Transaction costs: a determining factor in the emergence of compagnies

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Abstract:
This research aims to contribute to the discussion on ways that favour the development of businesses in Algeria. Based on an exploration of the theoretical contribution of the new institutional economics of transaction costs, we propose structuring transaction costs that present themselves as constraints to investment to inspire avenues for improvement. The study seems to reveal that issues of information and opportunistic behaviour, initially used to justify the existence of firms, are also at the root of many uncertainties that can hinder their emergence. The quality of institutions is proving to be a determining factor in reducing uncertainty and building confidence. Taking this into account when devising strategies to improve the business climate, could be an effective way of unlocking Algeria's investment potential.
Keywords: Transaction costs, Institutions, Institutional environment, Business climate, Entrepreneurship.

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1 INTRODUCTION

Algeria has actively promoted private enterprise since the 1990s, considering it a crucial element in transitioning to a market economy. Despite various reforms and a favourable macroeconomic context, the country’s economic growth remains closely tied to the hydrocarbon sector. However, the private sector’s commitment does not align with the public sector’s disengagement. The structure and size of private companies, along with weaknesses in industrial and technological sectors, reflect the hesitancy of the private sector. Fostering business startup is essential for Algeria’s long-term recovery, diversification, and growth, especially if competitive, job-creating ventures are to thrive. This paper aims to contribute to the discourse on improving Algeria’s business environment by drawing insights from institutional economics.

The study of the investment climate is presented as a reflection on the reasons which hinder the development of companies, with a view to their improvement. Placing the company at the heart of the debate has prompted us to consider the possibility of approaching this theme using tools developed in the context of answering questions about the existence of the company, which we will try to exploit in order to understand the constraints on its creation and development. In fact, the new institutional economics of transaction costs proposes a new approach to explaining the factors favouring the emergence of the entrepreneur by shedding light on the operating costs of the economic system: transaction costs. Our problem in this paper is to understand the forms that transaction costs can take in constraining the emergence and development of firms. Knowledge of the origins of these constraints is, in our view, a prerequisite for effective adoption of the perspectives provided by the institutional current for improving the business climate.

To shed light on this issue, we will adopt an exploratory approach. On the basis of a review of the literature relating to the hypotheses of our reference theory, we will analyse the factors at the origin of transaction costs and the way in which these can manifest themselves as obstacles to business creation. This point isdecisive because it allows us to contribute to a theoretical structuring of institutional constraints on investment, with a view to their empirical examination. The final outcome of this reflection is to enrich the recommendations concerning the factors for improving the business environment in Algeria.

2 The origins of transaction cost theory

The theory of transaction costs is based on the notion of transaction costs put forward by R. Coase in his pioneer article. He proposed a renewal of the question of the nature of the firm and the reasons for its existence as a form of economic organisation.An alternative to the market justified by its superiority in being able to save on the costs arising from recourse to the price system: transaction costs. The argument led to a fundamental break with the principles of the efficiency of market mechanisms, which until then had formed the core of microeconomic teaching.

2.1 The firm in neoclassical theory

In the neoclassical economic approach, "*which embodies the methodological individualism that explains economic and social facts on the basis of individual behaviour*" (Guerrien, 1999, p. 6), the firm is conceived as a "black box" "*that formalises and represents the actions that the owners of factors take to extract the maximum value from them,..., (this) maximisation of profit is the consequence of the maximisation of utility, in a system of firms completely specialised in production*" (Demsetz, 1998, pp. 38-37). It is assumed to be motivated solely by maximisation behaviour (Demsetz, 1998, p. 32) and is therefore likened to an agent without thickness or dimension, which automatically adapts to market conditions. (Coriat & Weinstein, 1995, p. 14)

2.2 The existence of the firm argument

Referring to D.H. Robertson, who argued that there are *"islands of conscious power[1]in an ocean of unconscious cooperation"* (Coase, 1987, p. 135), R. Coase constructed the argument for the existence of the firm as a structure of economic coordination. His reasoning was based on the initial assumption that the firm should not be the subject of analysis, or even exist because of the perfect coordination provided by the market, and then to question the interest that entrepreneurs might then find in creating firms. He writes: *"If coordination is achieved through the price system,... why would organisation be necessary? Why do these islands of power exist?"* (Coase, 1987, p. 136) The answer to these questions refers to the failure of the market, characterised by the existence of transaction costs, where the existence of entrepreneurial coordination; the firm is justified by its ability to supplant the price mechanism by saving transaction costs.

3 The limits of the price system according to R. Coase

The neoclassical model was called into question when R. Coase argued that price orientation was not free. A series of criticisms of the perfect market hypothesis are put forward, defending the existence of the firm as an alternative resource allocation structure to the market.

3.1 Market perfection in the neoclassical model

In fact, in neoclassical literature,"*the price determination system (is) presented as an automatic self-regulating system,..., which functions by itself*" (Coase, 1988, p. 80), where coordination takes place through the efficiency mechanism[2] : the price system This concept is in line with F. Hayek's idea of the market as "a marvel" in that it allows the economy of information, the latter being reflected spontaneously by the equilibrium price; the result of the variation of supply and demand conditions on the totally free market based on two hypotheses[3] : that of human behaviour, postulating the perfect rationality of individuals, and that relating to the price system, assuming free and immediate knowledge of the prices charged on the market. As will be highlighted in the following paragraphs, R. Coase's criticism is essentially focused on these assumptions.

3.1.1 The behavioural hypothesis of homoeconomicus

The theoretical representation of the behaviour of homoeconomicus enshrines the freedom of individuals to make exchanges by considering human beings to be perfectly rational[4] in the sense that they are supposed to be able to anticipate and analyse all information in order to make optimal decisions, to have preferences that they can order and to be able to maximise their satisfaction by making the best use of their resources.

3.1.2 The perfect information hypothesis

The assumption of perfect information is based on the existence of an auctioneer within the markets, responsible for comparing the overall level of supply and demand and declaring the equilibrium prices of perfect competition. The posted prices are known by all the agents; suppliers and demanders, considered as "price takers". The equilibrium prices and quantities thus form the basis of the general equilibrium model, which assumes that all individual decisions can be co-ordinated on the basis of the price system; hence the assumption that the market is efficient.

3.1.3 The efficient market hypothesis

The universal principle of efficiency is based precisely here on perfect, complete and transparent information, available instantaneously and free of charge in a sufficiently large market that provides operators, endowed with unlimited cognitive capacities, with the possibility of interpreting it correctly; this enables agents to react correctly and almost immediately to events and therefore to allocate resources optimally.

3.2 Transaction costs: a limit of the market perfection hypothesis

The arguments for the existence of transaction costs, which call into question the principle of the efficiency of the neoclassical market, are essentially based on the imperfection of information, the existence of contractualization costs and the argument of uncertainty**.** (Coase, 1937, 1960)

3.2.1 The imperfect information argument

Contrary to neoclassical theory concerning information and the behaviour of agents, R. Coase applies to individuals withholding information in pursuit of their own personal interests[5], thus creating information asymmetries that can lead to market failure. Under these conditions, obtaining information is inevitably accompanied by the costs of seeking it out. Recourse to price mechanisms can prove costly; this is the market failure argument.

3.2.2 The argument of the existence of contracting cost

There are costs involved in negotiating and concluding contracts, which transfer property rights in the context of market transactions. According to R. Coase, these steps can be very costly because they involve finding out with whom you wish to do business, obtaining information, negotiating in order to reach a consensus, drafting a contract, and making the necessary checks to ensure that the terms of the contract are respected. (Coase, 2000, p. 40). This is the argument for the existence of costs of using price mechanisms, or costs of coordination by the market; what R. Coase calls transaction costs.

3.2.3 The uncertainty argument

The uncertainty that characterises the functioning of the market represents a fully-fledged justification for the existence of the firm. R. Coase writes: *"without the existence of uncertainty, it seems unlikely that a firm could emerge"* (Coase, 1987, p. 142). He thus demonstrates the need for an entrepreneur capable of coordinating and organising group activity decisions within the firm. Groups are unable to cope with the uncertainty caused by market fluctuations and variations. He thus emphasises the power of authority, exercised by the entrepreneur who has seized the right to direct within the firm: a mode of coordination quite different from that of prices.

3.2.4 The advantage of long-term contracts

Compared with a multitude of short-term contracts, contracting for the long term can be a source of savings in the costs of using the price system. This saving arises when the exchange relates to the same good, thanks in particular to the trust that is established between contractors committed to long-term relationships, minimising the risks of opportunistic behaviour that can arise in the case of an exchange on the markets without relationship maintenance.

Following on from these arguments put forward by R. Coase, the work of O. Williamson, which embodies a contractual and institutional dimension under an interweaving of influences[6], has led to a set of links constituting the paradigm of the new institutional economics of transaction costs, with one major contribution: the possibility of examining advantageously, in terms of transaction cost economics, any problem likely to be formulated as a contractualization problem (Williamson O. E., 1994, p. 34). This point is particularly relevant to our research on the study of the business creation process as a contractualization problem. To understand the discipline put forward in the transaction cost economics approach, it is appropriate to return to the factors explaining and determining the appearance of transaction costs, and to the very notion of transaction and transaction costs.

4 Notion of transaction cost

Transactions are the result of exchange relationships. The study of transactions focuses on understanding the interaction between economic agents that occurs when a good or service is transferred across a technologically separable interface. (Williamson O. E., 1994, p. 19) It refers to "*the pure exchange of a good existing prior to the exchange for another good also pre-existing. But it also applies to exchanges of promises, as in the case of the provision of services*" (Brousseau, 1993, p. 54). The transaction can thus be considered as "*the exchange of information or products (or services), having an economic value for each of the partners involved*" (Quelin, 2002, p.20). In more general terms, the transaction is likened to the transfer of property rights: the fact that an individual transfers the exclusive right that he exercises over his property[7] : the right to possess, use, develop and sell to others.

Carrying out exchanges, or all transactions involving the transfer of property rights, involves expenditure for all the co-contractors, particularly within a contractual framework. The costs generated by the completion of transactions are the transaction costs associated with economic coordination, referred to as the costs of recourse to the price system by R. Coase and the operating costs of the economic system by K. Arrow. (Williamson O. E., 1994, p. 38) They refer to remuneration for the use of resources needed to find information, compromises between contractors, standardisation and certification of the quality of the goods exchanged, the study of the legal nature of the arrangements envisaged, and the negotiation and drafting of contracts. They may also include the cost of readjusting contractual clauses in the event of unforeseen fluctuations. They may therefore be recorded before or after the exchange.

4.1 Ex-ante and ex-post transaction costs

Transaction costs may be incurred before and during the conclusion of the transaction. They may also occur after the accord has been entered into; hence the usefulness of distinguishing between ex-ante transaction costs *"incurred during the drafting and negotiation of agreements and ex-post costs which include the costs of organising and operating the governance structure, which is responsible for the control function as well as the regulation of conflicts".*(Williamson O. E., 1994, p. 350)

4.2 Forms of transaction costs

Table 01 gives an overview of the forms of transaction costs, as put forward by O.E. Williamson, classified into ex-ante and ex-post costs.

Table 1: Summary of forms of transaction costs

Ex-ante transaction costs	Ex-post transaction costs
• Costs corresponding to the first stage of the transaction: – prospecting and finding future partners; – study of the legal system and country risk (political stability); – analysis of the cultural environment when the transaction takes place in an international context.	• Costs of administering and complying with the contractual clause, monitoring, and checking its implementation. • Costs of misaligning transactions from their original purpose: – merchandising costs resulting from corrections, errors or omissions contained in or arising from the contractual clause;

• Decision-making costs (meetings) • Costs directly related to the negotiation: – travel expenses; – communication costs; – translation costs; – expert fees. • Contract drafting costs: fees paid to the advisor responsible for signing the transaction document. • Pre-project set-up costs. • Costs relating to the implementation of agreement guarantees, e.g. joint ownership. • Costs incurred by the contractor who fails to reach agreement with its partner on the terms of the contracts (particularly where cooperation is essential to the efficiency of the transaction). • Loyalty marketing costs. • Costs associated with illicit payments incurred in carrying out transactions.	– costs of organising and governing the resolution of disputes (recourse to the courts or other arrangements); – costs of withdrawal by one of the contracting parties (due to a difference of interest or financial incapacity). • Costs induced by the behaviour of free riders (the stowaway, who may be an intermediary taking advantage of contracts between a multitude of partners). • Secure commitment costs linked to the payment of penalties in the event of breach of contract. • Costs associated with delays slowing down the expected course of the procedure. • Opportunity costs linked to the time spent negotiating and loss of earnings caused by the time spent on the transaction and any delays that may occur.

Source: Conceived by us on the basis of various theoretical readings

There are many factors that influence the appearance of transaction costs. They relate essentially to the behavioural assumptions of bounded rationality and opportunistic behaviour.

5 Determinants of transaction costs

5.1 Limited rationality

Limited rationality is analysed as a behaviourist attribute and as being of environmental origin.

5.1.1 Limited rationality as a behaviourist attribute

The individual is assumed to be endowed with a reason of his own; he *"is intentionally rational"* (Quelin, 2002, p.15). The individual is also assumed to be rational *"in a limited way"*.(Quelin, 2002, p.15) Limited rationality thus implies neurophysiological limits and language limits. The former takes the form of restricted information storage and processing capacity; the latter, in terms of language, translate into the inability of agents to articulate their knowledge through signals that would enable them to be understood by everyone. (Saussier & Yvrande-Billon, 2007, p.12)

5.1.2 Limited rationality as a consequence of environmental characteristics

The rationality of economic agents is limited both by imperfect knowledge of the future (uncertainty) and by the complexity of the information environment. Uncertainty translates into the impossibility of predicting the occurrence and unable to determine with precision all the characteristics of the future. (Gomez, 1996, p.72)

Understanding a competitive environment characterised by technological innovation requires the availability and reliability of large quantities of information, but the imperfect information hypothesis challenges this possibility. In such a context, it is often difficult, if not impossible, for economic players to collect, store and use all the data they need to make optimal decisions. In this context, human capacity may be limited by their intellectual abilities and by the equipment. Rationality is therefore both cognitive (linked to intelligence) and technical (the equipment that can be used).

5.1.3 Transaction costs generated by limited rationality

The transaction costs generated by bounded rationality can take various forms:

- imperfect information entails the expense of collect it, particularly in the context of exploring the environment by setting up a monitoring system capable of making information available at the right time;
- decision-making represents an expenditure of resources. This has at the very least, a cost linked to the time devoted to reflection and can also be accompanied by a transfer of resources to other agents in remuneration for i) an acquisition of information; ii) a rental of reflection capacities; and ii) recourse to superior information processing power, with a view to accelerating the decision-making process. To these costs must be added the cost of erroneous decisions;
- the search for partners is costly. Finding a customer, a supplier, a subcontractor, a distributor, etc. cannot be done without incurring costs such as those incurred in organising invitations to tender, attending trade fairs, etc;
- The drafting of contracts is often a significant source of transaction costs, as economic agents do not have full control over the procedures to be followed for the effective implementation of the contract;
- informational asymmetry, observed when not all agents have identical stocks of information (Bouba-Olga, 2003, p.62), can be an undeniable reason for transaction costs when coupled with opportunistic behaviour.

5.2 Opportunism

O. Williamson sums up opportunistic conduct as the disclosure of incomplete or misleading information, or any behaviour designed to mislead, confuse or confound. He defines opportunism as "*the ability of human beings to deceive others by withholding information, cheating, or breaking the rules of fairness or the law*" (Williamson O. E., 1994, p. 9). He thus calls into question the trust that is supposed to underpin all transactions. He shows that the likelihood of actors behaving opportunistically limits any form of reciprocal trust between agents.

Nevertheless, the literature on transaction costs does not deny that it would be exuberant to say that all players are opportunists. P.Y. Gomez emphasises that she is simply arguing that they all can be. (Gomez, 1996, p.72)

According to O. Williamson, opportunism can be divided into ex-ante and ex-post opportunism.

5.2.1 Ex-ante and ex-post opportunism

Ex-ante opportunism refers to cheating before the conclusion of a contract. This opportunism is made possible by the asymmetry of information between the parties, which leads to the problem known as adverse selection. Ex-post opportunism refers to cheating in the execution phase of contracts, which is accentuated by the incompleteness of contracts, that can lead to the so-called moral hazard problem. (Torres-blay, 2004, p. 24) Opportunism can take three main forms. (Allix-Desfautaux & Joffre, 1997, pp. 760-763)

5.2.2 Moral hazard

The moral hazard is ex-post opportunism. The likelihood of this form of opportunism increases in a context of uncertainty, i.e. when it becomes costly or impossible to control the mutual behaviour of the contracting parties.

5.2.3 Adverse selection

Unlike moral hazard, which results from hidden action, adverse selection results from hidden information. This second acceptance of opportunism corresponds to the ex-ante opportunism of the contract. It has been identified by G. Akerlof[8]who considers that the action can be observed but its validity cannot be controlled. Thus, in the context of a contractual relationship, the relevance of an action or decision by one of the two partners cannot really be controlled by the other. This is because the agent does not have sufficient reference criteria (experience, various types of knowledge, etc.) to assess the fair value of his partner's decisions or arguments. Faced with this lack of knowledge, each player is virtually free to act as he wishes, in his own best interests.

5.2.4 The hold-up

Hold-up is a concept proposed by O. Williamson, which corresponds to behaviour that differs from that initially planned by the partners. It can take the form of one of the parties withholding information and modifying the terms of the contract to gain an advantage. To limit the risks of hold-up, the associates must attach great importance to the drafting of the terms of the contract. They must be unambiguous, to avoid any ex-post disputes.

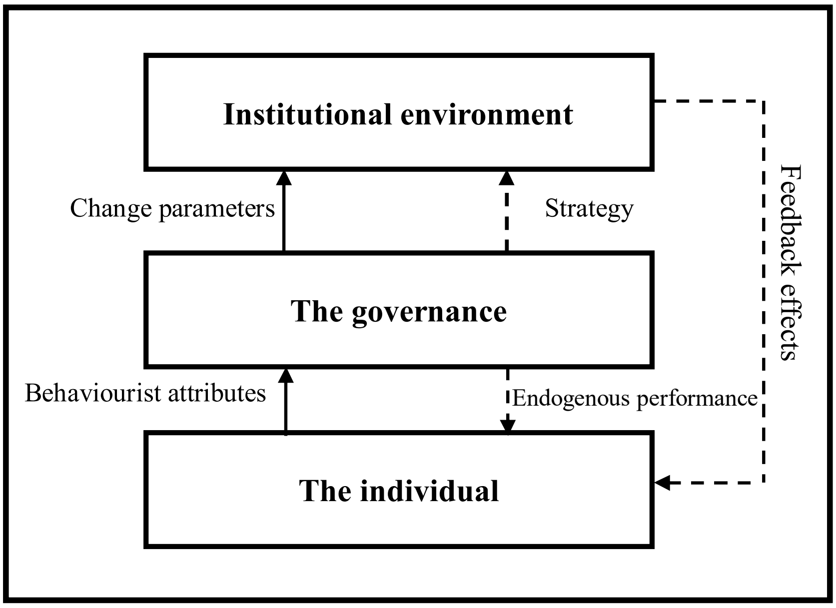
Opportunism does not depend solely on informational asymmetries; it arises as soon as there is an organisational quasi-rent[9]and opportunism is expressed as a result of the indeterminacy that exists with regard to its sharing. Indeed, when the objective criteria for sharing the quasi-rent are not explicitly defined, each of the players naturally tries to appropriate it: this phenomenon is known as a hold-up.

Opportunism thus plays a central role in the definition of transaction costs. It is supposed to increase the costs of contracting and encourage the internalisation of transactions. However, O. Williamson's theory is not based solely on behavioural hypotheses. It also refers to the characteristics of transactions, i.e. the specificity of the assets involved, the uncertainty surrounding them and the frequency with which they occur.

6 Transaction costs and institutional efficiency

The work of R. Coase, which laid the foundations for a transaction-based approach, has been enriched, going beyond the field of the theory of the firm, to include the institutional dimension developed by D. North. Indeed, the discipline in this analytical framework,considers that institutions matter. Transaction cost economics thus aims to take institutional determinants into account. Not only is the weight of the individual considered in the appraisal of transaction costs, but also that of the political institutions at the origin of the legal and judicial framework, and of the informal institutions relating to the system of values and customs. These variables in the institutional environment, which affect the principles of governance, determine the emergence of transaction costs (Figure 1). This interest in institutions, in institutional economics literature, leads us to return to the key concepts of this current: the institution and the institutional environment.

Figure 1: Institutional environment and governance institutions



Source: (Williamson O. , 1993, p. 175)

6.1 Definition and role of the institution

The institution refers both to the action of instituting and to what is instituted on the basis of this action (a regulation, the highway code, etc.). The institutions of the economy identified by O. Williamson and the institutions of the institutional environment identified by D. North are different. The institutions of the economy are the modes of governance used by economic agents to support their transactions. They are the market, the firm and contracts. The institutions of the environment are made up of elements of law, culture, legislation, education systems, etc. These are the parameters that the economy uses to support its transactions. It is these parameters that institutional economics incorporates into its analysis, and which D. North calls the rules of the game that frame the actions of economic players. (Ghertman, 2004, p. 27)

D. North defines institutions as all "*constraints created by man to structure political, economic and social interactions*" (North, 1991, p.1). These constraints are understood as rules that facilitate the emergence and stabilisation of transactional and contractual relationships. (Saussier & Yvrande-Billon, 2007, p. 83) Institutions can be "*informal constraints (sanctions, taboos, customs, traditions and codes of conduct), or formal rules (constitutions, laws, property rights*)" (North, 1991, p. 1). Formal institutions refer to public components, such as the legal environment and legal institutions, and to collective institutions, such as codes of conduct or self-regulatory regulations implemented by professional associations and federations. Informal institutions include behavioural norms that are imposed within the relational network: professions, social groups, ethics, etc. (Brousseau & Glachant, 2000, p. 33)

The economic role of institutions is to *"reduce the uncertainty associated with strategic behaviour"* (Boyer, 2004, p. 35), in particular through their ability to summarise the information relevant to economic players. J. Commons notes that they *"regulate behaviour by placing limits on individual will, by defining the rules of the game, and thus by homogenising behaviour, so that potential conflicts do not ruin the security of expectations, without which individuals would not engage in transactions and cooperation would not take place. Institutions are therefore the process of controlling individual action through collective action"* (Bazzoli, 2004, p. 102). By broadening the rationality of individuals and reducing the risk of opportunistic behaviour, institutions are seen as a means of improving the framework for exchange and contractualization.When institutions influence and channel behaviour, they guarantee the credibility of commitments and reduce transaction costs. This reflects a positive view of institutions, considering that the historical progress of the economy can only be achieved with better institutions. (Chavance, 2007, p.9)

Institutions are therefore reintroduced into economic analysis by questioning the existence of the firm, pointing out that *"concentrating on price determination has narrowed the perspective and neglected other aspects of the economic system, ..., specifically the institutional framework, which governs the process of exchange"* (Coase, 2000, pp, 108-110). Their analysis suggests a framework that incorporates the role of institutions, focusing on the institutional environment and its influence on economic performance and development.

6.2 The institutional environment

The institutional environment is defined as "*the set of fundamental political, social and legal rules which form the basis of production, exchange and distribution*" (Picory, 1992, p. 14). It refers to the set of formal rules: administrations, the legal system and professional associations, and/or informal rules: culture, mores and customs, which delimit and support the transactional activity of actors (Menard, 2003). A synthesis of eight formal institutions has been established, namely: the legislative and executive system; the legal system and the courts; the regulation and policy of industrial relations and employee representation; competition policy and regulation; industrial policy; the education system; the welfare and pension system; and the country's administrative competence and bureaucracy. (Ghertman, 2006, p.29)

D. North considers the components of the institutional environment as the rules of the game which govern the actions and reactions of all the economic players. He explicitly distinguishes them from the institutional arrangements, which are considered to be the players. The latter refer to the ways in which these rules are used by entrepreneurs, i.e. the ways in which transactions are organised.(Menard, 2003) The interaction between institutions and modes of organisation is, according to D. North, is important because, on the one hand, the institutional environment conditions the choices made by economic players in terms of the institutional arrangements to be implemented to support their transactions (indicated by the solid arrow in Figure 1). On the other hand, organisations try to modify the rules of the game in favour of their objectives, in particular through their strategies (indicated by the dotted arrow in Figure 1)

The institutional environment thus appears to be a determinant of the organisations that are created and their evolution, as far as it allows transaction costs to be saved when its institutions are efficient. In this context, D. North writes: *"the organisations that are formed will reflect the opportunities created by the institutional matrix. If the institutional framework rewards piracy, pirate organisations will be created; if it rewards productive activities, firms will be created to engage in productive activities"* (North, 1994, p. 361). He explains the difference in growth between economies by the existence of institutions, forming a credible framework for private entrepreneurs. For D. North, institutions determine the political choices of economies, and this in turn determines the transaction costs that will condition investment potential and economic performance. In this context, he writes that *"it is the political that determines the economic".* (Ghertman, 2004, p.25) In this way, the state and public authorities are given a key role in setting up the effective institutions needed for businesses to emerge. The idea is that through a set of actions that reduce transaction costs by acting on the origin of their appearance, the incentive to invest improves in the economy. Before reviewing the actions likely to reduce the transaction costs of investment, it is important first to take stock of the forms they can take.

7 Forms of transaction costs on investment

Companies are confronted with the conditions of the institutional environment from the initial stage of their creation and throughout their life. In fact, the use of institutions involved in their creation and activities leads to confrontation with informational problems and problems arising from opportunistic behaviour, in particular:

- access to information on the administrative procedures involved in setting up a business and their complexity,
- information on access to bank finance (procedure, guarantees, interest rate subsidies, risk assessment...),
- information relating to access to economic land, in particular information on the supply of industrial land and access to industrial estates, and the problem of complex application procedures and centralised decision-making processes,
- information on the structure of markets on the demand and competition sides, on the local and foreign markets
- problem of uncertainty linked to the availability of predictable information on the laws governing the investment activity and the consistency of these laws,

- the likelihood of discretionary power being exercised by opportunistic administrators in the face of unclear laws and the context in which they are applied, and legal loopholes,
- capacity of the judicial system to ensure the protection of property rights and minimise the weight of informality.

8 What can be done to reduce the transaction costs of investment?

Taking action with the ambition of reducing the transaction costs likely to constrain the emergence and development of businesses requires efforts at several levels. As in managerial practice at strategic and operational levels, institutional efficiency will start at a higher level with the intention of public authorities to put in place governance principles that encourage businesses and that can translate a long-term vision and reducing uncertainty, thereby creating confidence. Then, at the implementation stage, there is the need for efficiency in the operation of market institutions and the institutions involved in business activity, through digitisation and the improvement of legal institutions to reduce opportunism. A number of suggestions can therefore be made.

- **Setting up institutions dedicated to business**

Having institutions exclusively dedicated to businesses, with the intention of improving the conditions for business creation and development, should establish visibility and coherence in the incentives aimed at businesses. Implementing policies capable of making intentions aimed at businesses accessible and predictable, and where businesses are seen as a client that the public service should be able to trust and satisfy.

- **Improve the conditions under which laws and regulations governing investment activity are enacted and implemented**

The laws governing business activity should form part of an overall objective that takes account of the needs of businesses and the feasibility of the actions to be taken. Implementing regulations should also consider the timeframes and gaps that may arise between the content of laws and the results of their implementation.

- **Improving the functioning of markets and the efficiency of market institutions**

The price system, as we have already emphasised several times since the beginning of this work, is considered to be the main source of transaction costs. When its mechanisms do not allow spontaneous adjustment through prices, it becomes costly for economic actors to refer to it. Thus, the functioning of markets, both in terms of structuring supply and demand and providing information, and in determining prices, will be decisive for businesses in terms of access to markets for goods and factors of production, particularly the banking market, the market for industrial land and the labour market. The effectiveness of the institutions responsible for regulating competition also plays a vital role in channelling opportunistic behaviour.

- **Bureaucratic fluidity**

The complexity of procedures and the slowness of administrative delays have a particularly strong influence on increasing the operating costs of the economic system. The centralisation of decision-making powers, the number of players involved in the decision-making process and the intensity of administrative controls are at the heart of the bureaucratic constraint. Decentralising decision-making and simplification procedures will certainly lead to savings in terms of time, to the benefit of businesses.

- **Popularising digitisation**

The problems of information and limited rationality will certainly find solutions with the introduction and generalisation of the New Information and Communication Technologies (NICT). Limited rationality, caused by the inability of human beings to solve all the problems of calculation, language and understanding of their environment, can now be reduced thanks to the technological development of information and digitisation, which allows a considerable increase in the volume of information that can be analysed, thanks in particular to increased memory capacity and processing speed. Information can therefore be available and free, and opportunistic practices of information retention can be channelled.

- **Reducing the uncertainty factor and the extent of strategic behaviour**

The uncertainty factor can be reduced by promoting the stability and predictability of economic policies, particularly as regards investment. Confidence can also be built by combating corrupt behaviour on the part of government officials and discretionary powers within government, in particular by reducing the unpredictability associated with the interpretation of regulations and the lack of transparency in their application. Strategic behaviour also includes attitudes of withholding information, which may be embodied by civil servants or agents of administrations and institutions involved in the activities of companies. The emphasis here is on forms of co-ordination, concentration of participation and transparency in decision-making, which provide direct information on the management effectiveness of public institutions.

- **Defining and protecting property rights**

The aim here is to improve investors' perception of the ability of legal institutions, particularly the courts, to protect their property rights and resolve related disputes. But it is also about improving the performance of the authorities in encouraging the definition of property rights, because the absence of official property titles can inhibit investment opportunities.

9 CONCLUSION

The reasoning and toolbox developed by the new economics of transaction costs goes beyond the theory of the firm and introduces contracts and institutions, making it particularly relevant to other issues, in this case the study of the business environment and its effect on economic performance.Since the notion of transaction costs was first put forward, referring to the costs of operating the price system, seeking information and uncertainty, a number of enrichments have been added, in particular the behaviourist dimension of limited rationality and opportunistic behaviour, and then the institutional dimension integrating legal, executive and judicial systems. All these factors are decisive in the appearance of transaction costs within a governance structure, and ultimately lead to economic players refraining from referring to it to support their transactions. An environment characterised by low transaction costs is therefore more attractive to companies.

The aim of this paper is to put forward suggestions on good governance practices that can be interpreted as a desire to encourage business in Algeria, leading us to conclude that the introduction of a set of principles would be conducive to improving investment potential. These include the setting up of institutions dedicated to businesses, reflecting a long-term vision for creating a climate of confidence, improving the functioning of markets and protecting property rights, and generalising digitalisation to combat information problems and the extent of strategic behaviour. Ultimately, however, these actions bring us back to the weight of political institutions and the State's willingness and ability to devote itself to them through the exercise of its major influence on institutions.

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Notes

[1] What D.H. Robertson calls "islands of conscious power" are the "firms" of R. Coase, while the ocean of unconscious cooperation is the market.

[2] Efficiency in the sense of optimising the means used to achieve a result, synonymous with productivity, output and economy.

[3] The neoclassical doctrine is based on other postulates that are essential to its operation, namely the principle of initial endowment, the atomicity of agents and markets, and the hypothesis of homogeneous goods and factors.

[4] To be rational, according to standard economic theory, is to be capable of solving an individual programme and complying with it. For the sake of simplicity, it is accepted that for the consumer it is a matter of maximising personal utility within a budget constraint. For the producer, it is a matter of minimising costs for a given output or maximising profit under a production constraint.

[5] The search for self-interest is part of the opportunistic behaviour of the individual under the concept of the homocontractor, as assumed by the behavioural hypotheses of the new institutional economics (O.E. Williamson in particular).

[6] This vast collection of theories includes the central position of J. R. Commons, who makes the transaction the fundamental unit of economic analysis; H. Simon, the theory of bounded rationality; K. Arrow, for the importance of information in understanding 'market failures'; and A. Chandler, for the importance of organisational innovations. Chandler on the importance of organisational innovation.

[7] The right of ownership refers to the vehicle of information between individuals. The interest of its instrumentation is centred on its exercise: the usus allowing the owner to use what he possesses; the fructus which ensures the benefit of the effort made by the individual to make what he owns bear fruit; and the abusus which allows the owner to abuse what is his, namely the possibility of assigning it, selling it, transferring it or even wasting it.

[8] In G. Akerlof's (1988) example of the used car market, the seller has far more information about the condition of the vehicles sold than the buyer.

[9] Organisational quasi-rents are defined as efficiency surpluses resulting from the joint use of production assets thanks to a specific mode of coordination.