are belonging to the girl's family. As a consequence, the family is not only "big", usually 4-5 generations under one roof, but has no father but mothers. The males and the females in the family are uncles, grand uncles, and mothers, grand mothers of all the kids. Theoretically, a Mosuo grown female could invite any male adult of other villages as her boyfriend. For a male, he can choose any girl of a village as his fiancée without worry generation-overlap issues.

An "institutional fossil" not a love story With regard to the evolutionary pace of human marriage, the timing frame of Zouhun looked like being locked into a period 5-6000 years ago, no longer observable in almost all of the nowadays civilizations.

According *Shiji*, a history book about ancient China, written by Han dynasty's historian, Qian Sima, Mosuo people are from northwest part of Gansu Province, an upper north area of central China before Qin Dynasty (B. C. 221) and there is a strong accent similarity with Gansu dialect while authors in filed survey. With the popularity of anthropological ideas, Zouhun has been understood as a love story, presenting us a full spectrum of romantic elements across far back historical years.

The authors consider Zouhun as an institutional arrangement settled by long tradition for tribe surviving. And an institutional arranging cannot be isolated from others. If Zouhun, an economic institutional arrangement, has been existed for over thousands years, there must be some arrangements, such as property control and inheritance, has been crossing a similar length of historical measure. Such a wonderful institutional fossil be presented to us for designing reference.

2. The Economy of Mosuo Group-Marriage

Surrounding Mosuo are other civilizations and sub-civilizations. Mosuo landscape is a basin isolated by mountains. Near, up to north is Tibet; down south is Naxi; east are Yi and Pumi, west is Doulong. To a large scope are Hans.

Assumptions Mosuo Zouhun represents an economic transition period from hunting and mobile agriculture to settled agriculture. The land is abundant and labor is scarce. Investment return to labor is higher than land. Hence, there is a contract demand that requiring binds labor to land. During the transition time, female labor income from land and yard is more stable than hunting and there is a preference for female labor to male one. Comparatively, the demand for female is more than for male.

There is no money metric market The asset allocation will be more efficient according to the labor (time) than final product ("goods").

The Economy In the contract economy, female has bargaining power. An labor demand for settled economy will contract an allocation that female is a principal. The economy will maximize a family utility with labor as consumption, however, female will be put more weight. The constraint is a Cobb-Douglas production there female productivity is high. The equilibrium will bring over a Zouhun family we see today.

As a consequence, assets and income is evenly distributed among the family member and an insurance arrangement is realized by this distribution without a presence of market.

Dissipation Tourism booming need more labor out of agriculture. Each family is entitled a equal right to share the labor income. Zouhun family are quickly divided into small family since labor supply are accounted by family unit. The commercialization process has milting down the

Zouhun arrangement.

2. Possible Conclusions and Applications

Conclusions First, without money metric market, contract is done by a measurement of labor,

Second, contract, as an institutional design, will be negotiated around the allocation of scarce resource.

Third, with the same token, female labor, a representation of managerial skills and land cultivation specials, is an scarce resource.

Applications If a product has no market or is difficultly to be measured by market means, such as intellectual property rights, an institutional arrangement could compensate the producer by cost not by simply give her right to grasp buyer's surplus.

Efficiency ? need to prove

2. The Economies of China's Property Exchanges and Institutional Design for Equity Exchange

1. Introduction

China's equity exchanges started from late 1980s.

Booming and Suppression in 1990s.

Since 2000.

2. The Model

There are two capital market, the listed and non listed. Assume that index x measuring a firms profitability and x satisfies

$$x \in [0, M],$$

The constant $M > 0$.

A firm either goes to the listed or to the non listed. There trading approach is a for the former and b for the later

The cost functions are $C_a(x)$, $C_b(x)$ accordingly. The trading probability for success are $P_a(x)$, $P_b(x)$, Once traded, there is a benefit $B(x)$, hence the x firm, through a and b can expect a net benefit (return).

$$W_a(x) = P_a(x)B(x) - C_a(x),$$

$$W_b(x) = P_b(x)B(x) - C_b(x).$$

In $[0, M]$, firm's distribution function is $f(x) > 0$, $p(x) \in (0,1)$.

For going to the listed market, the threshold is $\theta \in [0, M]$, i. e., if and only if that a firm with $x \geq \theta$ can step into the market. Under this setting, the total net benefit for the economy is

$$S = \int_0^{\theta} W_b(x) p(x) f(x) dx + \int_{\theta}^M W_a(x) p(x) f(x) dx .$$

Maximize S ,

$$\frac{dS}{d\theta} = [(P_b(\theta) - P_a(\theta))B(\theta) - (C_b(\theta) - C_a(\theta))]p(\theta)f(\theta) , ,$$

The sign of $dS/d\theta$ is determined by,

$$H(\theta) = [(P_b(\theta) - P_a(\theta))B(\theta) - (C_b(\theta) - C_a(\theta))]$$

When the optimal θ satisfies

$$\frac{dS}{d\theta} = 0 ,$$

i. e.,

$$W_a(\theta) = W_b(\theta) , \tag{1}$$

Or equivalently,

$$(P_b(\theta) - P_a(\theta))B(\theta) = C_b(\theta) - C_a(\theta) .$$

We can solve out θ .

3. Conclusions

The property exchanges have an economic space.

II. General Conclusion

Institutional design for China's property exchanges.