

# 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

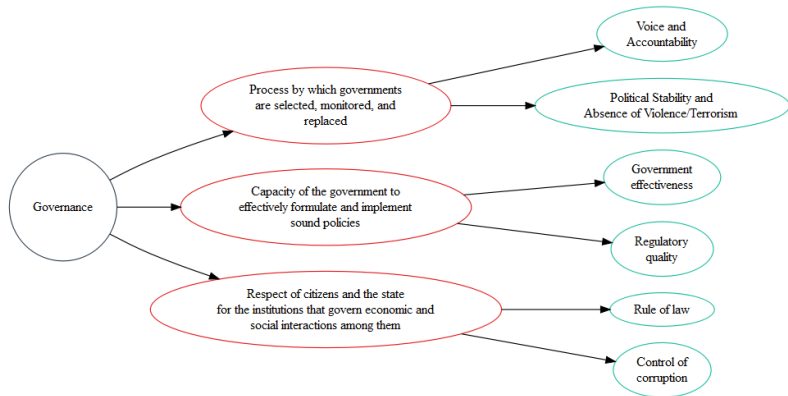
- “Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction” (Douglass C. North 1990, p 3)
- Institutions can be informal or formal (Douglass C. North 1991)
  - **Informal:** sanctions, taboos, customs, traditions, and codes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

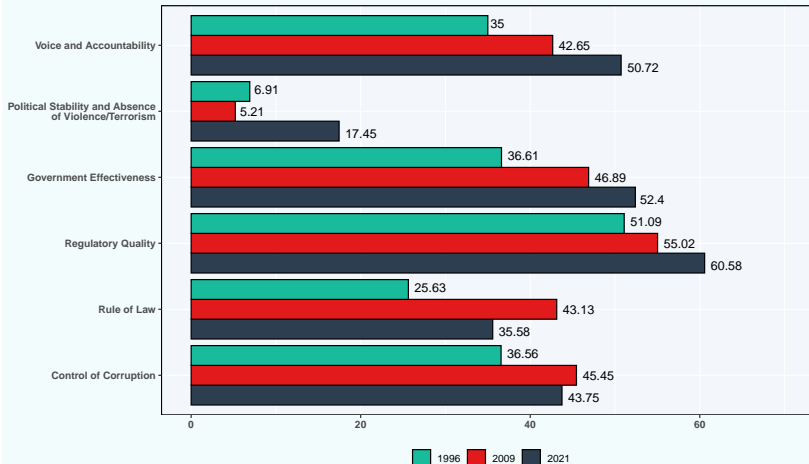
- Where can I find data?
  - Worldwide Governance Indicators (WGI) - WorldBank
    - <https://databank.worldbank.org/source/worldwide-governance-indicators>
- What is the methodology?
  - <https://info.worldbank.org/governance/wgi/> > Documentation



# 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: 2023-06-29





# 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

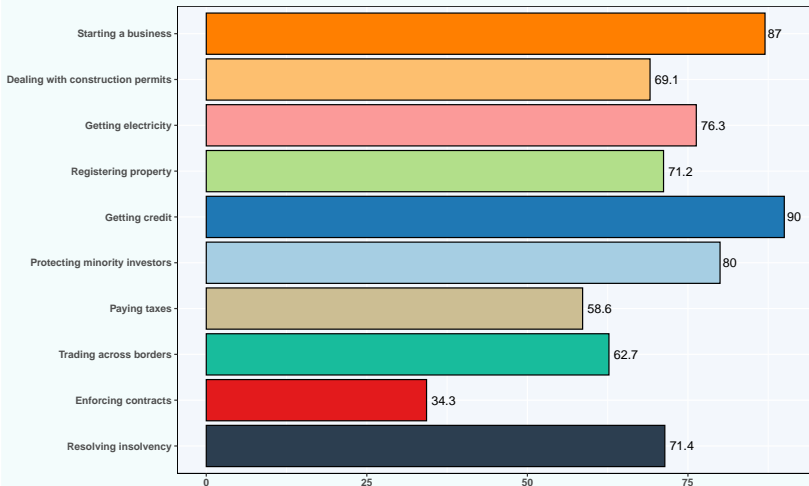
# Regulation of business activity

- 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

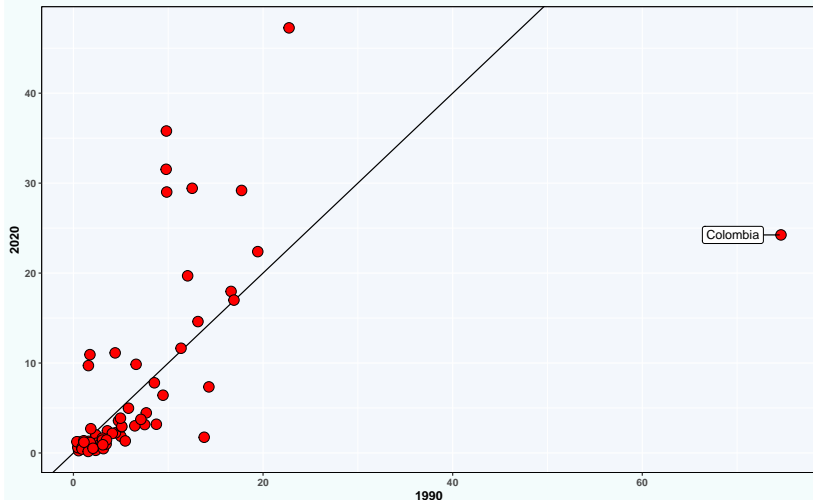


Source: Doing Business – World Bank  
Last update: 2021-08-18

# Crime

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

Number of countries: 74

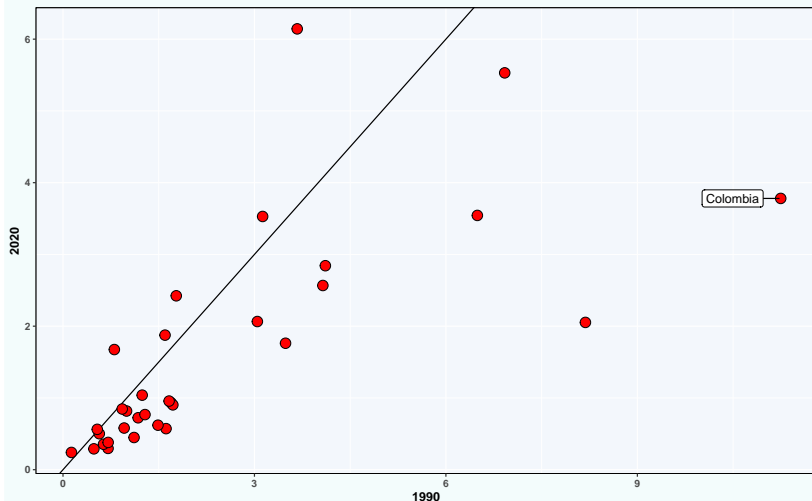


Source: World Development Indicators – World Bank  
Last update: 2023-06-29

# Crime

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

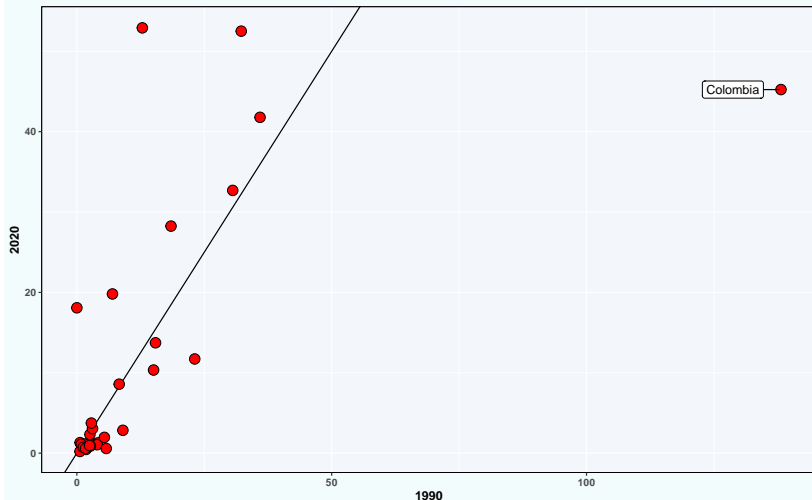
Number of countries: 32



Source: World Development Indicators – World Bank  
Last update: 2023-06-29

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

Number of countries: 32



Source: World Development Indicators – World Bank  
Last update: 2023-06-29



# Acknowledgments

- To my family that supports me
- To the taxpayers of Colombia and the **UMNG students** who pay my salary
- To the **Business Science** and **R4DS Online Learning** communities where I learn **R**
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- To the **Linux kernel community** for allowing me the possibility to use some **Linux distributions** as my main **OS** without paying for a license

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