

The Culture and Institutions: Features of Interaction and Impact on the Economy

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Abstract. The article proposes a methodology for studying the relationship of culture and institutions in economic processes, based on rethinking the relationship of economic culture and institutionalized forms of economic development in the framework of the intersubjective paradigm. It allows to go beyond traditional value-neutral and normative theories in understanding the development mechanisms of national economics. It focuses the research on a real variety of motives for the behavior of subjects and value-cognitive strategies for using resources to influence changes in the configuration of power and institutional structure, formal and informal institutions, as well as interaction models. The purpose of the study is to develop an approach that provides a systematic description of the endogenous relations of culture, institutions and economics within the framework of the intersubjective paradigm. The objective of the research is to propose a two-level approach to the analysis of endogenous relations of cultural and value variables, institutional and behavioral variables; to develop a holistic vision of the formation of the value-institutional system of the economy as a result of a compromise of interacting different actors; to justify the relevance and increasing importance of the implementation of ethical-oriented approach in the formation of institutional practices and in solving strategic problems. To substantiate the conclusions and positions, the methods of the constructivist approach, historical-logical and comparative analysis, methods of analysis of complex systems and scientific observation are used. The statements and conclusions formulated in the article contribute to the expansion of the problem field and to the deepening of theoretical ideas about the role of cultural and value variables and institutional variables in the formation of models of the development of national economies. The practical significance of the research results presented in the article is that it can be used in the development of programs and projects for the implementation of innovation changes in the economy.

1. Introduction

The development of economic science in modern conditions is accompanied by its division into two weakly interacting parts - the mainstream and alternative theories. At the same time, it acquired a complex structure as a result of the differentiation of the subject area and the fragmentation of knowledge, which is differ in its methodological status and research approaches. However, none of the research programs have been able to offer a holistic picture of the influence of cultural and institutional factors on the development of national economies.

2. Problem urgency

The formation of a modern wave of global changes in the economy, caused by the growing importance of intangible factors, requires a paradigmatic rethinking of the relationship of culture, institutions and economic change, taking into account that the starting point of circular and cumulative causes is the analysis of the role of culture in the socio-economic process [1].

3. Scientific importance and brief literature review

Today, controversial ideas have arisen about the connection of culture with the economy and institutions. Representatives of the competing theories usually proceed from the vision of a problem field corresponding to an individualistic paradigm. However, this paradigm excludes collective phenomena from the problem field, therefore cultural phenomena (values, norms, institutions, etc.) become exogenous factors of the economy [2]. Different concepts of institution change are proposed within the individualistic paradigm. In recent years, institutional cognitive economic theory has been formed [3, 4]. But even this way, culture and institutions act as “a part of the external environment of individual actors” [5, p. 15].

Different unorthodox theories give a key role to culture and institutions in interpreting economic processes; however, because of the reliance on the methodology of holism, the idea of the external assignment of norms and values appears [6, 7]. Representatives of alternative concepts in the framework of an interdisciplinary approach consider the economic motive as individualistic, cultural – as collective and non-economic. On the basis of this approach, the concepts of a moral economy, a social economy, and a socioeconomic have emerged [8, 9].

In recent decades, as a result of the recognition of the intersubjective nature of reality, a constructivist trend has appeared in institutional research. At the same time, the logic of communicative actions of value-rational subjects is used, which reach an agreement on values on the basis of a dialogue [10, 11]. In fact, we are talking about a more radical revolution in economic theory than marginal XIX c. [12, p. 96].

4. Problem statement

The purpose of the study is to develop an approach that provides a systematic description of the endogenous relations of culture, institutions and economics within the framework of the intersubjective paradigm. The objective of the research is to propose a two-level approach to the analysis of endogenous relations of cultural and value variables, institutional and behavioral variables; to develop a holistic vision of the formation of the value-institutional system of the economy as a result of a compromise of interacting different actors; to justify the relevance and increasing importance of the implementation of ethical-oriented approach in the formation of institutional practices and in solving strategic problems.

5. Theory

Within the framework of the intersubjective paradigm, it becomes possible to develop a realistic vision of the endogenous influence of culture and institutions on the economy. As A. Klammer notes, an alternative to the positivist vision of the economy, oriented to the theory of rational choice, is being outlined today; this alternative, in contrast to the “road of choice”, acts as a “road of values” [13]. Correct incorporation of culture into the economic system can become a new frontier in the investigation of economic reality [14, 15].

When constructing a holistic vision of the development of national economies, it is important to overcome the difficulties associated with delineating the concepts of culture and institutions [16]. As noted by A. Alesin and P. Giuliano, confusion is created by labeling the “institute” for everything. They understand culture as values and beliefs, one can say informal rules, and institutions mean formal institutions (as in most empirical works) [17, p. 902].

At the same time, in order to clarify the influence of culture and institutions on the economy, it should be borne in mind that various forms of behavior of actors and its institutionalized practices are

products of mental constructions, and institutions as stable connections of interactions are special components of culture, its manifestation. Therefore, in culture it is necessary to distinguish, firstly, the structural level associated with the construction of economic values and norms; secondly, the institutional level characterizing the formation of institutions as the generally accepted behavioral value structures.

Economic culture is part of the national culture and includes the economic and value orientations of the subjects. With its help, they comprehend the business environment and determine their own economic interests, goals, behavioral model, and also build economic institutions based on universally recognized values that allow them to get a mutually acceptable part of the overall benefits. As P. Berger writes, “economic institutions exist not in a vacuum, but in the context or, if you would like, as a part of social and political structures, cultural forms and, of course, in the structure of self-awareness: in the system of values, ideas, beliefs” [18, p. 31].

Civilization and religious tradition studies indicate the existence of common ethical values. Empirical analysis also reveals agreement on priorities of values between countries [19]. The peculiarity of dynamic connections of basic values determines the formation of the value-institutional matrix and the peculiarities of the transformation of normative and institutional practices [20]. In the course of economic practice, various actors seek to establish as a generally accepted different values and institutions, using their resources. As a result of the value-normative compromise, there appear shared and in varying degrees distorted “national lenses”, contributing to the legitimization of a dysfunctional matrix, the formation of inertial “way” and a special model of development of the national economy.

The existing informal and formal institutions act as sources of power, and in combination with the model of actors become the foundation on which their reproduction and renewal takes place [21]. The actions of the authorities and the economic transformations they carry out become successful and legitimate if they provide a sufficient balance of general and private benefits and therefore are perceived as meeting the requirements of ethics. In each country's economy, a certain value-institutional conformity of a changing reality is usually formed, capable of differently influencing the dynamics and direction of economic change. When creating an order of limited access to resources, a significant imbalance of common and private interests arises [22]. The exclusive institutions emerging as a result of the dysfunctionality of the value-normative system cause a low level of trust in the authorities and institutions, do not stimulate the growth of economic activity, generate structural imbalances, as well as value, institutional and technological traps.

Under the conditions of innovation competition, the importance of timely changes in institutional and power systems increases, taking into account the increasing role of intangible assets, partnerships, cooperatives, network and cluster links. This reinforces the influence of ethical and economic norms on the institutional development of the economy, business structures and systems. Consideration of culture and institutions as endogenous factors of the economy, and actors not only as carriers of values, but also their creators, makes it possible to abandon the interpretation of subjects' interests as exogenously given. This leads to the focus of research appears a real variety of motives for the behavior of subjects and value-cognitive strategies for using resources to influence on the formation of the configuration of power and institutional structure, on formal and informal institutions, as well as on the new set of values, on the new organizational and functional forms.

6. Practical relevance

The practical significance of the research results is that they can be used in the development of programs and projects for the implementation of innovative changes in the economy, with taking into account the peculiarities of the interaction of cultural, value, organizational and institutional factors.

7. Proposals and implementation effects

Under the conditions of innovation competition and the increasing role of intangible assets, the importance of using the intersubjective paradigm for carrying out successful innovation changes in national economies that respond to value-institutional challenges is increasing. Overcoming the conceptual

difficulties inherent in the outdated paradigm facilitates the search for completely new patterns of changes in institutional economics and power relations associated with the emancipation of subjects from a deformed mentality, the emergence of a new set of values and new organizational and functional forms.

8. Conclusions

To substantiate the findings and positions the methods of constructivist approach, of historical-logical and comparative analysis, the methods of analyzing complex systems and scientific observation were used. The statements and conclusions formulated in the article contribute to the expansion of the problem field and to the deepening of theoretical ideas about cultural values, composition and functional purpose of the main structure-forming elements of the economic system, about role of cultural and value variables, institutional variables in the formation of models of national economies. The main statements and conclusions of the study can be used as a unifying platform for the further development of theoretical and empirical research on this issue.

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