

Improving the Business Climate Around the World What is to be done?

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To improve the well-being of the poor around the world, it is essential to improve the economic performance of the private sector. A crucial step is to develop a better business climate. Our current objective is to determine where payoffs to research in this area are likely to be high.

We review the state of knowledge concerning 1) when and where the business climate has improved, 2) what is currently known about the sources and consequences of improvements, 3) what metrics are available to document improvements, and 4) feasible research strategies to better understand the relationships between policy changes, interest group activities, political arrangements, and improvements in business climate. We examine the strengths and weaknesses of the business climate indices available from the World Bank and other organizations, and the particular role of business associations in facilitating improvements. We argue for a strategy that combines country case studies with micro-micro studies of entrepreneurs' actual experience on the ground. The recent experiences in Peru, Brazil, and Ukraine are examined.