Chapter 1: Laying the Ground Work

Introduction- The Importance of Studying Property Right Formation in Palestinian Refugee camps

Scholars in such disparate fields as philosophy, economics, and political science argue that a system of well-defined property rights is a key factor in economic development and subsequently political stability and security. Property rights are a bundle of rights and responsibilities that give an individual or group exclusive right to use, rent, sell, limit access to, protect, and benefit from ownership of an asset or resource. The literature of the New Institutional Economics (NIE) has devoted significant attention to the importance of property rights. The NIE argues that secure property rights provide actors with the incentive to invest in the market around them because individuals can appropriate the benefits of their investments. Despite significant theoretical and empirical support for the positive effects of property rights on economic growth and stability, much less is known about the origins of property right institutions (North 1990, Knight 1992, Alston et al 2004, De Soto 1989, Libecap 1989).¹

¹ Institutions establish the framework for social interaction. Property rights are considered to be institutions because they are pretty stable sets of shared and realized expectations about how people should and will behave in economic, political and social settings with respect to their ownership of a resource or asset. These expectations structure behavior by letting individuals know the consequences of their own actions as well as others (North 1990, Knight 1992, Allio et al 1997).
Only in recent years have scholars developed institutional approaches that might account for property right formation. I have divided existing scholarship into a basic typology that includes three theories of institutional formation. These theories are referred to as the efficiency, distributional, and socio-historical institutional explanations. Importantly, the existing literature on institutional formation does not clearly specify its theories.

One of the primary tasks of this dissertation is to clarify the three institutional approaches and to create distinct testable hypotheses. To begin, the three approaches share the view that property rights are the result of strategic interactions among actors and their environment. This means that the actions and motivations of actors matter in whether or not and how property rights are constructed. In addition, all three theories maintain that market shocks in the form of price, technological, population, or political changes are necessary conditions for property right formation.

The **efficiency approach** emphasizes that property rights develop to capture the potential gains from trade. As market changes take effect and new resources or assets become more valuable than ever before then individual agents are motivated to cooperate to form property rights in order to reap the benefits of ownership of those newly valuable resources. In contrast the **distributional approach** emphasizes that property rights develop because once market changes make certain resources or assets more valuable then powerful actors seek to gain strategic advantage over others by controlling the distributional gains from trade and new resources. Finally the **socio-historical approach** suggests that property rights develop when actors have the institutional history or repertoires to meet market shocks. This means that not all repertoires necessarily lead to the creation of property rights. When social groups have the institutional experience in forming property right then they will apply customary procedures for handling
transactions and resolving disputes, with little attention to the efficiency or distributional dimensions of the consequences of their choices.

Excepting a few studies, these theories have not been tested in a rigorous manner (Allio et al 1997). Currently, the literature on institutional formation lacks conclusive evidence of the explanatory power of each approach in different political and economic settings. One of the reasons we lack such evidence is that natural experiments, where new social communities form and interact to solve basic collective action dilemmas like the establishment of institutions, are relatively rare.

I overcome the weaknesses in the institutional literature that I described above by taking advantage of the unique natural experiment that Palestinian refugee camps present. The formation of property right regimes in Palestinian refugee camps in Jordan and Lebanon provides us with a valuable opportunity to examine the process of institutional formation in real time. It was only in the early 1970s, following economic and political shocks that camps formed property rights. Interestingly, most of the camp residents initially involved in the formation of property rights still live in the camps today. Also, Palestinian refugee camps provide researchers with an opportunity to examine how property rights form where none had existed before. In effect, we are given insight into how groups emerge from anarchy, or what Palestinians call *fouda*, and create institutions.

In addition, this dissertation contributes to our knowledge of Palestinian refugee camps in Lebanon and Jordan. Recent reports of the destruction and death in Nahr al Bared refugee camp in Northern Lebanon have dominated news sources. It seems that when the world actually hears about Palestinian refugee camps in Lebanon and Jordan, reports focus on the camps as hopeless
locations that serve as breeding grounds for terrorist groups. 2 Certainly Palestinians have faced seemingly insurmountable obstacles in Jordan and Lebanon. Many Palestinians arrived in the camps in 1948 with only the clothes on their backs. They lived for close to twenty years without clean running water and electricity. They are inured to war and political instability. However, a sad appraisal of destruction and death in Nahr al Bared and other Palestinian refugee camps like it in Lebanon and Jordan only presents a partial portrait of life in the camps. Inside the refugee camps there are multilevel cinder block homes, a myriad of businesses and industries, a complex array of electrical wires, and underground plumbing pipes. Despite the difficulties that the refugee camp life presented, Palestinians have crafted sophisticated property right institutions that governed and organized their behavior inside the refugee camps.

Finally, understanding how Palestinians formed property rights gives us insight into how many other groups around the world today might create their own institutions. Palestinian refugee communities are representative of geographically concentrated populations isolated from formal state structures found throughout regions of Africa, Latin America, and the Middle East. 3 Studying marginalized groups that exist on the outskirts of formal state structures represents an interesting case because of the almost “institutionally-free” context in which refugees find themselves, meaning that there were little to no formal laws or law enforcing agencies to regulate the use of resources upon their arrival to refugee camps in 1948. The absence of most state structures meant that Palestinians developed rules in un-ruled lands. My dissertation moves the debate on institutional formation from one of general theoretical abstraction to concrete

2 Helton (2002) noted that indifference to the refugee situation provokes refugees to become radicalized and violent terrorists. Helton (2002) stated, “The radicalism of the hopeless [refugees] will continue to nurture terror and cause instability.”

application by examining the formation of property rights among Palestinians located in refugee camps across Lebanon and Jordan.

**Key Research Questions**

In order to enhance our understanding of property right formation and Palestinian refugee camps, this dissertation seeks to answer a central question. What explains the origins of property rights in Palestinian refugee camp sectors located throughout Jordan and Lebanon? I describe and test the efficiency, distributional, and socio-historical approaches to institutional formation. I evaluate the three institutional approaches in the real estate and construction industry sectors in five camps located in Lebanon and Jordan. I use a dichotomous dependent variable that measures the presence or absence of property rights that permitted me to exclusively focus my efforts on understanding the origins of property right formation.

Next, as I delved deeper into the origins of property rights in Lebanon, I noticed variation in the strength of property rights. A second research question emerged: What explains variation in the strength of property rights across sectors and what is the relationship between property right origins and strength? An ordinal variable that accounted for property right strength was used. In this case I examined the origins and strength of property rights in the real estate, construction industry, electricity, and water sectors in two camps in Lebanon. In the upcoming section I explain the logic behind my case selections. Following that discussion, I conclude the chapter by mapping out the structure of the rest of the dissertation.

**Case Selection**

The unit of observation for this dissertation is the refugee camp resource sector. In particular I examine how property rights form in two resource sectors in five Palestinian refugee

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4 The unit of observation refers to one measure on one unit for one dependent variable and includes information on the values of the explanatory variables (KKV 1994, 117).
camps located throughout Lebanon and Jordan. In Jordan I evaluate the real estate and construction industry sectors in Baqa’a, Wihdat, and Jerash refugee camps. Baqa’a is the largest camp in Jordan holding an astonishing 86,514 refugees (www.unrwa.org). It was established in 1968. Wihdat, established in 1955, is slightly smaller holding 50,601 residents while Jerash, established in 1968, represents one of the smaller camps in Jordan with just 15,121 refugees (www.unrwa.org). In Lebanon, research focused on the origins of property rights in Beddawi and Nahr al Bared refugee camps located roughly 3 to 9 miles from the port city of Tripoli. Nahr al Bared was established between 1949 and 1950 and Beddawi was constructed in 1955 (www.unrwa.org). Nahr al Bared held 31,303 Palestinians and Beddawi is a smaller camp housing 15,947 refugees (www.unrwa.org).

In addition to the real estate and construction industry sectors, I examined property right formation and property right strength in the construction industry, real estate, electricity, and water sectors in Nahr al Bared and Beddawi refugee camps located in Lebanon. I chose to closely examine the relationship between the approach to property right formation and property right strength in sectors in Nahr al Bared and Beddawi refugee camps for several reasons.

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5 I had originally planned to study the origins of property rights in Palestinian camps located throughout refugee camps in Southern Lebanon as well. Recent fighting in the summer of 2006 between Israel and Hizbollah in Lebanon has created a difficult security situation for the researcher. Preliminary research conducted there in the summer of 2004 permits the researchers to make educated inferences about the applicability of results from refugee camps in Northern Lebanon to cases in the South.

6 Wihdat camp is also called Amman New Camp. In this dissertation I will refer to the camp as Wihdat because that is what Palestinians call it.

7 The population in the Northern Lebanese camps has shifted since the summer 2007 military conflict in Nahr al Bared. Some articles speculate that the population in Beddawi has doubled to roughly 30,000 since 2007 while the population in Nahr al Bared has dwindled to a few thousand (www.unrwa.org).

8 The electricity and water sectors might seem like strange sectors to study the formation of property rights in refugee camps because Palestinian refugees do not own the entire resource. In Lebanon, a utility company owned the resources and provided a set amount of the resources to the camp. The electricity and water utility companies did not enter the Palestinian refugee camps so private companies did not govern how the use of their resource was divided among camp residents. Refugees themselves had to create rules that governed the use of the shared resources. These types of property rights are called usufruct property rights. This means that some camp residents had the exclusive right to access and enjoy the profits and advantages of the resource.
First, I had unprecedented access to refugee political parties and economic sectors in Beddawi and Nahr al Bared because of my personal background and connections to the region. I have visited the refugee camps in Northern Lebanon since I was a young child because my father grew up in Nahr al Bared and members of my extended family continued to live there until the destruction of the camp in May of 2007. I had strong rapport with refugee residents pre-dating my research project. As a result, during field research I easily gained interviews with older and former Fateh members. In addition, I was invited into the shops and homes of refugee residents that in turn facilitated stronger interviews and better data.

Finally, my level of access in the camps in Northern Lebanon meant that data was more available than in Jordan. In Northern Lebanon, residents allowed me to view their personal documents and the Camp Committee let me sit in on meetings and allowed me to browse some of their property contracts. In Jordan, this type of personal data was not available to me. Finally, in Lebanon there was variation in the strength of property rights across the resource or asset sectors.

I do not evaluate the origins of property rights in the electricity and water sectors in Jordan because property rights in those sectors pre-dated the arrival of Palestinians in the refugee camps. Prior to their arrival in the refugee camps, utility companies established legal claims to and control of the resources. According to an interview with a former Minister of Electricity in Jordan, most Palestinian refugee camps had the infrastructure in place for electricity and water by the 1970s. Utility companies installed meters to measure usage of water and electricity and Palestinians could use as much as they could afford. In this situation, the water and electricity sectors were not common pool resources governed by Palestinian refugees but services that private companies provided to refugees. The absence of variation in strength among sectors in
Jordan made studying variation in institutional strength in Palestinian camps throughout Lebanon a better research location.

**Data on Refugee Camp Sectors**

The refugee camp sector, the central unit of observation, is an aggregated value. Each unit of observation is made up of a variety of businesses, political actors, and economic actors. For example, the construction industry is made up of businesses in a variety of sub sectors including steel/iron, carpentry, glass, cinder/tile. In addition, the Palestinian Camp Committee, UNRWA, political parties, and respected camp leaders were important actors to consider when taking account the values on the dependent and independent variables for the construction industry camp sector because they were key individuals involved in the creation of property rights in the late 1960s and early 1970s.

Because each refugee camp sector is an aggregated measure, I collected a variety of data for each sector. Information on how I collected data and the number of interviews is located in Appendix A. I used a combination of survey interview data with businesses in each sector, testimonies of political leaders in groups such as Fateh, statistical and historical data from UNRWA, private documents, and principal investigator observations. When this data was combined in each refugee camp sector, a pattern of evidence emerged that accounted for how property rights formed. In effect, the variety of data sources provided a more complete picture of property right formation.

The myriad of data sources increased confidence in the reliability and validity of the data. In each refugee camp sector, there was congruence among interviews, paper sources, and researcher observations. All the sources painted a similar picture of how property rights formed in each sector. Moreover, by relying on a variety of sources for data I avoided gathering data that
was one-sided or biased in its perspective. I was able to ensure reliability of my measures for the
process of property right formation through the use of diverse sources.

In sum, examining property right formation in Palestinian refugee camp sectors in
Lebanon and Jordan provides us with an optimal testing ground for the efficiency, socio-
historical, and distributional approaches. Moreover, the evidence garnered from my in- depth
fieldwork has revealed causal processes, which are inadequately theorized in existing accounts of
property right formation.

**Dissertation Overview**

The central research questions posed in this chapter will be answered through an
extensive exposition of the theoretical literature on institutional formation and through a detailed
discussion of my original empirical data. The first part of the dissertation will tackle the
question of the origins of property rights. Chapter 2 explores the theoretical literature on
institutions. Earlier work on institutions tended to treat institutions in a formal manner and
ignored the independent influence that institutions had on the behavior of actors. Later studies of
institutions began to consider the independent effects of institutions. The New Institutional
Economics developed a strong body of work on the economic and political benefits of secure
property rights. However, studies on the origins of institutions, like property rights, are less
developed. This project contributes to the debate on the origins of property rights by developing
testable hypotheses and specifying the conditions under which an institutional approach is likely
to hold the most explanatory power in a particular environment.

In Chapter 3, using original data collected in the refugee camps over several research
trips, I test the validity of the three institutional hypotheses by exploring the pathways to
property right formation that Palestinian refugee camps in Jordan and Lebanon followed. I start
by providing background history on the refugee camps in Jordan and Lebanon. In particular I explain the informal system of property rights that existed there prior to 1969 and 1970. Next, the divergent approaches to property right formation that camps in Lebanon and Jordan followed are described.

Data from Chapter 3 reveals that in each host country a different constellation of actors with specific goals that were balanced against each other in different ways negotiated property rights in distinct economic and political environments. The strategic setting influenced the creation of property rights in each country’s refugee camp sector. Evidence suggests that the three institutional approaches are, alone, inadequate in explaining property right formation. In Jordan a hybrid process consistent with the claims of the efficiency, socio-historical, and distributional approaches emerged. In Lebanon the distributional approach and elements of the efficiency approach carried the most explanatory power. In-depth field research reveals that hegemonic actors can, in the face of particular incentives, restrain their distributional goals and create secure property rights.

Chapter 4 examines variation in property right strength in refugee camp sectors in Northern Lebanon. Findings reveal that property rights were moderately strong in the real estate and construction industry sectors and moderately weak in the electricity and water sectors. I test competing explanations for variation in property right strength. In particular economic cost and group characteristic hypotheses were explored. These approaches lacked explanatory power because they ignored the strategic setting in which property rights were constructed. Though components of the distributional and efficiency approach were operational in the cases, the severity of Fateh’s distributional goals was graver in the electricity and water sectors because common pool resources altered the incentives for institutional exploitation. Finally, in Chapter 5
the dissertation concludes by summarizing the key arguments and suggesting the implications
and the future directions of study.