

# EABER WORKING PAPER SERIES

PAPER No.7

**INSTITUTIONS FOR ENHANCING ECONOMIC POLICY PERFORMANCE**

**PHILIPPA DEE**

CRAWFORD SCHOOL OF ECONOMICS AND GOVERNMENT  
AUSTRALIAN NATIONAL UNIVERSITY  
PHILIPPA.DEE@ANU.EDU.AU

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**ABSTRACT:**

Good microeconomic policy requires two things. The first is a commitment to the entrenchment of well functioning markets and to letting market competition determine economic outcomes in all circumstances where competition is appropriate. The second is good regulations (that is, rules) to guide economic outcomes when competition is not appropriate. Two sorts of institutional strategies are required to attain good microeconomic policy foundations. Good regulations require good supporting institutions to implement and enforce the rules. So countries need to identify the institutional frameworks they will need to support good regulatory regimes. But no economy starts out with the best regulations or supporting institutions. Instead they inherit a set of regulations and institutions that reflect their own unique history. Further, economic growth and technological developments mean that the areas where competition is appropriate can change over time.