In Mexico four out of five individuals who have been victims of crime change their behavior and activities permanently[[1]](#footnote-2). This fact has a transcendental impact in the economy by not only affecting the productivity of labor and the number of work days lost because of crime, more importantly it also modifies consumption patterns, the demand for health services and creates many more difficult to quantify consequences that directly impact a region´s economic growth and competitiveness. For this reason the improvement of public safety conditions within a region is not only the interest of governments but also very importantly of non-government stakeholders, most importantly the business community.

The World Economic Forum defines competitiveness as the “*set of institutions, policies, and factors that determine the level of productivity of a country”[[2]](#footnote-3)* , another alternate definition is; the ability of a country or region to attract and maintain investment and talent[[3]](#footnote-4). With these definitions it is clear why lower levels of public safety for both individuals and property would lead to a lower overall competitiveness for a region. In an increasingly globalized world, firms should encourage and foster competitiveness with the intention of increasing their overall productivity and be able to better compete both in global and national markets.

So far most of the research regarding the relationship between competitiveness and security has dealt with the existence and fulfillment of clear laws and norms, most importantly the legal certainty of firms and contracts guaranteed by trustworthy and objective court systems. This incorporates judicial certainty in the interaction between individuals, firms and the government within an economy as a fundamental determinant to incentivize investment, growth and competitiveness. The main idea being that regions that lack such legal systems impose higher transaction cost to market participants. While these factors are very well understood within competitiveness research we feel that there is still a need for more detailed examination of the effects of insecurity and criminality, rather than the judicial system's, to a region´s competitiveness.

The main argument to support the negative relationship between public safety and competitiveness is that insecurity and criminality impact individuals and firms by imposing higher costs of market participation. For firms these can be items such as resources spent on private security or the cost of stolen or damaged goods and property which lower the ability of firms to compete by raising costs relative to firms in safer regions. Meaning that, given a certain characteristics, firms and market participants in regions with less secure environments are forced to produce relatively more expensive goods and services, basically reducing their productivity, thus lowering their capability to compete in a globalized, or even an intra national, marketplace.

But the question remains. Just how much does insecurity affect competitiveness? While answering this question fully is well beyond the reach of this piece

For this reason firms should encourage changes and reform that lead to better overall security indicators for their regions of business.

Despite the fact that the causes of insecurity and criminal incidence in regions are dependent of structural variables such as employment opportunities, income distribution, education, the demographic composition and poverty, these causes are at the same time dependent on institutional factors. For example there is powerful evidence that countries with worse structural conditions than México have in fact lower criminal incidence rates because of changes to their justice procurement institutions[[4]](#footnote-5). This stresses the idea that the evaluation of law enforcement and justice institutions within a region is of vital importance. The main idea we want to convey is that both government and the business community have big incentives to promote the reform of institutions that may lead to better security of individuals and property.

Using the OCDE´s evidence-based policy making framework we wish to address how the relationship between security and competitiveness can be further explored with the intention of creating information that could mobilize governmental and non-governmental stakeholders.

1. Generating basic data: As mentioned throughout this report basic data is of fundamental importance to the policy making process. Available data for security and justice system indicators such as resources spent, human and physical infrastructure outputs, criminal incidence outcomes and public perception on public safety is still far away from the desired levels. A strong effort must be made to collect and compile data from criminal reports and justice system records for example. Additionally the increasingly common method of surveying unobservable outcomes such as public perception of safety, trust in institutions and victimization levels will play a crucial part to obtaining a more accurate depiction of the security and justice system panorama within regions. Lack of data is a lesser concern for measuring competitiveness, there is an increasing number of both governmental and nongovernmental organizations that collect and compile variables that are necessary to evaluate competitiveness within a region.

For this reason the highest priority should be the development of systems that ensure that data of criminal and legal processes is recorded and made available.

1. Transforming data into actionable evidence: While the availability of basic data is necessary it is not sufficient to understand the complex relationships between security and competitiveness. Compiled data must be minutely studied and analyzed with the intention of finding or confirming the key determinants of security and how and how much they affect region´s competitiveness.

As mentioned previously, an increasing number of non-governmental institutions, such as think-tanks, and academic centers have proposed and implemented complex and interesting methods to evaluate region´s competitiveness outcomes. Increases in available data should be accompanied by the incorporation of criminal incidence and justice system indicators into such studies potentially increasing our knowledge of the security-competitiveness relationship.

Additionally more minute exercises that analyze the effects of potential interventions and reform on law enforcement and criminal justice also must be undertaken. For example economic evaluation of potential policy can prove useful for policy makers by contrasting the costs and benefits of certain policy or intervention –mainly because an effective intervention may not be necessarily resource efficient- therefore economic evaluation of reform is much more useful to policy makers than only an effectiveness evaluation. For example one must remember that changes in criminal incidence have complex costs such as changes in consumer behavior than can impact competitiveness strongly and lead to weaker levels of economic growth.

1. Using evidence on security-competitiveness relationships into policy decisions: Once that data is transformed into evidence it should be disseminated among the relevant decision makers. If in fact lower levels of public security hamper competitiveness it is in the government´s interest to implement reform that lead lo lesser economic growth losses because of security concerns.
2. Creating indicators and reports that could mobilize non-governmental stakeholders: Secondary diffusion of evidence such as the creation of reports and indicators as well as the involvement of media can play a fundamental role into transforming evidence into policy. The detrimental effect of a lack of security in competitiveness levels does not only affect those institutions responsible with making policy happen, the business community as a one of the agents that can benefit the most from increases in competitiveness can play a vital role in pressuring the relevant authorities to implement reform and ultimately improve criminality outcomes. For this reason the creation and diffusion of evidence is a fundamental part of the policy making process, ideally informing and mobilizing stakeholders that can directly and indirectly benefit from informed policy decisions.

1. Gallegos and Gurrea in “Punto de Inflexión: Situación de la Competitivad de México”, IMCO, 2006 [↑](#footnote-ref-2)
2. WEF, The Global Competitiveness Report 2009-2010, 2010 [↑](#footnote-ref-3)
3. IMCO, Más allá de los BRICS, 2011 [↑](#footnote-ref-4)
4. Gallegos and Gurrea in “Punto de Inflexión: Situación de la Competitivad de México”, IMCO, 2006 [↑](#footnote-ref-5)