

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 (Cardenas 2020, chap. 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

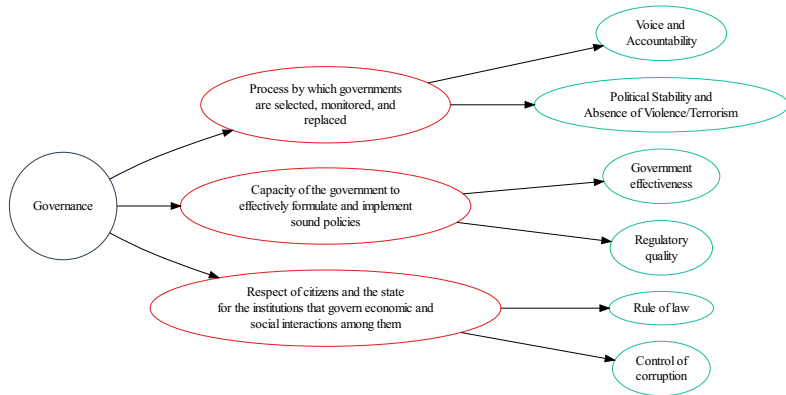
Measuring formal institutions

- 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)



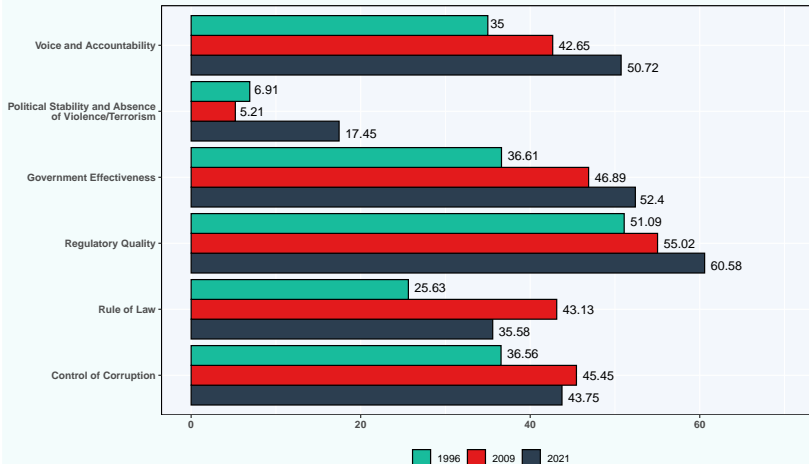
Measuring formal institutions

- 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: 2022-09-23





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

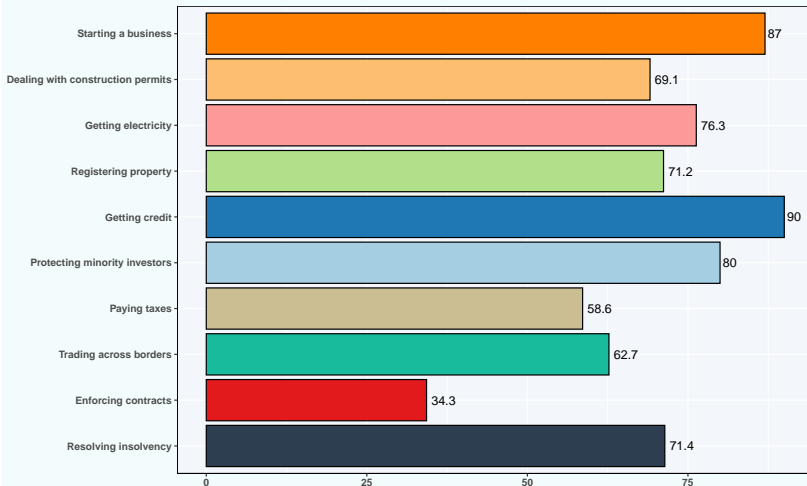
Regulation of business activity

- 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

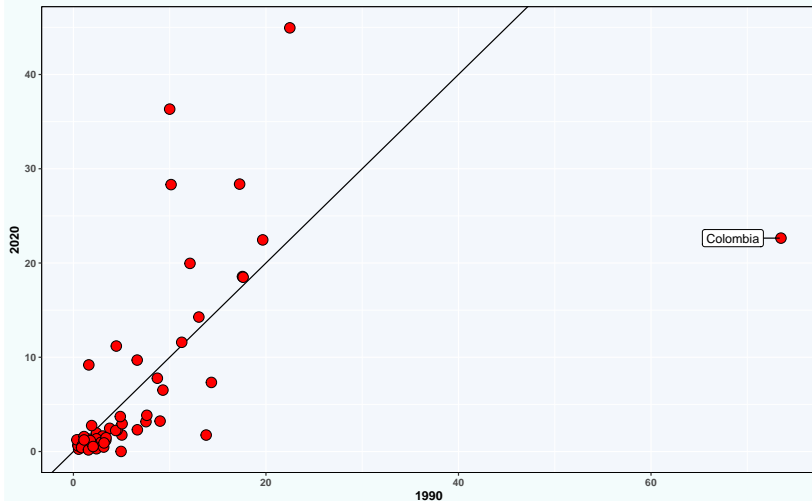
All indicators are expressed as scores
0 = lowest performance to 100 = best performance



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

Intentional homicides (per 100,000 people): 1990 vs 2020

Number of countries: 64

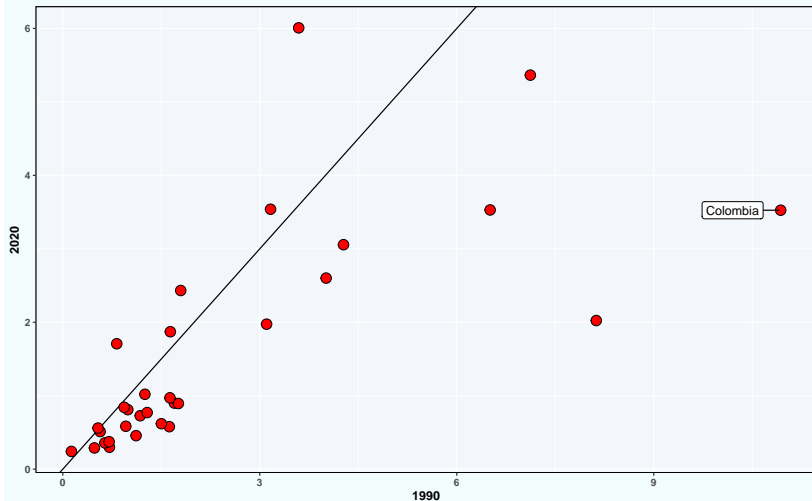


Source: World Development Indicators – World Bank
Last update: 2022-12-22

Crime

Intentional homicides, female (per 100,000 female): 1990 vs 2020

Number of countries: 31

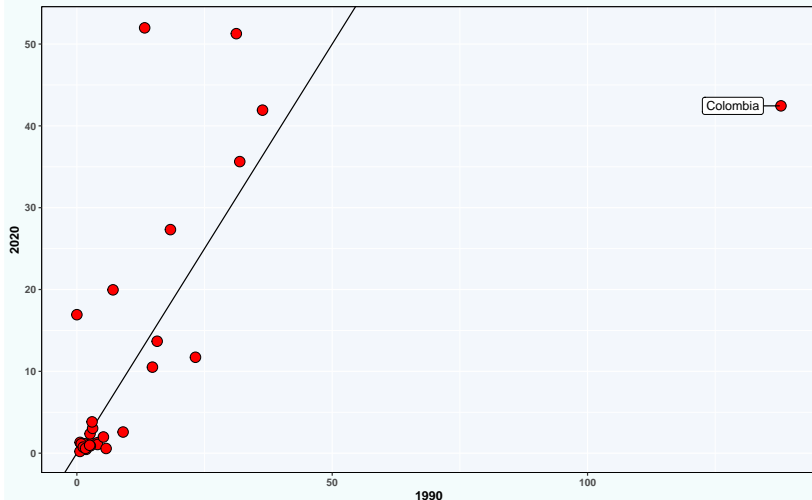


Source: World Development Indicators – World Bank
Last update: 2022-12-22

Crime

Intentional homicides, male (per 100,000 male): 1990 vs 2020

Number of countries: 31



Source: World Development Indicators – World Bank
Last update: 2022-12-22

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