

# **The Role of Economic Institutions in supporting Growth and Development**

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## **Abstract**

This paper reviews the analytical literature and empirical evidence available to date on the direct and indirect contribution of key economic institutions and reforms on growth and development (G+D). The paper focuses on 10 national institutions (consistent with current international best practice) related to three key economic management areas: international integration, macroeconomic policies, and the financial sector. After describing the distribution of institutions over time and across world regions, several hypotheses about the contribution of institutions to G+D are discussed. Then a systematic survey is conducted on the empirical evidence on the effects of the key economic institutions on G+D. On the related question about the opposite causality – from G+D to institutions – the paper reviews briefly the evidence on the effects of different determinants (including G+D) of adopting key economic institutions. A final section discusses key policy issues on design and implementation of institutional change. The main conclusion is that the 10 institutions covered here make a statistically significant and positive contribution to GDP growth rates, per capita GDP levels, factor accumulation and productivity, and macroeconomic and financial stability.

Keywords: Economic institutions, Growth, Development