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The role of local government institutions and regional development

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The present study demonstrates the importance of institutions in economic development. High quality institutions are a necessary and, perhaps, sufficient condition for growth. Local governments can rely upon high quality institutions in order to promote and facilitate regional development. Moreover, local governments should look for opportunities to positively affect some of the key institutions, thus paving the way to regional economic development. At a conceptual level, the study follows Douglass North's definition of institutions. At an empirical level, a variety of definitions by international organizations such as the World Economic Forum, the World Bank and the OECD is used as a means to operationalize and measure several institutions that critically affect regional development. Such institutions include bureaucracy and the burden of regulations, the legal system (degree of independence as well as its effective operation), tax system and tax authorities, property rights protection, transparency in policy making, etc. It is important to note that local governments could make a difference by adopting a bottom-up approach which allows for more effective information flow between citizens and top management.