

# Economy and institutions

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# Please Read Me

- Check the message **Welcome greeting** published in the News Bulletin Board.
- Dear student please edit your profile uploading a photo where your face is clearly visible.
- The purpose of the virtual meetings is to answer questions and not to make a summary of the study material.
- This presentation is based on (Cárdenas Santamaría et al. 2013, Chapter 4)

# Purpose

Analyze the role of institutions in the economy

# Definition of institutions

- “Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction” (Douglass C. North 1990, p 3)
- Institutions can be informal or formal (Douglass C. North 1991)
  - **Informal:** sanctions, taboos, customs, traditions, and codes of conduct
  - **Formal:** constitutions, laws, property right

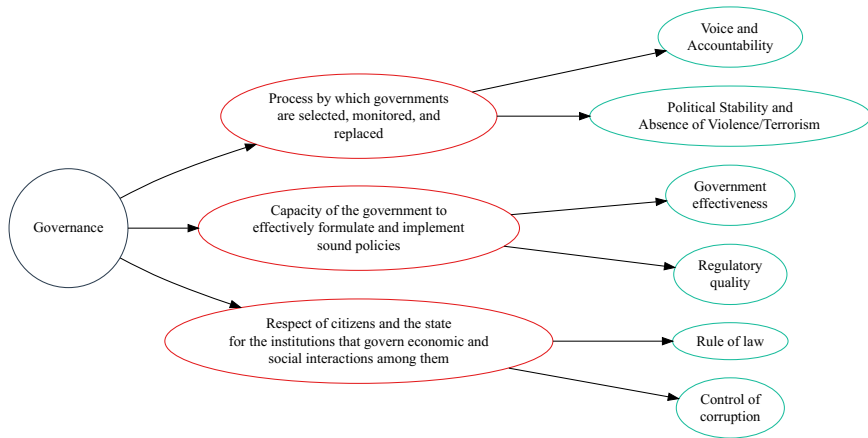
# Measuring formal institutions

- Governance

- Set of traditions and institutions by which authority in a country is exercised where it includes (Kaufmann, Kraay, and Mastruzzi 2011, p 222):
  - The process by which governments are selected, monitored and replaced
  - The capacity of the government to effectively formulate and implement sound policies
  - The respect of citizens and the state for the institutions that govern economic and social interactions among them

# Measuring formal institutions

- Governance dimensions (Kaufmann, Kraay, and Mastruzzi 2011, p 223)



# Measuring formal institutions

- Where can I find data?
  - Worldwide Governance Indicators (WGI) - WorldBank
    - <https://databank.worldbank.org/source/worldwide-governance-indicators>
- What is the methodology?
  - <https://info.worldbank.org/governance/wgi/> > Documentation

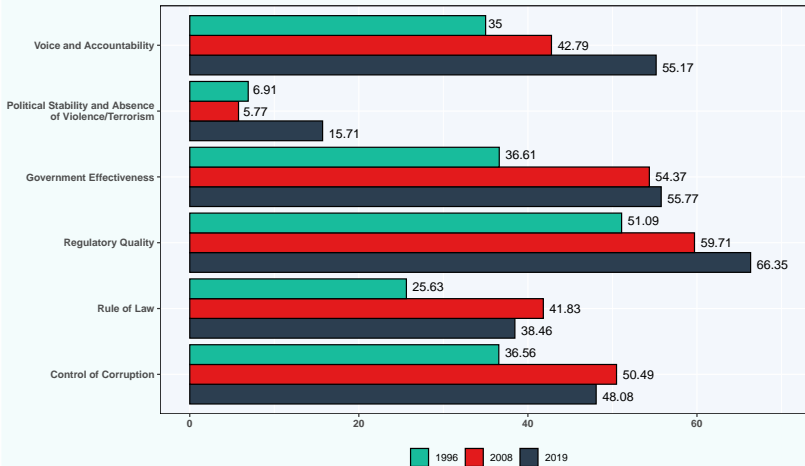


# Measuring formal institutions

## Governance dimensions for Colombia

All indicators are expressed as percentile ranks

Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to lowest rank, and 100 to highest rank









Source: Worldwide Governance Indicators (WGI) – World Bank  
Last update: 2020-09-28





# Regulation of business activity

- The report *Doing Business* analyzes regulation that encourages efficiency and supports freedom to do business (World Bank 2020, p 2)
- Where can I find data?
  - Doing Business - World Bank:
    - <https://www.doingbusiness.org/> > Explore Data Details > Select and economy: Colombia > Download Profile
    - <https://databank.worldbank.org/source/doing-business>
- What is the methodology?
  - <https://www.doingbusiness.org/> > Methodology
- **Warning: Investigation of Data Irregularities in Doing Business 2018 and Doing Business 2020** (Machen et al. 2021)

# Regulation of business activity

- Opening a business
  -  Starting a business
- Getting a location
  -  Dealing with construction permits
  -  Getting electricity
  -  Registering property
- Accessing finance
  -  Getting credit
  -  Protecting minority investors

# Regulation of business activity

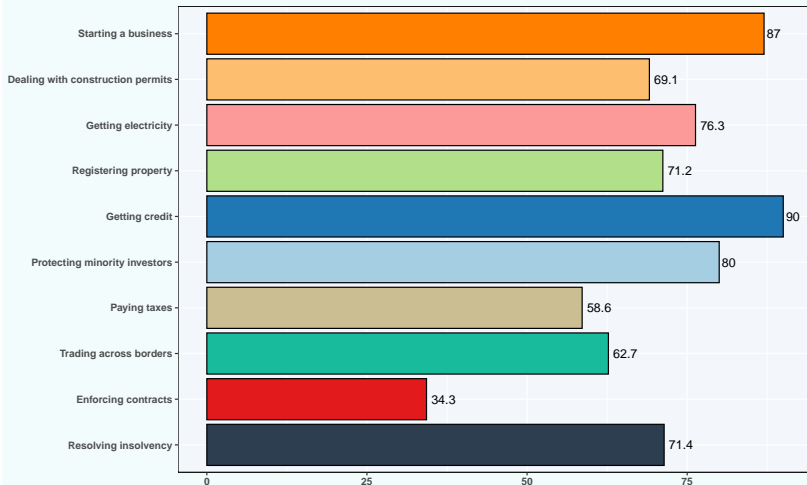
- Dealing with day-to-day operations
  -  Paying taxes
  -  Trading across borders
- Operating in a secure business environment
  -  Enforcing contracts
  -  Resolving insolvency

# Regulation of business activity

## Doing business topics for Colombia in 2020

All indicators are expressed as scores

0 = lowest performance to 100 = best performance

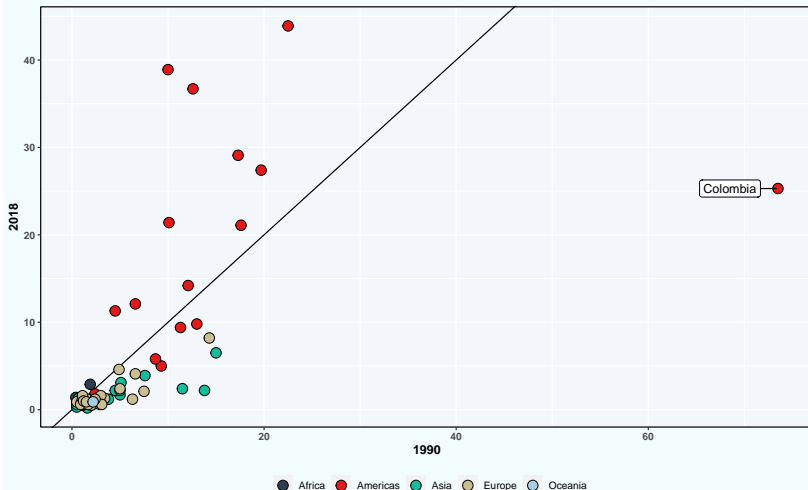


Source: Doing Business – World Bank  
Last update: 2021-08-18

# Crime

## Intentional homicide rate per 100,000 population: 1990 vs 2018

Number of countries: 63

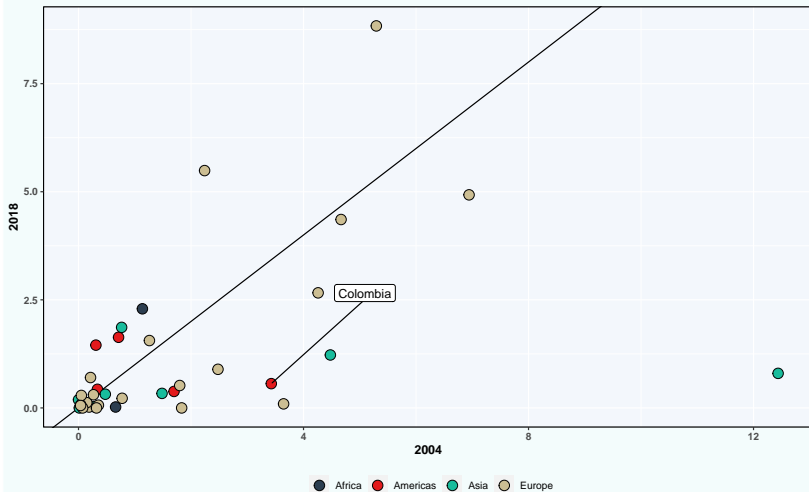


Source: United Nations Office on Drugs and Crime – DATAUNODC  
Last update: 2018-10-12

# Crime

## Kidnapping, police-recorded offences, per 100,000 population: 2004 vs 2018

Number of countries: 36

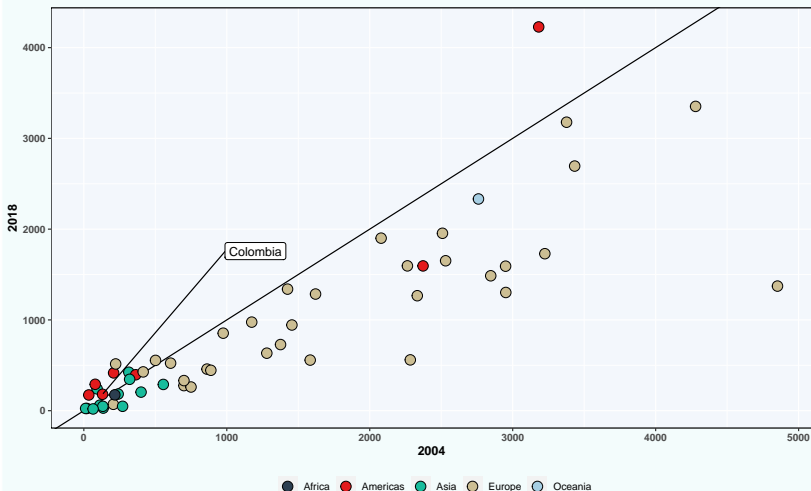


Source: United Nations Office on Drugs and Crime – DATAUNODC  
Last update: 2018-10-12

# Crime

## Theft, police-recorded offences, per 100,000 population: 2004 vs 2018

Number of countries: 54



Source: United Nations Office on Drugs and Crime – DATAUNODC  
Last update: 2018-10-12



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