



International  
Growth Centre

# Deals, Weak Institutions, and Growth under Elite Preferences

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September 24, 2014

# Doing Business

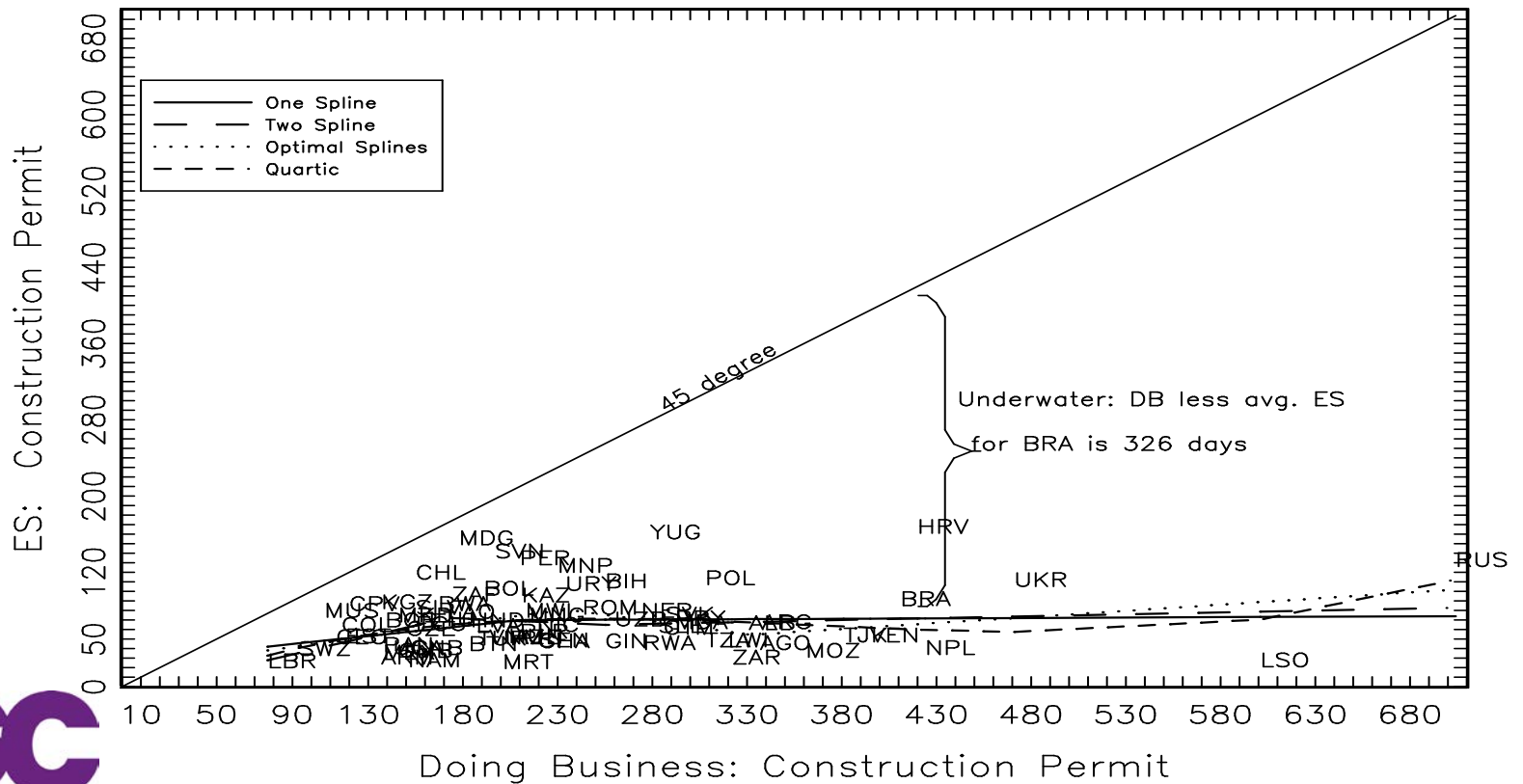
e.g. ROC, ranked 185/189

- Paying taxes: 49 payments per year, 602 hours
- Exporting: 11 documents, 50 days
- Importing: 10 documents, 54 days
- Enforcing contracts: 44 procedures, 560 days

How is this stable and “optimal”?

# Deals vs. Rules

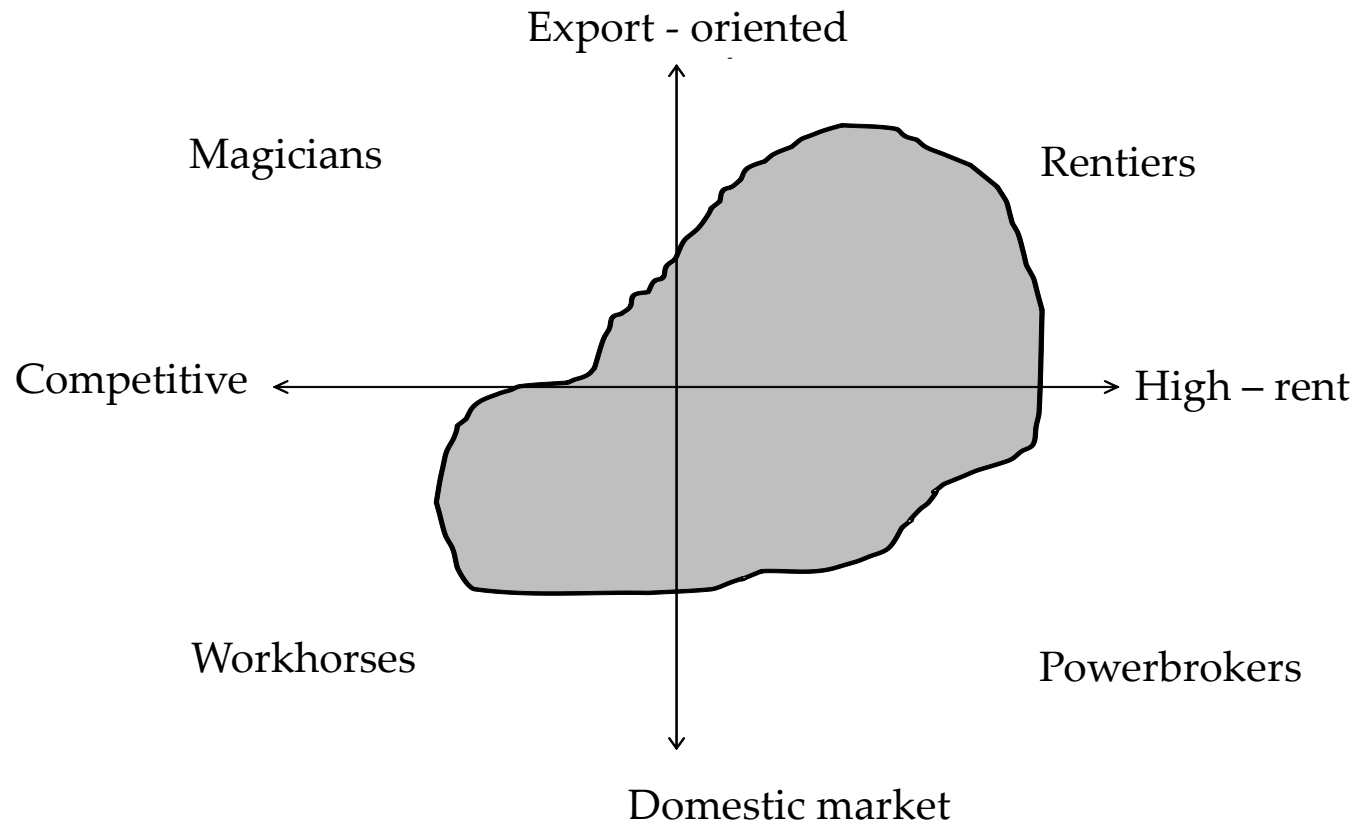
Figure 9: Doing Business and Enterprise Survey: Construction Permit (Actual and Predicted Values)



# Categorizing Economic Interests

	Market Competition	Discretionary Rents
Export-Oriented	<b>MAGICIANS</b> Manufacturing, service, agricultural exports	<b>RENTIERS</b> Mining, oil and gas
Domestic Market	<b>WORKHORSES</b> Small-scale farmers, light manufacturing, restaurants, retailers	<b>POWERBROKERS</b> Power generation and distribution, ports, natural monopolies

# Mapping Economic Interests



# It's a Deals World

Aggregation of preferences

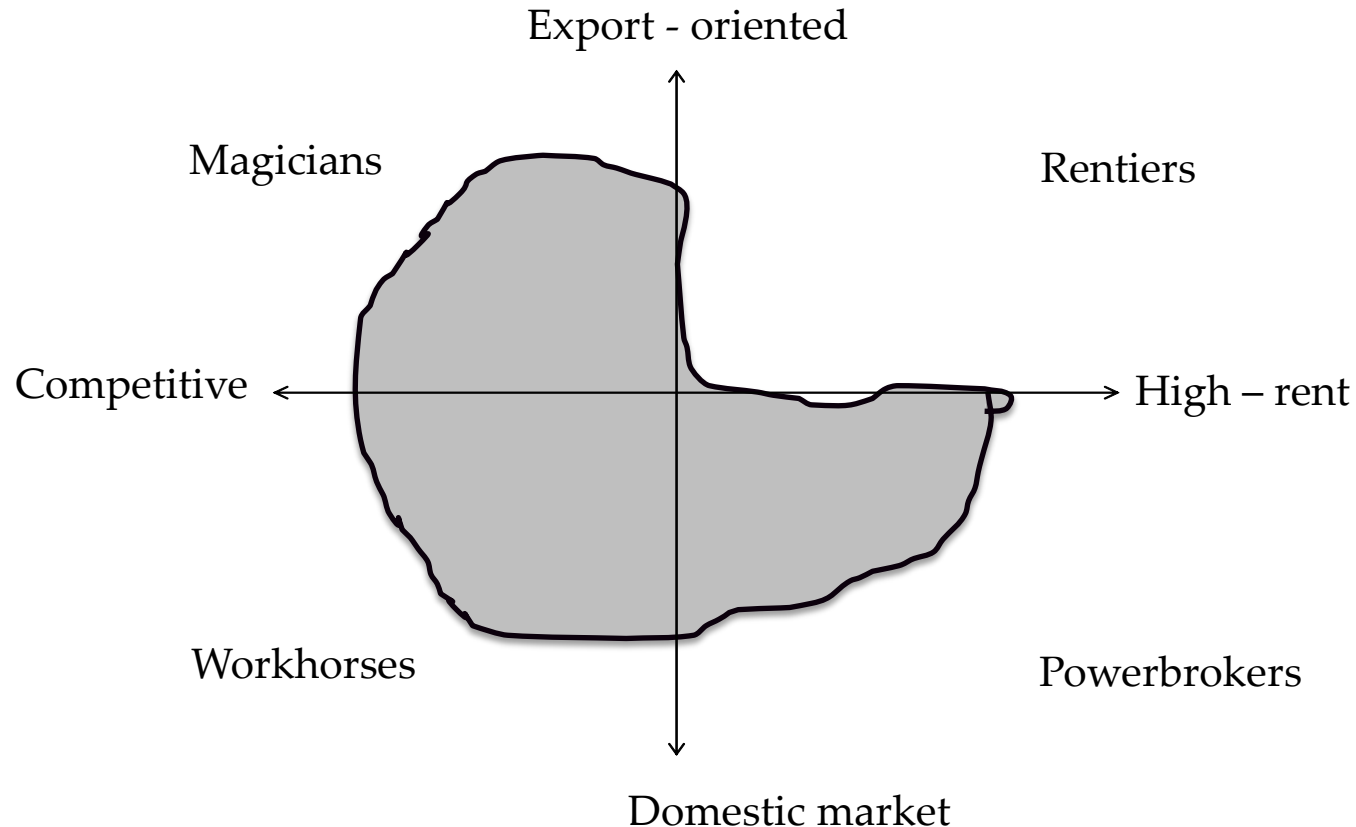
- Protecting the powerbrokers
- Rentiers are ring-fenced
- Workhorses informal, checked out
- No magicians to speak of

Accountability

- Buying flexibility not reforms
- Deals not rules

A burst in growth may entrench elite interests, sending institutions backwards

# The East Asian Tigers, rules, and transitions



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