

The Role of Institutions and Social Capital

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Role of Institutions and Social Capital

- Ú **Renewed attention to institutions as factor shaping economic performance in general and for knowledge creation in specific**
- complexity of co-operation cannot be explained solely out of individual decision-making
 - economic units do not think out good practice but do rather well what is conventional in the context

- Ú **Additional factors influencing economic behaviour**
- human behaviour has to be understood as a **social and cultural phenomenon** which is therefore influenced by institutions

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Ú Review of the tradition of the (economic) theory of institutions

- influence of institutions on human (economic) behaviour
- the role played by knowledge in the creation of wealth
- the influence of space and distance for economic decision
- problem of coordination of individual decision making units

Ú Clusters/ networks as a phenomenon that combine three elements of knowledge, regional dimension and institutional character

- regional specializations on interlinked activities of complementary firms and other public and semi-public institutions
- clusters as coordinating institutions for knowledge sharing

Ú On the basis of the case studies the following questions will be approached:

- “division of labour” versus “knowledge sharing”:
economic transactions vs. of sharing and diffusing of knowledge
- Forms of interaction – Dependence of forms of cooperation on the type of knowledge
- Does the form and institutional background of clusters influence the process of knowledge generation and diffusion
- connectivity between institutional background and spatial extension of knowledge networks,

Ú The sociological approach:

- Coordination by decentral decision making does not suffice to establish order needed for continued interaction
- Social process is needed which guides this individual behaviour
- Exchange is only possible once the agents have agreed on institutions that allow such an exchange
- “exchange” specifically of knowledge then is only possible once there is a sufficient embeddedness and social capital that enables the firms to share their knowledge

Ú The economic approach :

- agents/firms make decisions that form institutions
- clusters firms decide to form clubs because they regard it as an efficient way
- Transaction-cost oriented economics:
Social embeddedness is regarded as a higher level of institution - if social embeddedness is given:
 - ò firms can decide about the forms of governance
 - ò the resulting governance structure then reshapes incentives.