

COLLEGE OF EUROPE  
Bruges Campus  
Department of European Economic Studies

**Putting the cart before the horse? On  
education and institutional quality  
importance for regional innovation**

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for the  
Degree of Master of Arts in  
European Economic Studies

Academic Year 2014-2015

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*Abstract*

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This paper tests whether different measures of the educational context in European regions have an impact on regional innovative capacity and to what extent this effect is mediated by the quality of government institutions within each region. Using panel data analysis of 153 NUTS regions for the period 2000-2011 I found that both the share of early leavers from education and training and tertiary education attainment shape patenting capacity across European regions. The new two-way interaction effects for unstandardised variables allows us to further interpret interaction terms included in the empirical model for both education variables with quality of government. The results suggest that in low institutional quality settings improving the educational context both at an early stage by reducing the number of students leaving school prematurely and at a higher level of tertiary education lead to greater innovative performance. In contrast, in better quality of governance environments, it is the share of population who left education and training at an earlier stage the measure that has a bigger impact on regional innovation.