Deals, Weak Institutions, and Growth under Elite Preferences

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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)

Source: Hallward-Driemeier and Pritchett 2011, in Pritchett and Werker 2012
## Categorizing Economic Interests

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

Source: Pritchett and Werker 2012
Mapping Economic Interests

Source: Werker 2012
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

Export - oriented

Magicians

Competitive

Workhorses

Domestic market

Rentiers

High – rent

Powerbrokers