

Instituições e Desenvolvimento: Um Guia Breve

Conferência das Furnas
Açores – Outubro de 2014

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What Are Institutions For?

“the humanly devised constraints that (...) structure incentives in human exchange, whether political, social or economic”

Douglass North (1990, p. 3)

What Are Institutions For?

- **Human nature**

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What Are Institutions For?

- **Human nature**
- **Constraints**

“the **humanly devised constraints** that (...) structure incentives in human exchange, whether political, social or economic”

Douglass North (1990, p. 3)

What Are Institutions For?

- **Human nature**
- **Constraints**
- **Structure exchange**

“the **humanly** devised **constraints** that (...) **structure** incentives in human **exchange**, whether political, social or economic”

Douglass North (1990, p. 3)

What Are Institutions For?

Formal versus informal institutions

Explicit procedures, detailed, coded

public administration

Social and behavioral conventions, generally accepted

corruption

Institutions versus Organizations

“Facilitators” of general application

business code

Defined structures that promote a very specific interest

business firms and public bodies

What Are Institutions For?

In perfect competition, institutions are redundant

Coase (1960)

However, there are transaction costs

Information and search costs

Bargaining and contracting costs

Observability and evaluation costs

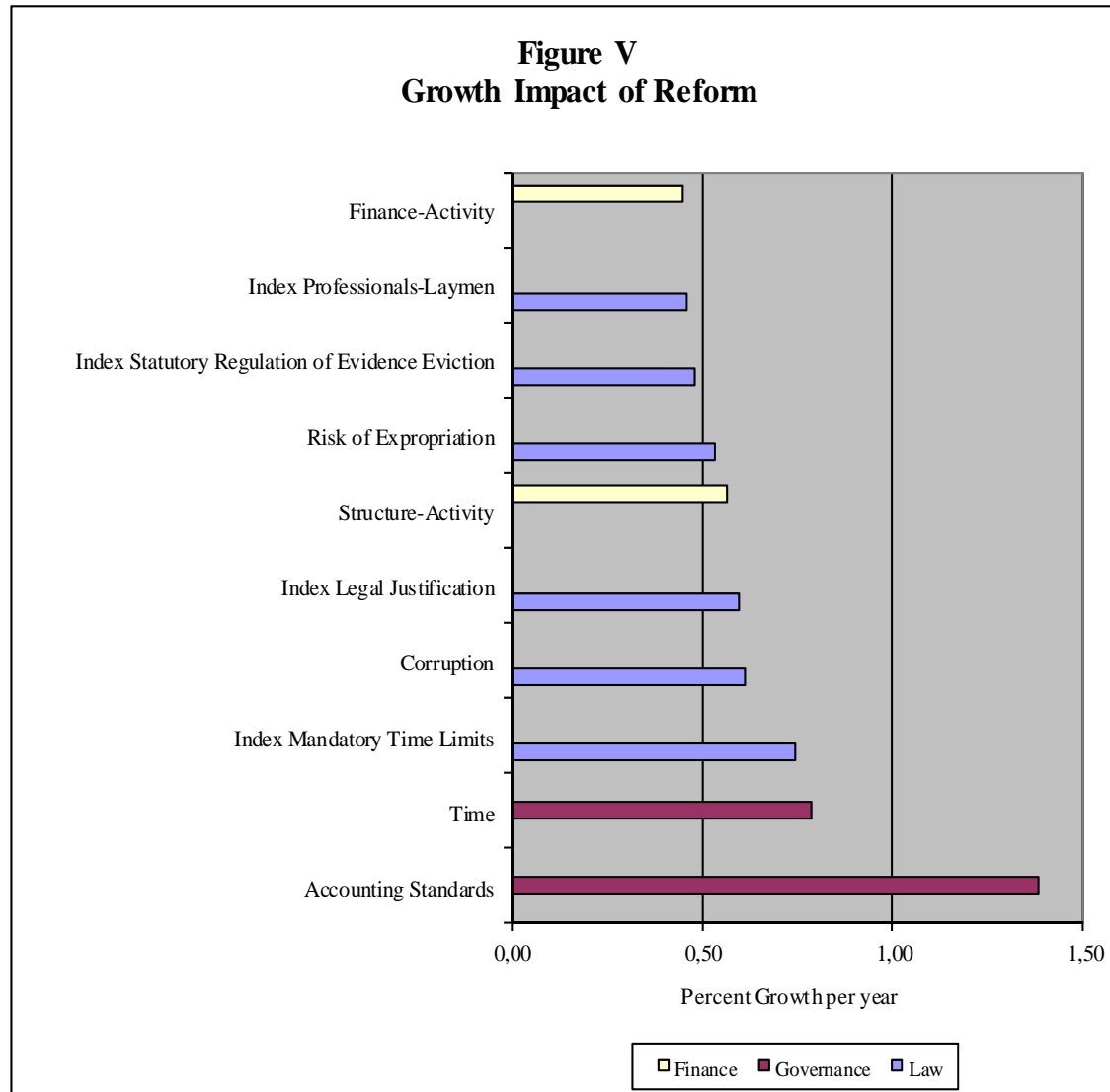
What Are Institutions For?

1. Create and Implement Rules
2. Aggregate Preferences
3. Share Risks and Reduce Uncertainty
4. Optimize Resource Allocation
5. Redistribute Resources

Impact on Growth

$$\text{Impact on Growth}_i = [\text{Institution}_i, \text{Portugal} - \text{Institution}_i, \text{EU Average}] * \text{Regression Coefficient}_i$$

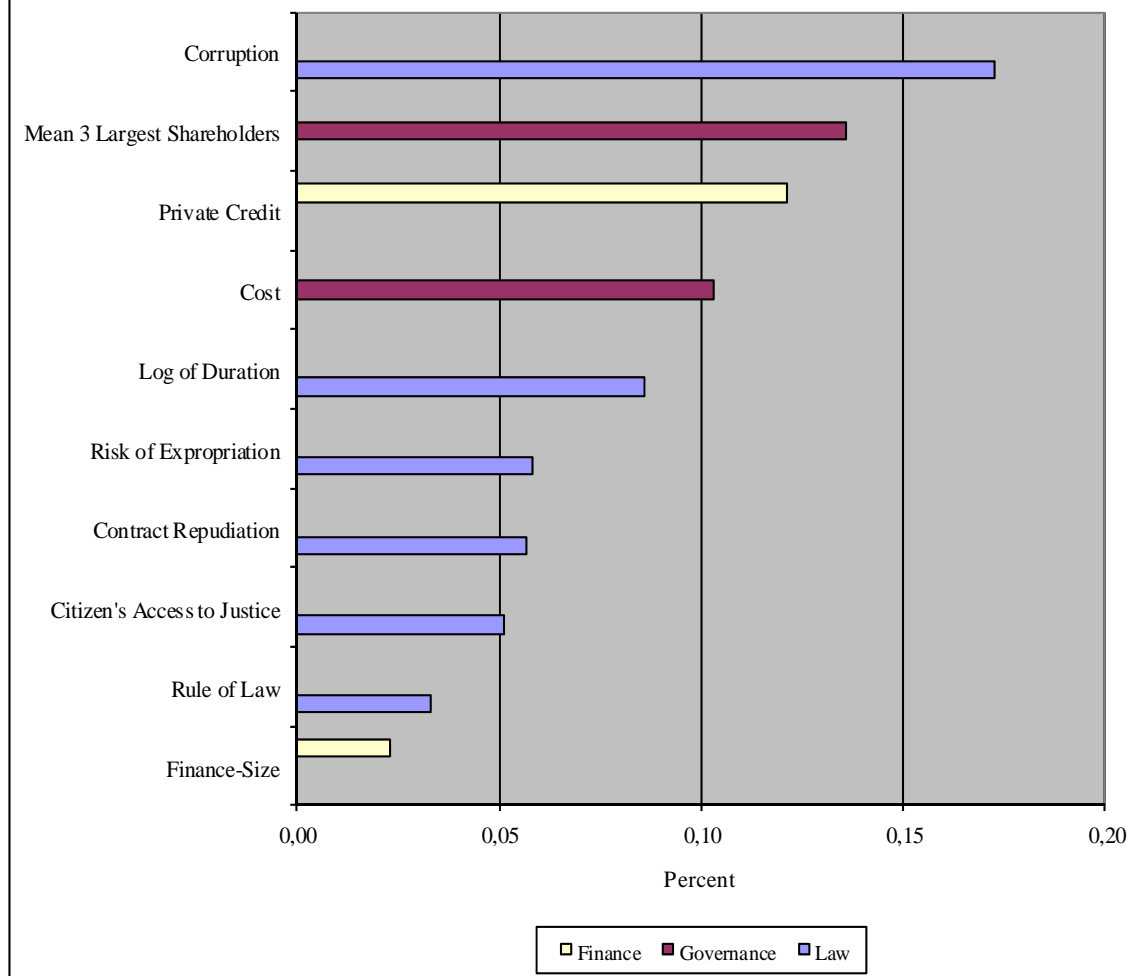
Figure V
Growth Impact of Reform



Required Reform Effort

$$\text{Required Reform Effort}_i = \frac{\text{Absolute} [\text{Institution}_i, \text{EU Average} - \text{Institution}_i, \text{Portugal}]}{\text{Absolute} [\text{Institution}_i, \text{Portugal}]}$$

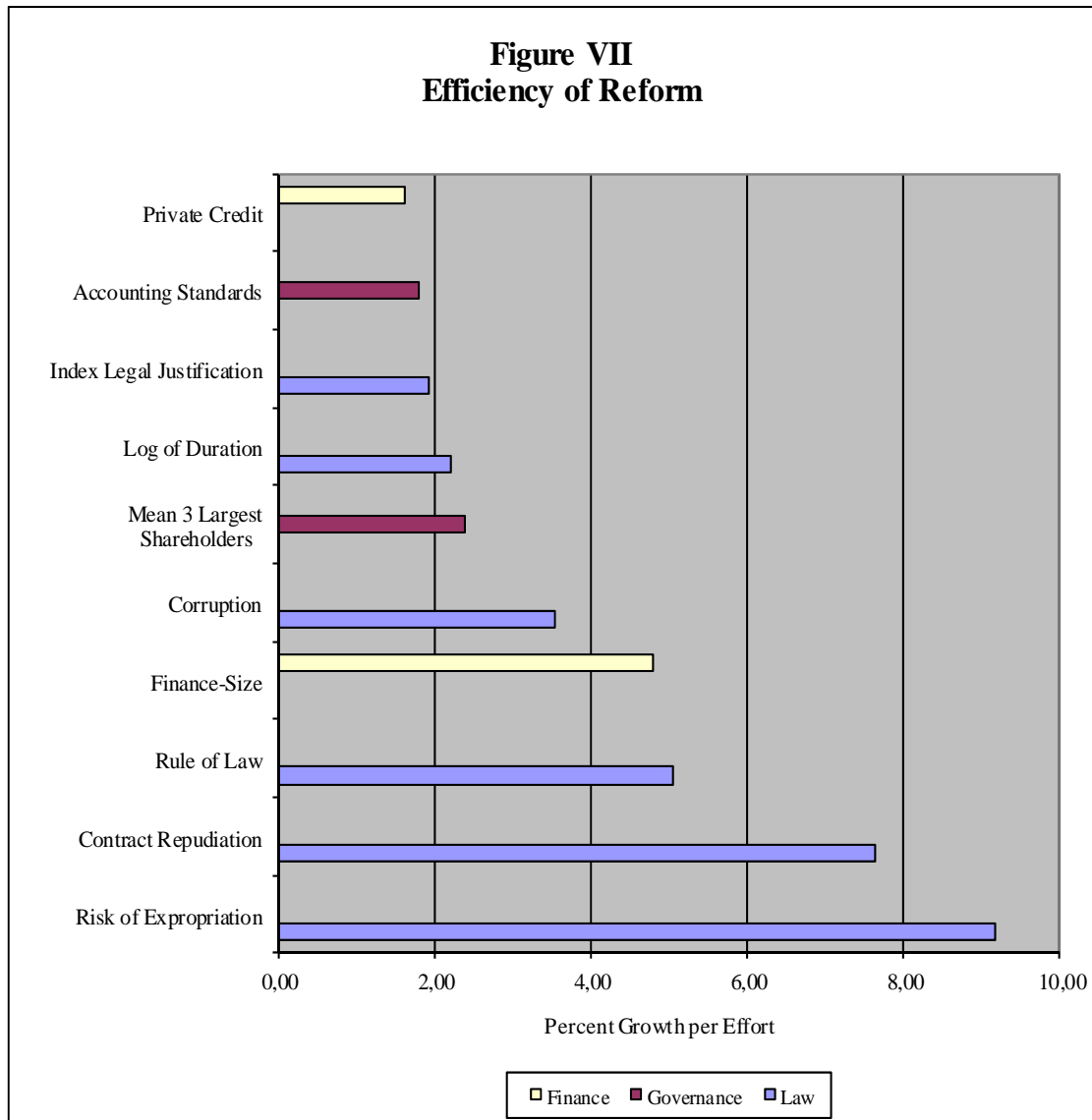
Figure VI
Required Reform Effort



Efficiency of Reform

Efficiency of Reform i =
Impact on Growth i / Required Reform Effort i

Figure VII
Efficiency of Reform



Jurisdiction Size and Institutions



Jurisdiction Size and Institutions



The Small and the Familiar

**Example:
Family
Usual Sense**

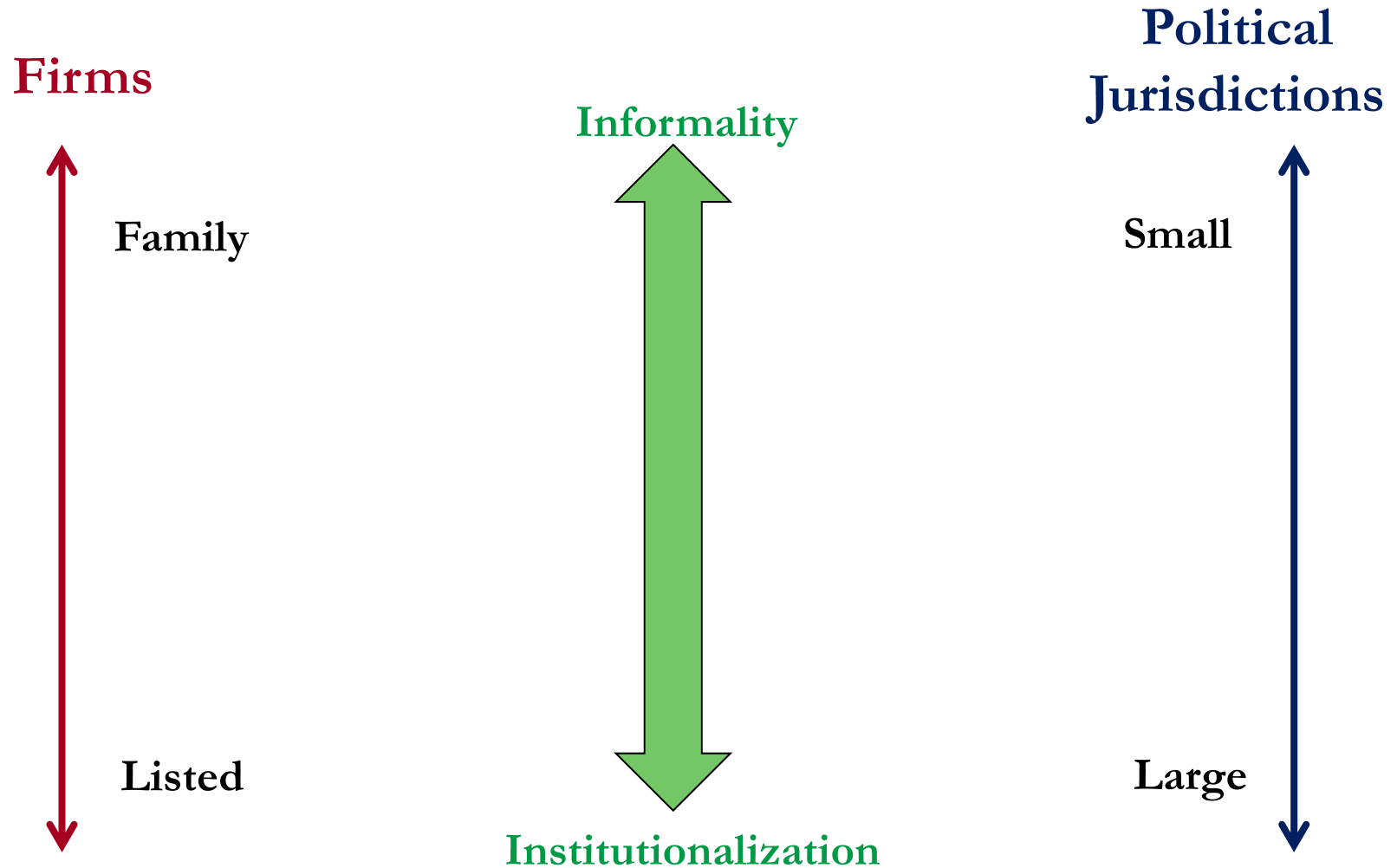
Limited Membership

**Example:
Direct Democracy
Greek City-State**

Plato's 5040 heads of family

- 1. Create and Implement Rules**
- 2. Aggregate Preferences**
- 3. Share Risks and Reduce Uncertainty**
- 4. Optimize Resource Allocation**
- 5. Redistribute Resources**

Jurisdiction Size and Institutions



From Family Firms to Listed Firms

Firms



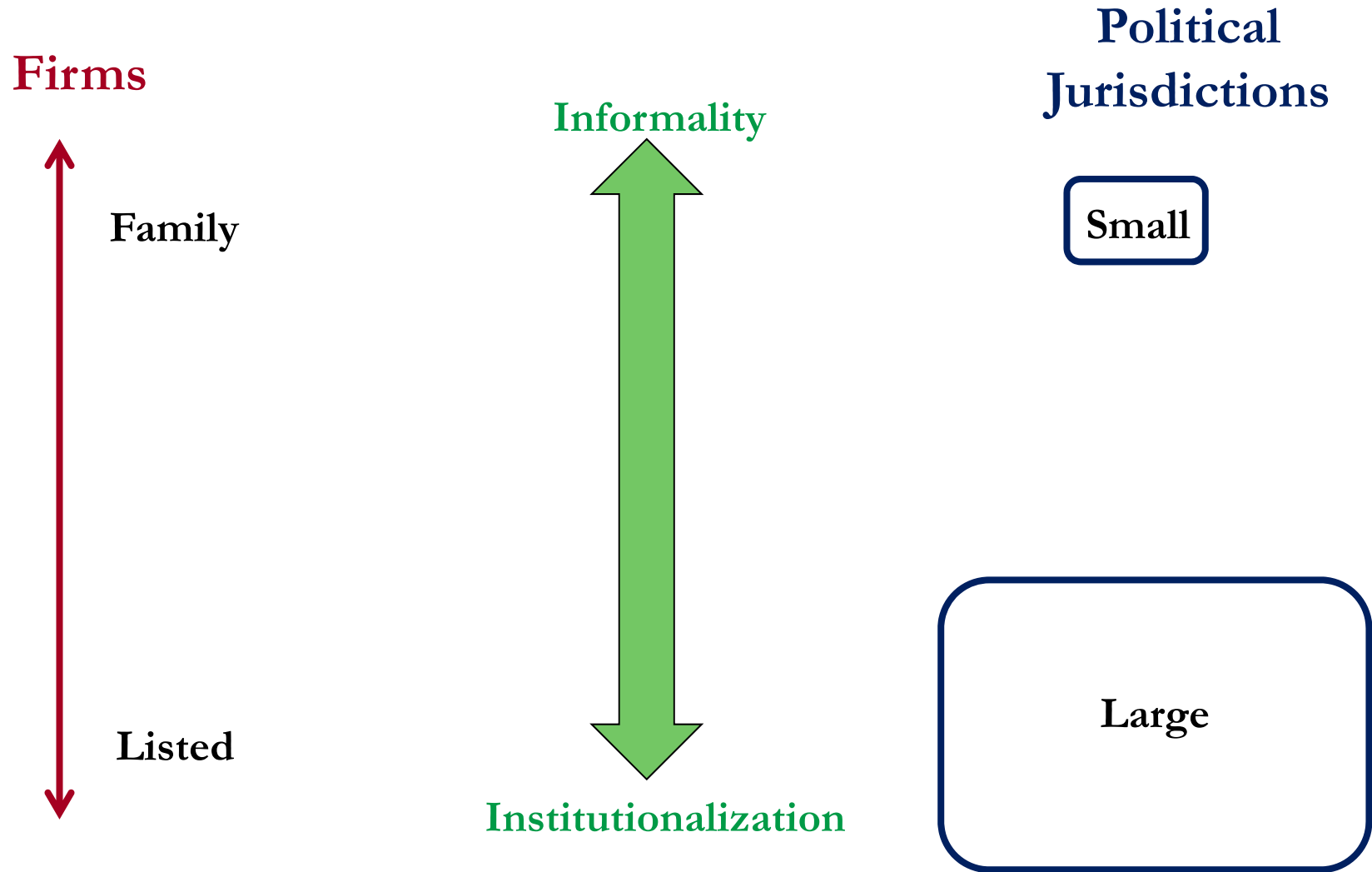
Family

Family Firms
Mike Burkart, Fausto Panunzi, Andrei Shleifer

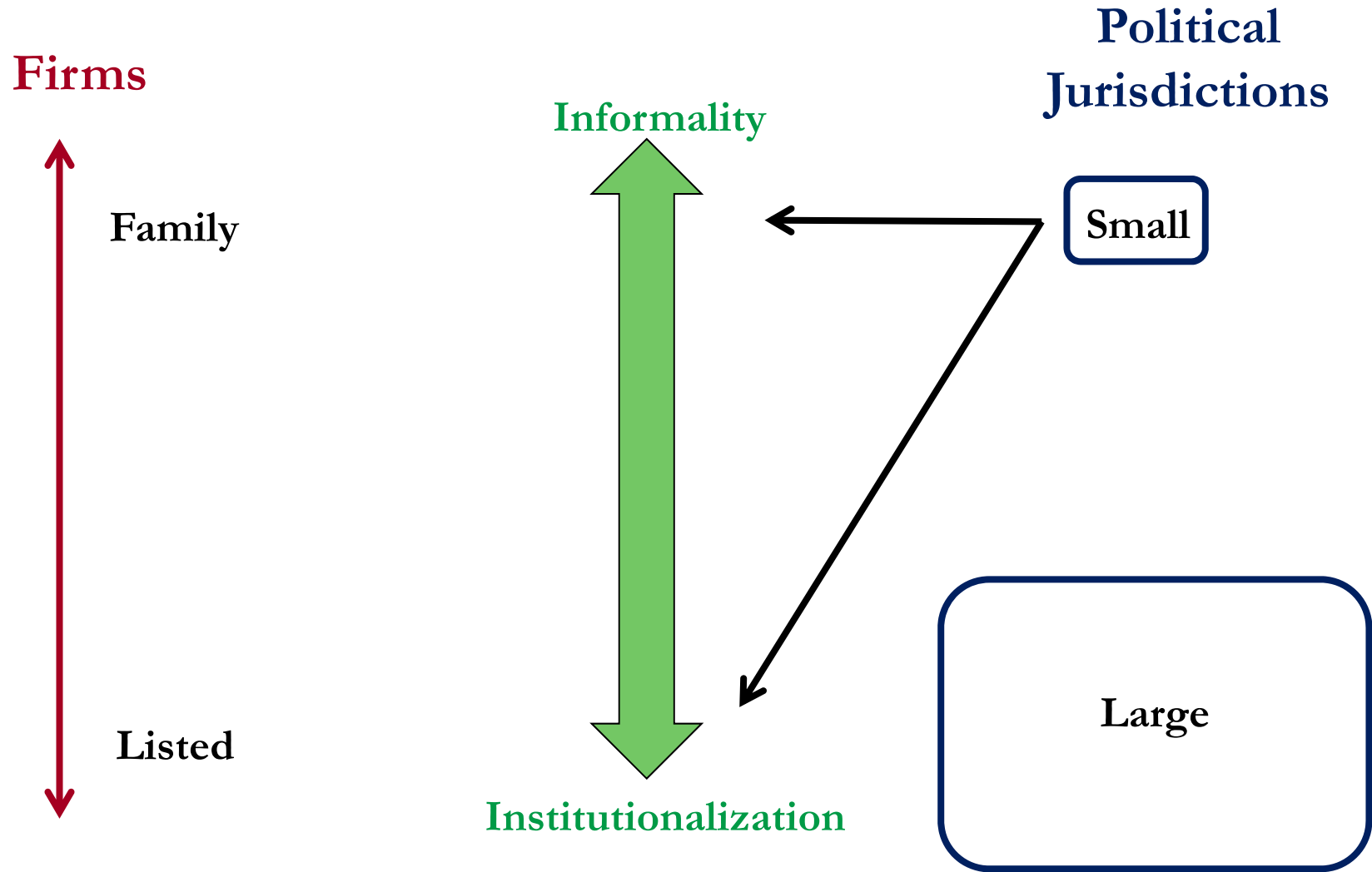
“In **legal regimes that successfully limit the expropriation** of minority shareholders, the widely held **professionally managed corporation** emerges as the equilibrium outcome. In legal regimes **with intermediate protection, management is delegated to a professional, but the family stays** on as large shareholders to monitor the manager. **In legal regimes with the weakest protection, the founder designates his heir** to manage and ownership remains inside the family.”

Listed

Small and Large Jurisdictions



Small Jurisdictions and Institutions



References

- Coase, Ronald (1960), "The Problem of Social Cost", The Journal of Law and Economics, Oct. 1960, 3, 1-44. Reprinted in Coase, Ronald, (1988) "The Firm, the Market and the Law", University of Chicago Press, Chicago.
- North, Douglass (1990) "Institutions, Institutional Change and Economic Performance", Cambridge, U.K., Cambridge University Press.
- Tavares, José (2004), "Institutions and Economic Growth in Portugal: A Quantitative Exploration", Portuguese Economic Journal, 3 (1).