

Economic institutions comprise the rules that regulate economic activity, including formal rules such as laws and regulations, informal restraints such as customs, conventions and social sanctions, as well as the degree to which formal rules are enforced.

Eggertsson (1990) describes the economic system as consisting of individual economic agents, economic organizations that organize these agents, and economic institutions that regulate the agents and the organizations.

North (1990) defines institutions as the rules that order social and economic activity and the attendant set of formal and informal norms that structure daily life. Thus institutions cover both the realm of public-sector policy making as well as the private-sector conduct of business and personal affairs.