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**Institutional perspective of urban and regional economics
– selected areas of empirical application**

Abstract

Studies on urban and regional development can draw from the intellectual heritage of institutional economics which assumes, among other things, that the historical trajectories of development, as well as social relations, determine the ways in which economic entities reach their goals. In a broader context, an institutional environment (especially this shaped in the conditions of spatial proximity), is not only a framework, but also a source of new ideas, and as such contributes to sustainable growth and competitiveness.

The aim of this paper is to present possible directions of regional research in the spirit of institutionalism, taking into account its current strands and schools. This review is supported by the presentation of some empirical undertakings, such as Doing Business index, risk assessment indices, European Urban Audit or Creative Cities index. In the conclusion, some methodological dilemmas, concerning institutional analysis on local and regional level, are presented.

Keywords: institutional economics, urban and regional economics, empirical applications.

JEL Classification: B52, R50.

Introduction

The belief that institutions are important factors of economic development is nowadays very common among economists and policy makers. Also various considerations about the processes that govern local and regional development devoted considerable attention to the institutions. However, the term ‘institution’ is both popular and ambiguous, which surely is not without influence on its both applicative and cognitive value.

The inclusion of institutional context in economics resulted in the dissemination of many theoretical trends alternative to mainstream economics. They are collectively identified under the common term of ‘institutional economics’ composed of various, often opposite strands. While theoretical considerations, which can be regarded as their offspring, are burdened with over 100 years of legacy, their empirical testing seems to be still at the initial stage. However, the research reflecting the spirit of various approaches to institutionalism seems to be relevant also to some aspects of urban and regional studies.

The aim of this paper is to present possible directions of regional research in the area of institutionalism, taking into account its existing strands and schools of thought. The review is supplemented with the presentation of some empirical projects, such as *Doing Business*, *European Urban Audit* or *Polish Social Diagnosis*, revisited from the point of view of their appropriateness at the sub-national level. On the basis of these considerations, some methodological dilemmas, concerning institutional analysis at local and regional levels, are presented.

1. Institutions and institutional economics – possible applications in urban and regional studies

Studies on urban and regional development can draw from the intellectual heritage of institutionalism which assumes, among other things, that historical trajectories of development, as well as formal and informal relations, determine the ways in which economic entities accomplish their goals. In a broader context, institutional environment (especially the one shaped under the conditions of spatial proximity), is not only a framework, but also a potential source of new ideas and it contributes to sustainable growth and competitiveness.

In social science, the first attempt to define institutions was made by H. Spencer, who explained them as deeply rooted and well established elements of social order and universally accepted norms of behavior. In this broad sense, the spectrum of what we can call an institution includes social groups and social contexts, such as, i.a., family, peer groups, schools, media, workplaces (Giddens 2007, p. 722), but also sets of values, norms and rules characterizing a given field of human activity (Goldman 1997, p. 55).

By making reference to this aspect of the heritage of sociology, also the representatives of various strands of economics started to define institutions in a similar manner. G. Hodgson assumes that among institutions there are traditions, rules and norms (both informal customs and formal laws), which simultaneously shape

and restrict human activity. They produce behavior patterns followed by every human being within a given institution – culture (Hodgson 2006, pp. 2-5).

Whereas Williamson (1991, p. 287), referring to the divagations of J.R. Commons, defined institutions as a social framework for controlling, stimulating and channeling individual behavior. From economic point of view, this framework constitutes the so called institutional environment, treated as a set of fundamental political and social rights as well as legal rules, providing a basis for the processes of production, exchange and distribution of goods (Williamson 1991, p. 287).

Finally, North (1986, p. 234) perceived institutions as reflections of limits invented by humans in order to shape human behavior, having both formal (legal sets of rules, norms, and sanctions) and informal (customary) character. In other words, D.C. North (1997, p. 5) postulates to treat institutions as ‘rules of the game’ in the economy.

Institutional economics consists of various sub-disciplines and is internally diversified (see table 1). It is a complex conglomerate of various approaches and research methods, which continuously develops, allowing for more and more precise explanation of such phenomena as the impact of historical, cultural or spatial conditions on economic processes, the ways, in which economic actors cooperate both in the markets and within organizational structures, or the impact of social relations upon economic effectiveness. Thus, institutional economics takes into account the social context of economic processes, underlining at the same time their evolutionary character (Sokołowicz 2014). Ipso facto, it very often distances itself from methodological oversimplifications (typical for neoclassical economics¹) on the one hand, but also from Marxist determinism and reductionism on the other hand (Cumbers, McKinnon, McMaster 2003, p. 325). Differences identified between different strands of institutionalism are the sources of the variety of its conceptual assumptions and research methods².

¹ However, institutional economics cannot be simply opposed to classical or neoclassical economics. Especially the contributions of O. Williamson – the main representative of the New Institutional Economics – emphasize that institutional analysis is not a contradictory, but complementary to the mainstream economics analyses (Williamson 2000, p. 597).

² One of the most easily identifiable internal differences of institutionalism can be observed between the so called New Institutionalism (or neoinstitutionalism) and New Institutional Economics – NIE (Moulaert 2005, p. 21). The first one interprets institutions as a consequence of building-up of social relations and does not overestimate the value of individualism in the economy (Cumbers, McKinnon, McMaster 2003, p. 327). It rejects the *homo oeconomicus* model and treats habits and routines (perceived as informal institutions) as factors that limit free choices on one hand, but help to establish stable and sustainable social systems on the other hand. At the same time, New Institutional Economics refers strongly to fundamental assumptions of neoclassical economics and perceives institutions as a factor that limits the free choices of single entities, motivated mainly by the drive to maximise utility.

Table 1. Strands of institutional economics from the perspective of local and regional studies

No.	Currents of institutional economics	Main theses and directions of analysis	Research perspective for the studies on territorial development
1	2	3	4
1.	Old institutionalism / American (evolutionary, Veblenian) institutionalism / neoinstitutionalism / New Institutionalism	<p>The original ('old') strands of institutional economics and neoinstitutionalism</p> <ul style="list-style-type: none"> - focus on the collective and social dimension of institution-building and institutional change; - institutions are the legacy of the past; - institutions integrate the communities and societies; - economic processes are embedded in the institutions; - institutions are characterized by inertia - distance to the concept of perfect rationality as well as the primacy of methodological formalism; - primacy of spontaneous order over formal institutions; - institutions are the legacy of the past; - main aim of the institutions is to ensure smooth functioning of the free market 	<p>Research perspective for the studies on territorial development</p> <ul style="list-style-type: none"> • context of the institutions is conditioned not only historically, but also geographically (territorially); • studies over regional disparities in entrepreneurship, the level of trust, respect for public goods or the level of civic engagement; • investigating whether local and regional self-government encourages the development of civil society and entrepreneurship
2.	Austrian school of economics, ordoliberalism		
3.	Property rights economics	<p>New Institutional Economics (NIE)</p> <ul style="list-style-type: none"> • dissemination of private property rights stimulates their holders to make effective use of resources; • system for the protection of property rights should be deeply rooted in the 'social contract' 	<ul style="list-style-type: none"> • the situation when one cannot identify to whom belongs the plot of land and who is responsible for it, is undesirable for spatial structures; • search for the optimal ownership structure of space; • the role of public space in spatial planning; • the possible range/involvement of public sector in delivering such goods as water supply, waste management, heating, lighting, mass transit, etc. (e.g. <i>provide vs. produce dilemma</i> in the public sector)
4.	Transaction economics (TCE) costs	<ul style="list-style-type: none"> • every market exchange (transaction) entails costs; • in time, the continuous growth of the so called transaction sector is observed 	<ul style="list-style-type: none"> • geographical proximity may promote minimization of transaction costs; • the examination of the impact of the functioning of local production systems on the competitiveness of its actors; • the examination of the phenomenon of the metropolization (world cities' growth), as an effect of dynamic development of the transaction sector (typically located exactly in the largest metropolitan areas)
5.	Agency theory	<ul style="list-style-type: none"> • organizational structures are characterized by complexity and even contradictory aims of the members; • study of the relationship between the owner (principal) and the manager (agent), acting on his / her behalf 	<ul style="list-style-type: none"> • studies of the efficiency of the functioning of public agencies and offices; • studies of the inferiority, primacy and control relationships between various levels of public authority (decentralization of power)

Table 1 cont.

1	2	3	4
6.	Public choice theory	<ul style="list-style-type: none"> studies of the mechanisms of collective choices and behavior of bureaucrats, as well as the relations between politicians, policy-makers, officials and their stakeholders 	<ul style="list-style-type: none"> analysis of collective choices in self-governments; search for optimal forms of management of the complex metropolitan areas; search for optimal allocation of competences between the different levels of public administration (decentralization of power)
Concepts related or resulting from institutional economics			
7.	Embeddedness concept / economies of proximity	<ul style="list-style-type: none"> economic relations are embedded in institutions 	<ul style="list-style-type: none"> territorial proximity substantially contributes to the strengthening of the institutionally friendly environment for business;
8.	French economies of conventions	<ul style="list-style-type: none"> without effective institutions, interactions between individual actors cannot lead to the achievement of many collective goals; the economy is based on conventions whose character and compliance depend on previous experience (the concept of limited rationality); methodological heterodoxy – basing studies on the mix of economics and sociology (economics treated primarily as social science) 	<ul style="list-style-type: none"> studies of the impact of geographical proximity on the minimization of transaction costs, with less methodological rigor than in the case of TCE (concentration on primary and comparative research); studies of the phenomenon of territorialization (embeddedness) of enterprises; comparative studies on the dynamics of local production systems
9.	Evolutionary economics	<ul style="list-style-type: none"> economic analyses should have, first and foremost, a dynamic dimension; present economic decisions are contingent upon the existing experience of decision-makers; economic processes can be studied with the usage of the key assumptions of the evolution theory (explanatory role of the mechanisms of inheritance, diversity and selection can be applied also in social science) 	<ul style="list-style-type: none"> research of the trajectory of development of the regions; <i>foresight</i> studies; benchmarking of territorial units; identification of regional <i>smart specialization</i> areas as strategic resources of the regions; analyses of marketing strategies of cities and regions, from the point of view of the accuracy of identification of local and regional specificity
10.	Resource-based view of the firm / key competences concepts	<ul style="list-style-type: none"> in the long term, competitiveness depends on resources that are: <ul style="list-style-type: none"> strategically valuable, rare, difficult to imitate and copy, non-substitutable 	

Source: Sokolowicz (2014).

Institutional economics, with its variety of research approaches, seems to be a rich and undoubtedly useful branch of economic science, also from the point of view of the studies on regional development. Moreover, it provides a wide range of application possibilities, so it has also a normative character, applicable to actual decision-making processes (regional policy issues). What is important, in many cases research on territorial development is already reaping the achievements of institutionalism, whereas in other cases more widespread use of it has to be discovered.

2. Selected areas of institutional economics – empirical applications and output

One of the major challenges of institutional economics is its empirical usefulness. Difficulties in the application of current concepts of institutionalism arise from both the construction of its theories (ambiguity in defining the concept of institutions, a variety of institutional trends, fuzzy concept of informal institutions), and the difficulties in the operationalization of the concepts and acquiring relevant empirical material. Barriers to practical applications of institutional concepts manifest themselves especially in the analyses conducted at territorial levels below the national one, due to both the scarcity of empirical data and the difficulty of ensuring comparability of results between different territorial units.

However, literature provides more and more examples of research that make reference to institutionalism³. They apply both to countries and to smaller spatial units (although much less frequently). In this context, undoubtedly studies based on the variety of rankings prevail. They are usually based on a system of indicators, all of which, or at least a part of them, attempt to capture the impact of institutional factors on development.

One of the most internationally recognized institutional studies is the so called Global Competitiveness Index (GCI), which represents a holistic approach to economic development. It is based on the assumption that competitiveness of the economy is determined not only by the disposal of production factors, but also by the socio-economic policy and institutional factors. GCI is published annually by a non-profit organization – the World Economic Forum

³ In these analyses, institutions and institutional environment are still perceived in a very general way. However, in the countries where this kind of research is already mature, empirical research and data collected for its purposes are relatively well developed. For example, American The Contracting and Organizations Research Institute (CORI) from the Missouri-Columbia University managed to collect a database of 65,000 various contracts, used to test empirically the theses of transaction costs economics (Hardt 2009, p. 175).

(Schwab, ed. 2012). It has a composite character and is calculated as a weighted average of partial measures, based on the so-called 12 pillars of competitiveness. Remarkably, the first of its pillars is named ‘institutions’, which are considered here a fundamental development factor.

Among data sources for calculating the index one can mention publicly available statistics, as well as the so-called EOS (Executive Opinion Surveys), where the evaluation by firms and households is conditioned by elements such as:

- functioning of public institutions (including the effectiveness of the protection of property rights, corruption, independence of the judiciary, administrative efficiency, public safety),
- functioning of private institutions (including business ethics and the responsibility of the management of companies vis-à-vis their owners).

However, the index evaluates the conditions for economic development in macroeconomic terms and its methodology does not provide data for comparative analysis at regional level.

Another way to assess the conditions for functioning economies and societies, which is at least partially convergent with the assumptions of institutional economics, is the Freedom Index, elaborated and presented every year by the Freedom House Foundation. Its annual report on the state of democracy and freedom (Freedom in the World) includes monitoring the effects of changes in political rights and civil liberties in the world. In this context, it can be treated as a form of a comparative analysis of basic institutional determinants of the socio-economic development. Due to the specificity of its methodology, the index refers to the analysis at the national level. It seems that analyses at regional level do not make sense in this case.

Similar measure, although putting the main emphasis on economic issues, is the Index of Economic Freedom (IEF), published in the annual report prepared collectively by the Heritage Foundation and the “The Wall Street Journal”. It is derived from the aggregate value estimated based on 50 variables grouped into 10 categories and assigned to one of four groups: 1) Limited government, 2) Open markets, 3) Regulatory efficiency, 4) Rule of law (www 8). The variables include elements such as the level of taxes, government spending, trade policy, policy towards foreign investment, banking and finance, wages and prices, monetary policy – one can also find three variables of an explicitly institutional nature: protection of property rights, the size of informal economy, and legal regulations. Depending on the results, countries are divided into five categories: free (value from 100 to 80), mostly free (79.9-70), moderately free (69.9-60), mostly unfree (59.9-50), repressed (49.9-0) (www 9). Like in the previous cases, the structure and methodology of calculating the Index of Economic Freedom (both

due to the nature and the difficulty or even impossibility of estimating it at the local and regional levels), is limited to analyses at the national level.

Indirect measures of the determinants of economic development are also included in the assessment of the level of investment risk, the size of which depends largely on the stability of the institutional environment. The major international studies of risk include the *International Country Risk Guide* (ICRG) and Business Environmental Risk Intelligence (BERI). In both cases, a number of sub-indices referring to the national situation in the area of macroeconomic stability, political situation, but also the level of corruption, quality of bureaucratic structures, compliance with the contracts, stability legislature or the level of the rule of law, serve to develop composite indices determining the level of investment risk. Once again, however, these rankings are relevant from the viewpoint of empirical analysis, but only with respect to national states.

What can be interesting from regional and urban research point of view is the Doing Business ranking. It is an extensive international research, dedicated to legal regulations in the field of business, with particular emphasis on small and medium-sized enterprises. It is conducted continuously from 2002 under the auspices of the International Finance Corporation – a member of the World Bank Group. It is based on a composite index, which covered 183 countries in 2012 and 185 in 2013. Importantly, the year-on-year database expands to the sub-national level and refers to more and more cities and regions.

Methods of the Doing Business project are based primarily on the analysis of legal regulations relating to business and verified by experts (lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements). More than 9,000 local experts were engaged in the process of collecting data for 2012. In 2013, their number grew even to 9,600 (www 3).

Major advantages of Doing Business methodology include: transparency, reliance on direct sources of information, relatively low cost of the studies and comparability across countries. Among the weaknesses of the study one can indicate its limited scope (there are presently 11 sets of indicators (Table 2) which certainly are non-exhaustive from the point of view of institutional approaches to SMEs, and focus only on formal economic relations), lack of sufficient sensitivity to territorial specificities of individual countries and regions and the assumption of infallibility of both respondents and entrepreneurs – for example, it is assumed that entrepreneurs carry out all activities in the shortest time possible, without making mistakes (www 5).

Table 2. Topics and economies covered by successive *Doing Business* reports

Topic	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Starting a business										
Employing workers										
Enforcing contracts										
Resolving insolvency										
Getting credit										
Registering property										
Protecting investors										
Paying taxes										
Trading across borders										
Dealing with construction permits										
Getting electricity										
Number of economies	133	145	155	175	178	181	183	183	183	185

Note: Data for the economies added to the sample each year are back-calculated to the previous year. The exception is Kosovo, which was added to the sample after it became a member of the World Bank Group.

Source: (www 4).

However, what really expresses the essence of the index, in particular in the context of identifying the quality of the institutional environment, is a more detailed analysis of its structure. For example, in the top ranking Singapore, the number of days required to formally start a business in 2012 amounted to 3, the number of days required to obtain a construction permit was 26 and the number of days needed for the export of goods amounted to 5. In the same year in Poland, the average time for starting a new company was 32 days, waiting time for a construction permit amounted to 301 days and the export procedure lasted 17 days. In Chad, the country at the very bottom of the ranking, the figures were 66, 154, respectively, with export procedures taking... 5,902 days (see Table 3).

An important value added of the study lies in the subsequent attempts of its deepening to the sub-national level. The *Doing Business* in South East Europe 2011 report can serve as an example. The study was carried out in accordance with the methodology adopted for international comparisons, in 22 cities located in six countries: Albania, Bosnia and Herzegovina, Macedonia, Kosovo, Moldova, Montenegro and Serbia. This study, however, focuses only on 4 out of 11 areas of analysis (Starting a Business, Dealing with Construction Permits, Registering Property and Enforcing Contracts) typical for the authorities and institutions at the local level.

Table 3. The detailed structure of Doing Business rank for Singapore, Poland and Chad in the years 2009 and 2012

Country	1	Singapore		Poland		Chad	
		2009	2012	2009	2012	2009	2012
Year		2009	2012	2009	2012	2009	2012
Ease of Doing Business total rank		n/a	1	n/a	62	n/a	183
Procedures (number)		4	3	10	6	13	11
Time (days)		4	3	31	32	75	66
Cost (% of income per capita)		0,7	0,7	18,8	17,3	253,1	208,5
Paid-in minimal capital (% of income per capita)		0	0	168,8	14	365,1	345
Procedures (number)		11	11	30	30	13	13
Time (days)		38	26	301	301	154	154
Cost (% of income per capita)		21,2	18,1	64,4	53,6	6,091,7	5,756,5
Procedures (number)		n/a	4	n/a	4	n/a	5
Time (days)		n/a	36	n/a	143	n/a	67
Cost (% of income per capita)		n/a	31,1	n/a	209,3	n/a	13,123,8
Procedures (number)		3	3	6	6	6	6
Time (days)		9	5	197	152	44	44
Cost (% of property value)		2,8	2,8	0,5	0,4	18,7	18,1
Strength of legal rights index (0-10)		10	10	8	9	3	6
Depth of credit information index (0-6)		3	4	4	5	1	2
Public registry coverage (% of adults)		0	0	0	0	0,6	1
Private bureau coverage (% of adults)		48,3	53,8	50	74,8	0	0
Extent of disclosure index (0-10)		10	10	7	7	6	6
Extent of director liability index (0-10)		9	9	2	2	1	1
Ease of shareholder suits index (0-10)		9	9	9	9	3	3
Strength of investor protection index (0-10)		9,3	9,3	6	6	3,3	3,3
Payments (number per year)		5	5	40	29	54	54
Time (hours per year)		84	84	418	296	732	732
Profit tax (%)		n/a	6,5	n/a	17,4	n/a	31,3
Labor tax and contributions (%)		n/a	15,9	n/a	23,6	n/a	28,4
Other taxes (%)		n/a	4,7	n/a	2,6	n/a	5,7
Total tax rate (% profit)		27,9	27,1	47	43,6	61	65,4
Documents to export (number)		4	4	5	5	7	8
Time to export (days)		5	5	17	17	78	75
Cost to export (US\$ per container)		456	456	884	1,05	5,367	5,902

Table 3 cont.

	1	2	3	4	5	6	7
	Documents to import (number)	4	4	5	5	10	11
	Time to import (days)	4	4	18	16	102	101
	Cost to import (US\$, per container)	439	439	884	1	6,215	8,525
	Time (days)	150	150	830	830	743	743
Enforcing contracts	Cost (% of claim)	25,8	25,8	12	12	45,7	45,7
	Procedures (number)	21	21	37	37	41	41
	Time (years)	0,8	0,8	3	3	4	4
Resolving insolvency	Cost (% of estate)	1	1	15	15	60	60
	Recovery rate (cents on the dollar)	91,3	91,3	34,1	31,5	0	0

Source: Based on *Doing Business* database (2012).

Table 4. The results of ranking for the institutional environment for doing business in South-East Europe in 2011

Country	City	Ranks			
		Starting a business	Dealing with construction permits	Registering property	Enforcing contracts
Albania	Durres*	9	11	13	14
	Shkodra	8	3	9	11
	Tirana	10	no procedures	16	18
	Vlora	7	9	10	10
Bosnia and Herzegovina	Banja Luka	18	3	21	15
	Mostar	20	13	22	20
	Sarajevo	19	9	19	19
Kosovo	Pristina	22	17	18	21
	Prizren	21	6	14	22
Macedonia	Bitola	2	12	3	5
	Skopje	1	2	15	9
	Tetovo*	3	3	6	3
Moldova	Balti*	13	8	1	4
	Chisinau*	17	19	1	2
Montenegro	Niksic	5	1	6	17
	Pljevlja	4	6	4	7
	Podgorica	6	18	20	16
Serbia	Belgrade	11	21	16	11
	Krusevac	16	20	10	11
	Uzice	12	16	10	6
	Vranje	14	13	5	7
	Zrenjanin	14	13	6	1

* Cities which have not been subject of the study in 2008.

Note: Total rank is the arithmetic mean of the percentile rankings of individual indicators within each of the four groups.

Source: World Bank (2011, p. 1).

Studies of the environment for doing business at the local and regional level are still in the development phase. So far, in the Doing Business project, parts of the world, such as Europe, South East, East Africa and the Arab world, have been studied. In previous years (2009-2011), some partial studies were devoted to the Sudan, Philippines, Zanzibar, Pakistan, Nigeria, Colombia, Kenya, India, Russia and Mexico. In 2012, reports were launched in Hargeisa (part of Somalia), Kenya, Russia, Mexico, and Indonesia (www 5). In 2013, also a report for 13 Italian cities and 7 commercial ports was prepared (World Bank 2013).

Besides business conditions, social trust is more and more often perceived as a vital element of institutional environment. Thus, the latter is the subject of an increasing number of studies. In Europe, the most recognizable research project is the *European Social Survey* (ESS), representing a diagnosis of correlations between the dynamics of institutions, human attitudes and behaviors in diverse European societies (www 7).

ESS research topics cover a wide range of issues of critical importance to understand the changes taking place in today's Europe. The questionnaire contains 12 modules that are repeated in each edition of the survey, relating to issues such as: trust in the authorities and institutions, participation in politics and civil society, represented moral political and social values, integration and social exclusion, as well as issues related to the well-being, welfare, and material living conditions of European citizens (www 2). The project is carried out by an international research consortium in collaboration with the European Commission. To date, there have been five rounds of the research (the latest one in 2010; currently in the midst of its sixth round) based on a personal questionnaire among randomly selected citizens of the EU countries. Due to various methodological barriers and difficulties with collecting data at sub-national level, the range of analyses involving territorial units smaller than countries remains limited. Nonetheless, researchers are aware of significant differences in institutional determinants of regional development and with each round they attempt to broaden the scope of the study at this level of analysis (Rydland, Arnesen, Østensen 2007, pp. 16-26). This provides grounds for expecting a future project with respect to the research at local and regional levels.

Among the studies devoted to the institutions at the urban level, one can mention also European Urban Audit – an initiative of Directorate General for Regional Policy of the European Commission with the participation of 27 National Statistical Offices working together under the supervision of Eurostat (www 1). The Audit was launched in 1999 and since that time it is continuously updated in terms of both numbers of the areas of study and the number of investigated cities⁴. Currently, data on more than 300 indicators describing the living conditions in more than 300 European cities are collected.

The aim of the European Urban Audit is to construct possibly the most comprehensive picture of European cities from the point of view of issues such as demography, social conditions, local economy, natural environment, transport systems, information society readiness, culture, and recreation.

Table 5. Areas of analysis and selected indicators used in the *European Urban Audit*

Area of analysis	Indicators
1	2
Demography	Total resident population
	Total annual population change over 5 yrs.
	<i>Percentage of households that are 1-person households</i>
	<i>Percentage of households that are lone-parent households</i>
	<i>Average size of households</i>

⁴ Last update of data for the audit was made in 2009 and included over 320 cities from the EU as well as 36 cities in Norway, Switzerland and Turkey (Rheinisch-Westfälisches Institut Wirtschaftsforschung 2010, p. 9). Currently the data collected in 2011 is under processing.

Table 5 cont.

1	2
Social Aspects	Average price per m ² for an apartment
	Average price per m ² for a house
	<i>Percentage of households living in owned dwellings</i>
	<i>Percentage of households living in social housing</i>
	Average living area in m ² per person
	<i>Number of recorded crimes per 1,000 population</i>
Economic Aspects	Unemployment rate
	<i>Unemployment rate – female</i>
	Employment rate
	<i>Activity rate</i>
	GDP per head (€)
	Median disposable annual household income(€)
	Percentage of households receiving less than half of the national average household income
Civic Involvement	<i>Percentage of registered electorate voting in city elections</i>
Training and Education	<i>No. of children aged 0-4 in day care per 1,000 children 0-4</i>
	% of working age population with only primary education
	% of working age population with tertiary education
Environment	Summer Smog: No. of days ozone (O ₃) exceeds 120 µg/m ³
	Number of days PM ₁₀ concentrations exceed 50 µg/m ³
	Amount of solid waste collected (domestic and commercial) – tones per capita per annum
	Percentage of solid waste processed by landfill
	Green space to which the public has access (m ² per capita)
	Population density (residents per km ²)
Travel and Transport	Percentage of journeys to work by car
	Average time of journey to work (mins.)
Information Society*	Proportion of households with a broadband Internet access
	No. of admin forms for download from official web sites
	No. of admin forms that can be submitted electronically
	Proportion of local companies that produce ICT products
	No. of local units providing ICT services per resident
Culture and Recreation*	Annual cinema attendants per resident
	Annual attendance at theaters per resident
	Annual visitors to museum per resident
	Tourist overnight stays per resident population
	Number of libraries/theatres/museums per 1000 residents
	Share of non-domestic arrivals using the nearest airport

* Last two areas of analysis are rarely presented in the cities' profiles.

Note: Indicators that can be directly interpreted as indicators of the 'quality' of the institutional environment are in *italics*.

Source: Based on (www 10).

Data for the audit are collected for three levels of analysis: core cities of the agglomerations, larger urban zones (for comparisons between the core city and its surroundings), and sub-city districts⁵. Although the study reported no refer-

⁵ However, to ensure the comparability of data, in some urban agglomerations different divisions were used. For example, in the case of metropolitan Paris and London, additional levels of analyzes have been created, in the case of Marseille, Nice and Saint-Etienne, the idea of separation of the surrounding areas was abandoned (as it is already taken into account in the official territorial division in

ence to the assumption of institutional economics, “institutional” elements appear in several of its areas (see Table 5).

Besides indicators designed to measure such elements as the structure of the population, availability of land and real estate, labor markets, transport systems or the quality of environment, there are also those that are derivatives of the conditions or changes of institutional nature. As a result, though the European Urban Audit cannot currently be regarded as a fully useful research from the perspective of the analysis in the spirit of institutional economics, the fact of its implementation at the urban scale and use of a wide range of indicators, provides a basis for the prospective development of the project also in this direction⁶.

In Poland, among the studies devoted to the issues of territorial development one can hardly find those that concern institutional theories. However, there are research programs that make references to institutional issues in other analyses. Among the latter, especially noteworthy is the Social Diagnosis, which generally refers to the society and the way it operates at the national scale. We can also come across more and more attempts to identify differences between Polish cities and regions (e.g. in the context of social trust, trust in public organizations, sensitivity to public welfare, etc.).

Social Diagnosis has been carried out continuously since 2000 as a biannual panel survey. It covers a range of indicators used in direct questionnaire studies conducted among Polish households. From methodological point of view, the study is of interdisciplinary nature and takes account of all the aspects relevant for individual households and their members – both of economic (income, welfare, savings, credits) and non-economic nature (education, health, coping with difficulties, stress, psychological wellbeing, lifestyles, social pathologies, participation in cultural events, information society readiness, etc.) (www 3).

The latest Social Diagnosis survey was conducted in 2011 (Czapiński and Panek, eds. 2011). Quite a substantial portion of many complex fields of this analysis refers to institutional conditions of development, such as social behaviors and social situation, as well as behaviors, attitudes and beliefs of citizens. From the point of view of local and regional studies, Social Diagnosis can be the source of many data useful in empirical testing of institutional economics hypotheses.

France), and in some small towns (e.g. in Galway, Ireland, Ancona and Perugia, Italy or Linz, Austria), cities' neighborhoods have not been isolated (for more, see: [www 10]).

⁶ Such studies are already undertaken directly within the European Urban Audit, in the form of deepened research among city residents, in the form of the so-called Urban Audit Perception Survey.

3. Summary – methodological dilemmas of institutional analysis at the regional level

Literature on institutional economics features an abundance of various theoretical strands. Their diversity explains the wide variety of methodological approaches to the study of economic processes. Many studies undertaken in the spirit of institutionalism take the form of rankings. Among them one can mention those referring both to national and sub-national levels. Those from the first group (Global Competitiveness Index, freedom index, Index of Economic Freedom, investment risk indices) do not represent any direct meaningful value for regional studies, but, undoubtedly, they highlight significant value of institutional analysis. The other contribute directly to the development of institutional economics at the regional level. What is common for studies such as Doing Business, European Urban Audit or Social Diagnosis is the emphasis on the combination of economical, sociological, political or cultural approaches. This leads to the conclusion that the biggest values of institutionalism emerge at the interface between various social science disciplines.

However, conducting studies on theoretical context of institutional economics implies many difficulties and limitations. The weakness of statistical data on institutional variables, the use of variables that are questionable in terms of reliability, conceptual and methodological problems associated with the selection of variables, and finally, the use of ambiguously defined concepts, are just a few the most common arguments of criticism as well as the main challenges for the future (Sulejewicz 2009, pp. 287-289).

They appear to be particularly important especially with regard to the analysis at local and regional levels. The key point is not only to deal with the shortage of secondary data, but also specific nature and character of institutional analysis at this level. In the second context, there is no doubt that the sub-national level is dominated by non-formal institutions, based on trust and specific, territorially embedded social interactions. Institutions of this kind are rarely or almost never taken into account in the most common research and rankings.

Thus, the difficulty of capturing the institutional specificity of a particular territory leads to the necessity of undertaking mainly primary studies. Even if they can derive from the *acquis* of the existing empirical material, they usually require modification and adaptation to specific 'local circumstances'. It results in high costs of institutional studies, as well as in organizational difficulties and, finally, in difficulties in ensuring the comparability of research results between different territorial units.

Moreover, the character of institutional studies results in the dominance of qualitative over quantitative research or, even more often, in a skilful combination of both approaches. For example, the studies presented in the paper are certainly valuable, but an attempt to apply them at the sub-national level is usually limited to the searching for relevant data at lower level of aggregation. It gives us a certain picture of the situation, but prevents from efficient identification of the aforementioned informal and non-formal institutions that emerged in specific locations and depend on the territory – its history, culture of cooperation (or the lack of it), a system of communication codes specific to the local environment, etc.

We can say that this field of scientific exploration, due to the multiplicity of ‘localities’ as well as territorial and institutional dynamics, is almost unlimited. The real challenge is to be able to explore them not just for the sake of doing it, but to leave scientific legacy applicable to other territorial systems. Perhaps, the representatives of social sciences should adopt an attitude closer to the one common among natural scientists, for whom also each unsuccessful attempt to verify a hypothesis means getting closer to the truth. Besides, the real essence of science is to continuously explore, not to find. In other words, institutional economics at local and regional levels seems to be an area offering a wide range of scientific exploration.

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