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 creating 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 set of 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 in intra national, marketplaces.

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 Mexico 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.

But the question remains. Just how much does insecurity affect competitiveness? The answer to this question is even less developed in the case of Mexico. Despite an increasing media and social focus on public safety since the start of president Felipe Calderon's term in 2006, most of the attention has been mainly about the loss of human life and the suffering of those involved while very little research has been done on the effects that these events have had on the development and growth of the Mexican economy. One of the main reasons of this lack of information is the unsatisfactory state of public safety data in Mexico both due to unavailability and quality concerns in the available data.

It is clear how the lack of basic information, and therefore of evidence, hampers the abilities of stakeholders to undertake actions with the aim of improving public safety conditions within a region. In our case in particular, the lack of data has been one of the main obstacles for research that would provide better understanding of the relationship between public safety and competitiveness.

**The road forward**

Using the OECD´s four step 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 impact the decisions of both government and citizens. The OECD framework relies on four basic components; generating basic data, transforming data into actionable evidence, using evidence to affect public policy making and creating indicators and reports that could mobilize non-government stakeholders.

1. **Generating basic data:** As previously mentioned, basic data is of fundamental importance to the policy making process. In Mexico 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. For example a strong effort must be made to collect and compile data from criminal reports and justice system records.

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 role in 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, validated and made available in ways that are easy to access for the general public.

Data availability and quality concerns are even more pronounced at the state and municipality level. While national statistics are often published and cited by government officials much work is yet to be done to disaggregate the data as to allow subnational analysis. Without proper data at the state and municipal level regional stakeholders are unable to fully participate.

While data availability and quality on justice and security in Mexico is still not sufficient we still need to highlight the progress that has been made in the past few years. In particular the creation by INEGI of two new large scale yearly victimization surveys, the Personal Victimization Survey (ENVIPE) and the Business Victimization Survey (ENVE) have gone a long way to provide better information to both researchers and the public about criminal incidence in Mexico and also about how criminality indirectly affects the behavior of citizens and firms. Additionally the Secretariat of the Interior (SEGOB) has through the National Public Safety System (SNSP) undertaken important steps to increase the quality and reporting frequency of criminal incidence statistics at the state level.

1. **Transforming data into actionable evidence:** While the availability of basic data is necessary it is not sufficient to understanding 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 a 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.

The Mexico Peace Index, and the world and regional peace indices, are an interesting example of such efforts. In particular the estimation of the direct and indirect costs of crime contribute a valuable piece of information that can help mobilize citizens, business and governments.

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 to generate 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.

**Does insecurity affect state level competitiveness in Mexico?**

While answering this question fully is well beyond the reach of this piece, using data from IMCO's 2012 Mexico State Competitiveness Index we try to get a glimpse of just how much criminal incidence and perception of public safety affect a region's competitiveness.

Released every two years, IMCO's State Competitiveness Index's main objective is helping Mexican states to adopt public policies that promote freedom, security and the welfare of citizens. Through 95 indicators in six subindices, the index measures, via the indicator's relations to gross fixed capital formation and percentage of population with higher education, just how competitive Mexican states are in comparison with one another.

The main question is whether criminal incidence and perception of security of a state affect competitiveness, measured through gross fixed capital formation and the percentage of population with higher education working within that region. In other words public safety and perception of public safety alter a state's ability to attract and retain investment and talent. More interestingly we wanted to test if the growth rate in criminal incidence, homicide rates and perception of safety affected the growth rate of gross fixed capital formation and the percentage of the workforce with higher education.

The results follow the logic we expected. It seems that on average a 14% increase on the

For these reasons firms and non-government stakeholders should encourage changes and reform that lead to better overall security indicators for their regions of influence.

Yet in the case of Mexico the situation is still more complex. One of the main barriers to action, by both government and non-government agents, is the lack of information regarding public safety either trough evaluation of specific programs or even the most basic data to assess the current panorama.

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)