



Transaction Costs

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Transaction Costs

- I. Theoretical part
- II. Practical part
- III. Possible social influences



I. Theoretical part

Woolcock (1998) identifies Lyda Hanifan as the first promoter of the concept for social capital in 1916, and this concept arose great interest in the beginning of the 90ties through the work of Putnam (1993).



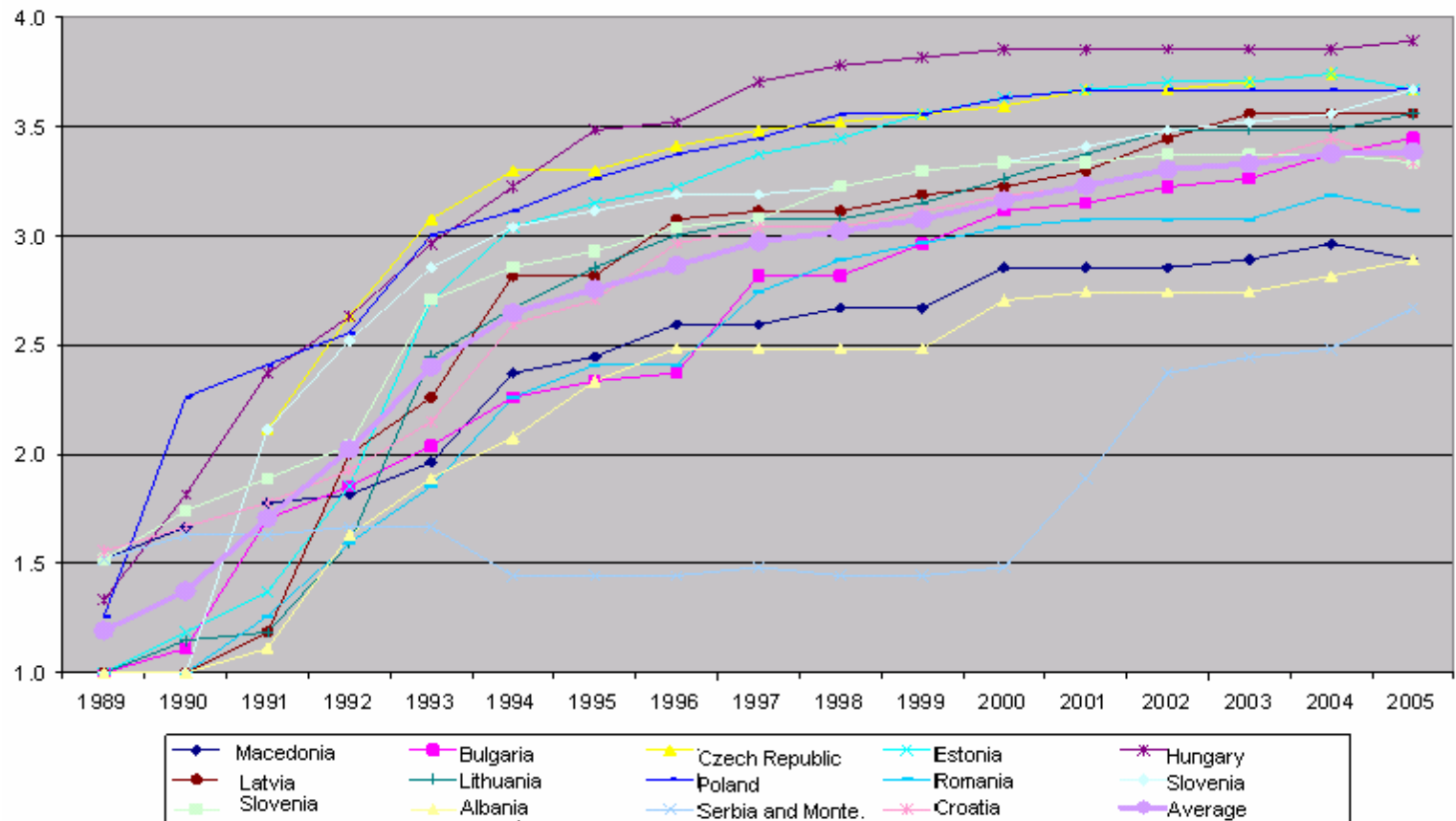
I. Theoretical part

Paldam and Svendsen (2001) claim that the transition in the Central and Eastern European countries is disappointingly slow having in mind the initial level of physical and human capital in the beginning of the transition. They claim that the slow tempo is a result of a lack of social capital as an important variable in the output.

$$dA/A = dY/Y - \alpha * dK/K - \beta * dL/L - (1 - \alpha - \beta) * dOK/OK$$

I. Theoretical part

EBRD Transitional Indicators for certain countries





I. Theoretical part

Now, according to the answers from the EU concerning the Questionnaire, the situation presented at the graph only illustrates that Macedonia is below the average on the path to transition and a lot more should be done in the areas of:

1. Stability of the institutions,
2. Development of functioning market economy
3. Ability to take up responsibility in the areas of politics, economics and monetary union.

(the so-called Copenhagen Criteria) although in the beginning of the transition there was better starting basis compared to the already present EU member states.



II. Practical part

The World Bank published Doing Business for 2005. In this document 155 economies in the world were ranked according to the indicator: *Ease of doing business.*

Economy	Macedonia
Ease of Doing Business	81
Starting a Business	114
Dealing with Licenses	64
Hiring and Firing	123
Registering Property	73
Getting Credit	53
Protecting Investors	30
Paying Taxes	58
Trading Across Borders	96
Enforcing Contracts	111
Closing a Business	109

II. Practical part

Starting a Business	Ease of Doing Business	Starting a Business	Ease of Doing Business	Starting a Business	Ease of Doing Business	Starting a Business	Ease of Doing Business
1 Canada	4	40 Tunisia	58	79 Taiwan, China	35	118 Paraguay	
2 Australia	6	41 Armenia	46	80 Bulgaria	62	119 Jordan	
3 United States	3	42 Netherlands	24	81 Japan	10	120 Guatemala	
4 New Zealand	1	43 Estonia	16	82 Vietnam	99	121 Greece	
5 Singapore	2	44 Zambia	67	83 Costa Rica	89	122 Ecuador	
6 Hong Kong, China	7	45 Italy	70	84 Mexico	73	123 Bosnia and Herzegovina	
7 Puerto Rico	22	46 Turkey	93	85 Argentina	77	124 Madagascar	
8 Romania	78	47 Germany	19	86 Spain	30	125 Senegal	
9 United Kingdom	9	48 Slovak Republic	37	87 Kuwait	47	126 China	
10 Jamaica	43	49 Mongolia	61	88 Burundi	143	127 El Salvador	
11 Ireland	11	50 Morocco	102	89 Philippines	113	128 Congo, Rep.	
12 Israel	29	51 South Africa	28	90 India	116	129 Honduras	
13 France	44	52 Bangladesh	65	91 São Tomé and Príncipe	123	130 Cote d'Ivoire	
14 Iceland	12	53 Fiji	34	92 Poland	54	131 Ghana	
15 Denmark	8	54 Iran	108	93 Kenya	68	132 Bolivia	
16 Afghanistan	122	55 Georgia	100	94 Ethiopia	101	133 Cameroon	
17 Tonga	36	56 Vanuatu	49	95 Venezuela	120	134 United Arab Emirates	
18 Finland	13	57 Malaysia	21	96 Azerbaijan	98	135 Syrian Arab Republic	
19 Norway	5	58 Rwanda	139	97 Korea	27	136 Belarus	
20 Sweden	14	59 Austria	32	98 Brazil	119	137 Cambodia	
21 Panama	57	60 Papua New Guinea	64	99 Lebanon	95	138 Burkina Faso	
22 Marshall Islands	48	61 Oman	51	100 Uganda	72	139 Mozambique	
23 Chile	25	62 Kiribati	45	101 Dominican Republic	103	140 Zimbabwe	
24 Mauritius	23	63 Guyana	105	102 Lao PDR	147	141 Timor-Leste	
25 Maldives	31	64 Sierra Leone	136	103 Croatia	118	142 Niger	
26 Latvia	26	65 Nicaragua	59	104 Portugal	42	143 Mali	
27 Kyrgyz Republic	84	66 Bhutan	104	105 Nigeria	94	144 Indonesia	
28 Switzerland	17	67 Uzbekistan	138	106 Peru	71	145 Guinea	
29 Thailand	20	68 Sudan	151	107 Benin	129	146 Mauritania	
30 Nepal	55	69 Moldova	83	108 Albania	117	147 Saudi Arabia	
31 Russian Federation	79	70 Malawi	96	109 Algeria	128	148 Togo	
32 Solomon Islands	53	71 Samoa	39	110 Ukraine	124	149 Haiti	
33 Kazakhstan	86	72 Hungary	52	111 Lesotho	97	150 Eritrea	
34 Belgium	18	73 Colombia	66	112 Central African Republic	153	151 Yemen, Rep.	
35 Serbia and Montenegro	92	74 Botswana	40	113 Tanzania	140	152 West Bank and Gaza	
36 Sri Lanka	75	75 Micronesia	56	114 Macedonia, FYR	81	153 Congo, Dem. Rep.	
37 Lithuania	15	76 Namibia	33	115 Egypt	141	154 Chad	
38 Pakistan	60	77 Czech Republic	41	116 Uruguay	85	155 Angola	
39 Palau	50	78 Slovenia	63	117 Iraq	114		



II. Practical part

Table 3: Number of created companies in Macedonia

Seap	2000	2001	2002	2003	Average
Newly created	1364	1997	1481	1308	1538

Table 4: Added value in the Macedonian GDP and number of registered companies in Macedonia

Seap	2000	2001	2002	2003	Average
Added Value (million MKD)	197344	195230	198592	216938	202026
Number of enterprises	53227	55363	54143	HA	54244

Source: Questionnaire for the European Commission and publication of the Ministry of Finance.



II. Practical part

1. 14000 MKD daily per enterprise
2. In conclusion, each of the 1500 enterprises for each day that they do not work, cost Macedonia an average of 14 000 denars newly created value or a daily amount of 21 million denars added value or 5.5 milliard denars annually lost added value. These 5.5 milliard MKD are about 2% of the total annual added value in Macedonia.



II. Practical part

Table 5: Necessary number of days for starting a business in groups of countries according to quartiles.

Necessary number of days for starting a business	Days	Country
First quartile average	16	Sweden
Second quartile average	29	Austria
Third quartile average	152	Brazil
Fourth quartile average	94	Cambodia
Third quartile	48	Macedonia



II. Practical part

Table 7: Loss in GDP growth caused by inefficiency in starting a business.

	2003 / 2002 Macedonia in the first quartile	2003 / 2002 Macedonia in the second quartile
Gross Domestic Product	4.2	4.1



II. Practical part

Table 8: Number of enterprises according to size

	2000	2001	2002
Small	52222	54320	52979
Medium	533	532	354
Large	472	511	810
Total	53227	55363	54143

Table 10: Structure of the added value according to the size of the enterprise

	2000	2001	2002
Small	43.6	45.7	47.3
Medium	13.8	15.1	9.5
Large	42.6	39.2	43.2
Total	100.0	100.0	100.0

Source: Questionnaire for the European Commission



II. Practical part

Table 7.1: Loss in GDP growth caused by lack of efficiency when starting a business of a small enterprise

	2003 / 2002 Macedonian the first quartile	2003 / 2002 Macedonia in the second quartile
Gross Domestic Product	4.01	3.96

Table 7.1 shows that Macedonia losses about 0.1 percentage points in annual GDP growth because of inefficient starting a business or it counts 9,5 million MKD daily or around 150000 Euros daily.



II. Practical part

The correlation coefficient of starting a business with the other areas is presented in the Table

Starting a Business	Correlation
Hiring and Firing	0.38
Dealing with Licenses	0.49
Registering Property	0.41
Getting Credit	0.48
Protecting Investors	0.44
Paying Taxes	0.35
Trading Across Borders	0.49
Enforcing Contracts	0.55
Closing a Business	0.54

It is evident that starting of a Business is in tightest connection with the implementation of agreements and is least connected with the paying of taxes and hiring and firing of the labor force.



III. Possible social influences

1. Serious setback of our business environment is the (lack of) quality of human resources as well as the development of the professions and the professional and ethical behavior. Unfortunately, the question whether the problem is the shortage of qualified labor or the bad working ethics remains open. Simply, the people are not used to working up to the capacity that is necessary and which is required by the market economy and the new working conditions.
2. The personal acquaintances and the lobbying are more important than the respecting of laws as the rules of the game.
3. Perhaps, the general situation of reduced purchasing power combined with the mentality arises expectations that someone who does administrative work should be rewarded for something that is their actual working assignment. These type of expectations are two –way, both by the user and the administration.