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Territorial context in the research on the EU cohesion. One-speed or multi-speed Europe?

Abstract: Difficulties in measuring EU convergence, with its economic, social and territorial dimensions are a consequence of not only problems emerging from the formal issues (e.g. differences in public statistics methods and procedures) but also an effect of different regional conditions. In this context, a "territory" should be considered not only as a subject of analysis, but a variable itself. Thus, regional science can derive from intellectual heritage of institutionalism, since institutional environment matters as a framework for interpreting the factors of regional competitiveness. What can decide about the power of the European Union, it is a variability of institutional contexts of regional development. This paper is an attempt to review current discussion among regional economists, to what extent the theoretical achievements of institutionalism (especially institutional economics) as well as the demand for diversity of research methods in regional science (e.g. triangulation of quantitative and qualitative methods), can be reconciled with methodological regime and the need to ensure the comparability of results.

Keywords: regional development, regional disparities, institutional economics, territory, embeddedness, triangulation in science

1. Introduction

Every European Union enlargement has deepened economical divergence between member states and their regions. However, the economic aspect of this issue is only a part of a broad scope of reasons of its internal diversity, including also social, cultural or cognitive dimensions. First of all, these are measurable and fairly not vanishing disparities in GDP *per capita* confirming an observation that there is no "one global optimum" for the UE area but a contrary – one must admit various stages as well as various rates of development. On one hand, analysis of regional disparities in EU (especially when countries are a spatial level of research) reveals that regional convergence is actually being observed, but as a very slow process.² On the other hand, the biggest UE enlargement which took place in 2004 and which included the poorest countries in the history has deepened again economic divergence inside the Community. During last years, according to the Fifth Report on Economic, Social and Territorial Cohesion, despite the fact that economic growth has led to a marked narrowing of regional disparities in GDP across the Union as a whole, it has not prevented disparities from increasing in a number of states. For instance, in Romania the coefficient of variation rose

¹ University of Łódź, Department of Regional Economy and Environment.

² Gawlikowska-Hueckel, K., *Konwergencja regionalna w Unii Europejskiej*, „Gospodarka Narodowa no. 10, 2002

from 15 in 1995 to 44 in 2007, reflecting the relative concentration of growth in one or two regions, especially the capital city region.³

Besides, it is not only a tempo but also a way of catching-up that should be taken into account. For example, in the UE there are both countries that chosen a strategy of higher GDP growth rates but for the price of its higher concentration in few biggest growth poles (regional polarization) and countries that try to balance growth rate with regional cohesion.⁴

Above facts are clearly signaling that a picture of European economy is differential. There is no doubt one could really identify one simple reason of this. There are for sure not only size of the country, number of its inhabitants, stage of development or geopolitical location separately, that can decide about it. This is rather a combination of these and many other (later discussed) elements responsible for this. In this context it should be noted that for such a wide variety of structures, a “one-size-fits-all” strategy of building European competitiveness cannot be implemented.

In other words, different countries and different regions are repeatedly finding “different routes for the same purpose”. It does not mean, however there are better or worse routes, since everyone emerges from different spring – and this is the reason why territorially rooted institutional context of regional and national development matters. In these conditions, regional science can derive from intellectual heritage of institutionalism, which assumes, inter alia, that historical path of development implies the way economic actors act to achieve their objectives. In a broader context, institutional environment (shaped especially strongly in the conditions of spatial proximity), not only constitutes the framework but also can be a source of new ideas and thus – it can contribute to sustainable competitiveness.

That is why an author shares an increasingly common thesis that there is no one-speed Europe and the real value of the “European” is not determined by its uniformity, but the variety of territorialities. Bearing this in mind, one must state that what can really decide about the power of the European Union, it is a variability of institutional contexts of regional development. This thesis would be considered as a kind of truism since after all, the “soft law” in framing conditions for European bodies’ functioning exists for tens of years (e.g. open coordination method). However, it can successfully refer also to research programs aiming at measuring EU member states’ and regions’ development conditions and achievements. In

³ European Commission, *Fifth Report on Economic, Social and Territorial Cohesion*, Publications Office of the European Union, Luxembourg 2010, pp. 11-14.

⁴ M. E. Sokołowicz, *W kierunku nowej polityki regionalnej? Rozważania nad przyszłym kształtem polityki regionalnej w Polsce*; [in:] *Polityka spójności. Ocena i wyzwania*, Ministerstwo Rozwoju Regionalnego, Warsaw 2008, pp. 7-22

other words, research program on regional development should be adapted to the specificities of the member countries and regions. The aim of this paper is to overview and compile the increasingly popular discussion among regional economists (with the usage of institutional economics framework), to what extent the demand for diversity of research methods in regional science (e.g. triangulation of quantitative and qualitative methods), can be reconciled with methodological regime and the need to ensure the comparability of results.

2. Institutional economics as theoretical proposal for exploring regional diversity

In economics and in regional science, so called institutionalism or institutional economics⁵ can be perceived as one of the most fruitful theoretical framework, contributing to a thesis, that specific social, relational or cultural conditions do indeed cause the differences in economic performance of such units as enterprises but also nations, cities and regions, which at the very beginning have at disposal similar generic resources.⁶ Ipso facto, institutionalism can contribute effectively to explaining not only the reasons of spatial economic disparities, but also the nature of processes standing behind these reasons.⁷

However, institutional economics is not a single and well established branch of economics and social science, but rather a bunch of different schools and concepts. One should recognize especially the difference between the “new” and the “old” institutionalism. “New institutionalism” derives from many concepts of classical economics, treating institutions as something that restricts individual behavior. On the other hand, “old” institutionalism treats institutions as a result of social relations⁸ and does not fetish the values

⁵ It must be stated, however, that the importance of institutions for economic processes is shared not only by the various strands of institutional economics, but also by other various strands of economics, such as the evolutionary economics, whose one of main representatives is Geoffrey M. Hodgson (see: Hodgson, G. M., *Economics and Evolution: Bringing Life Back Into Economics*, University of Michigan Press, Ann Arbor 1997; also: Nelson, R. R., Winter, S. G. *An Evolutionary Theory of Economic Change*, Belknap Press, Cambridge 1982).

⁶ At national level, the idea that various configurations of institutional arrangements have led to the emergence of different forms and models of governance is not new. In this way, B. Amable has distinguished five models of capitalism: 1. The market-based Anglo-Saxon model (UK, USA, Australia, New Zealand, Ireland), 2. Social democratic model (Sweden, Norway, Denmark), 3. Continental European model (France, Germany, Netherlands, Austria), 4. Mediterranean model and 5. Asian Capitalism (Japan, Korea) (Amable, B., *The Diversity of Modern Capitalism*, Oxford University Press, Oxford 2003, pp. 13-15). This context is also an important subject of institutional analysis of French regulation school (Chavance, B., *L'économie institutionnelle*, Editions La Découverte, Paris 2007, pp. 80-86)

⁷ Particularly first works in economic geography, referring to the institutional economics are worth mentioning here: Amin, A., Thrift, N., (eds.), *Globalization, Institutions and Regional Development in Europe*, Oxford University Press, Oxford 1994; Cooke, P., Morgan, K., *The Associational Economy: Firms, Regions, and Innovation*, Oxford University Press, Oxford 1998; Storper, M., *The Regional World: Territorial Development in a Global Economy*, Guilford Press, London 1997.

⁸ Hodgson, G. M., *Economics and Evolution: Bringing Life Back into Economics*, Cambridge: Polity, 1993, p. 253.

of individualism.⁹ Besides, one should see a difference between the New Institutionalism (including some works of evolutionary economics, French regulation school and even many other derivatives of the “old” American institutionalism) and so called New Institutional Economics (NIE).¹⁰ Firstly, New Institutionalism is considered to be more diversified in terms of presented views. It includes such theoretical schools as Austrian school (F. von Hayek), old American institutionalism represented by J. Commons and Th. Veblen while the latter is also regarded as the founder of evolutionary approach, which is under significant influence of psychology and biology. New Institutionalism alludes strongly (as opposed to the NIE) to the historical pensée (the German Historical School) and a contextual definition of the institutions (J. Commons).¹¹ Besides, it is strongly interconnected with economic sociology¹² and refers to endogenous sources of innovation.¹³

Instead, NIE shares many assumptions with mainstream economics; i. e. presupposes the existence of individuals striving to maximize their utility (self-interest) under conditions of limited access to information, including the reduction of transaction costs¹⁴. In other words, NIE examines how the relationships between individuals shape institutions (individualistic approach), but does not examine the dimensions of the collectivist institutions.¹⁵

Despite a considerable diversity of institutionalism, it is worthy to follow B. Chavance who pointed out there are four common characteristics of every strand within institutional economics¹⁶:

1. The sphere of economics depends on the sphere institutions¹⁷. All institutional approaches schools reject or at least distance themselves from the assumptions of

⁹ Cumbers, A., MacKinnon, D., McMaster, R., *Institutions, Power and Space. Assessing the Limits to Institutionalism in Economic Geography*, “European Urban and Regional studies” 10, 2003, p. 327

¹⁰ Moulaert, F., *Institutional Economics and Planning Theory: a Partnership Between Ostriches?*, “Planning Theory” 4: 21, 2005, p. 21

¹¹ See also: Moulaert, F., *Institutional...*, op. cit., pp. 28-30

¹² Swedberg, R., *Current Sociology*, Sage, London 1987

¹³ Hodgson, G. M., *Economics and Institutions*, Polity Press, Cambridge 1988; Moulaert, F., Lambooy, J., *The Economic Organisation of Cities: An Institutional Perspective*, “International Journal of Urban and Regional Research”, 20 (2), 1966, pp. 217-237

¹⁴ The conception of transaction costs, initiated by R. Coase (Coase, R., *The nature of the firm*, „Economica” 1937, 4 (16), pp. 386–405) and developed by O. Williamson (Williamson, O., *Market and hierarchies. Analysis and Antitrust Implications*, Free Press, New York 1975) is a core of every analysis made in the framework of New Institutional Economics. Transaction costs result from the fact that in addition to the market price paid to finalize transaction, economic entity should consider also other costs associated with searching for contractors, negotiating prices, costs associated with the risk of unreliability of contractors, transaction fees, insurance, etc (Nowakowska, A., Przygodzki, Z., Sokołowicz, M. E., *Region w gospodarce opartej na wiedzy, Kapitał ludzki-innowacje-korporacje transnarodowe*, Difin, Warszawa 2011, p. 142).

¹⁵ See also: Moulaert, F., *Institutional...*, op. cit., p. 23.

¹⁶ Chavance, B., *L'économie institutionnelle*, Editions La Découverte, Paris 2007, pp. 100-101.

¹⁷ Institutions are understood here as sets of common habits, routines, established practices, rules, or laws that regulate the relations and interactions between individuals, groups and organizations (Edquist, C., Johnson, B.,

neoclassical economics about perfect rationality¹⁸ of the individuals, as well as the need for a “too simplifying” mathematical formalization of explanatory models

2. Every institutional approach concentrates on the problem of change.¹⁹ In this context, institutions are perceived as factor that ensures a certain level of stability in the face of changing economic conditions
3. Institutions are also a subject to change – every approach tries to examine the reasons and the processes of evolutionary or revolutionary transformation of institutional conditions
4. Each school refers to the issue of the emergence of the new institutional order.

In other words, institutional economics takes into account the social context of economic processes and stresses the evolutionary nature of economic growth. At the same time, it departs from basic assumptions of neoclassical economics of one hand, but also Marxian determinism and reductionism, on the other hand.²⁰

In parallel with the growing interest in institutional economics, the study on the issue of *path-dependency*, having its root in evolutionary economics, has been developed.²¹ In fact, the definition of this phenomenon may be reduced to the thesis that the evolution of business,

Institutions and Organizations in Systems of Innovation, [in:] Edquist, C. (ed.), *Systems of Innovation: Technologies, Institutions and Organizations*, Pinter/Cassell Academic, London and Washington 1997, p. 46. In other words, institutions are perceived in a broad context; they are “rules of the game”, referring to their popular definition proposed by Douglas North (North, D. C., *Institutions, Institutional Change and Economic Performance*, Cambridge University Press, Cambridge 1997, p. 5). Thus, among institutions one should mention not only formal ones, organized by the state and referring to commonly and legally binding codes of acting, but also spontaneous ones, based on cultural norms and conventions, as well as institutions shaped through private interactions, e. g. finalized by private agreements (see e. g.: Webster, C. J., Lai, L. W. C., *Property Rights, Planning and Markets. Managing Spontaneous Cities*, Edward Elgar, Cheltenham-Northampton, 2003, p. 60). Following this path, in a capitalist economy, among basic institutions there are also such social constructs as ownership, money, market exchange or enterprise. In this context, while in a mainstream economics competition is analyzed as given, from institutional perspective competition is not an axiom but a consequence of specific social rules, such as freedom and responsibility. In this context it is not surprising that competition as a form of market structure (and market structures themselves), are forms of social relations, characteristic for the Mediterranean civilization and culture, but undoubtedly not the only forms of these relations (see: Klimczak, B., *Uwagi o powiązaniach między standardową ekonomią i nową ekonomią instytucjonalną*; [in:] Rudolf, S. (ed.), *Nowa Ekonomia Instytucjonalna. Aspekty teoretyczne i praktyczne*, Wyższa Szkoła Ekonomii i Administracji im. prof. Edwarda Lipińskiego w Kielcach, Kielce 2005, p. 22).

¹⁸ Institutional approaches refer to the concept of *bounded rationality* of Herbert A. Simon's (see: Simon, H. A., *Theories of Decision-Making in Economic and Behavioral Sciences*, “American Economic Review” 49(2), 1959, pp. 253-283). According to his assumption, economic decisions can never be fully rational, since every human being: 1. Uses a simplified picture of reality, 2. Is not able to analyze the entire set of possible solutions, 3. During the decision making process, uses simple heuristics in place of in-depth analysis of the existing state. As a consequence, economic decisions are not based on first-best possible solutions but on first options considered satisfactory by specific person at a specific time and in specific conditions (Kacprzyk, A., *Wkład psychologii w neoinstytucjonalną modyfikację zasady racjonalności*; [in:] Rudolf S. (ed.), *Nowa Ekonomia Instytucjonalna...*, op. cit., pp. 123-125). For the history of development of the idea of bounded rationality, see also: Jones, B. D., *Bounded Rationality*, “Annual Review of Political Science”, vol. 2, 1997, pp. 297-321).

¹⁹ Contrary to the mainstream economics, which concentrates mainly on the problem of equilibrium.

²⁰ Cumbers, A., MacKinnon, D., McMaster, R., *Institutions...*, op. cit., p. 325

²¹ Cumbers, A., MacKinnon, D., McMaster, R., *Institutions...*, op. cit., p. 328

technology and territories is the result of earlier decisions.²² *Path-dependency* involves a specific group of actors, organizational formations, technical systems and their knowledge bases, as well as an institutional and cultural setting.²³

G. Schienstock suggests distinguishing five interacting factors in the process of path creation: 1. A window of new opportunities, associated with a new techno-organizational paradigm, 2. The prospects of new businesses and new markets, 3. Pressures coming from external socio-economic factors, 4. Key change events, and 5. The human will to change things.²⁴ A. Bassani and G. Dosi mention the following factors: 1. The emergence of a new technological paradigm, 2. Heterogeneity among actors, 3. The co-evolutionary nature of many processes of socioeconomic adaptation, and 4. The invasion of new organizational forms.²⁵

Therefore, in consideration of the role and functions of institutions in the economy one cannot ignore the fact that the latter, under certain conditions, may also constitute barriers to change and innovation. Institutional changes are rather slow and always follow technological changes. There are barriers to the acceleration of institutional changes, and there are behavioral patterns responsible for this. Institutions may therefore act in two directions: to hasten and to delay the effects of changes.²⁶

In conclusion, institutional economics or more broadly – an institutional approach, has much to offer to regional science. As P. Healey proposed, it can contribute to development of so called “place-focused” discourse, since places are socially constructed, on the relationships and their history²⁷ and internal relations between regional actors. This can be successfully considered as the quintessence of the marriage of an institutional approach and modern concepts of local and regional development.

Thus, analyzing briefly main theoretical strands of institutional economics, one can try to identify the possibilities of applying them in the research on territories. Among these strands one can mention: 1. Classical thoughts of institutional economics (including current neoinstitutional concepts), 2. Various concepts classified as parts of New Institutional

²² Arthur, W. B., *Increasing Returns and Path Dependence In the Economy*, Michigan University Press, Michigan 1994

²³ Schienstock, G., *Path Dependency and Path Creation in Finland*; [in:] Jakubowska, A. Kukliński, P. Żuber (eds.), *The Future of European Regions*, Polish Ministry of Regional Development, Warsaw 2007, p. 170.

²⁴ G. Schienstock, G., *Path Dependency...*, op. cit., p. 171.

²⁵ Bassanini, A. P., Dosi, G., *When and How Chance and Human Can Twist the Arms of Clio*; [in:] Garud, R., Karnoe, P. (eds.), *Path Creation and Path Dependency*, Lawrence Erlbaum Mahwah 2001, p. 62

²⁶ Okoń - Horodyńska, E., *Narodowy system innowacji w Polsce*, Academy of Economics Publishing, Katowice 1998, p. 46.

²⁷ Healey, P., *Institutionalist Analysis, Communicative Planning and Shaping Places*, “Journal of Planning Education and Research”, no. 19, 1999, p. 118

Economics (property rights theory, transaction cost economics, agency theory and public choice theory) and 3. Territorially-oriented approaches which are close to institutional economics such as social *embeddness* concept or economics of proximity.

First of institutional branches mentioned above, criticizes to much extent some assumptions of mainstreams economics, sometimes even opposing institutions to free-market mechanisms. Institutions are treated as a heritage of the past which can be responsible for some inertia of development paths but thanks to that, guarantying the stability of social and economic structures. From the regional science point of view, institutional context is determined not only historically but also geographically (territorially). The spatial differentiation of institutions will, therefore, strongly correlate with the spatial differentiation of economic development.

The second of institutional schools – New Institutional Economics – does not negate the fundamental assumptions of mainstream economics. On contrary, it analyses behavior of actors seeking to maximize their utilities, where institutional settings, are treated as “a set of rules”, according to which their decisions can be taken. First on its sub-domains – property rights theory – is based on a thesis that clearly defined structure of these rights (with the general the primacy of individual ownership over the others), should be treated as a cornerstone of well-functioning economy. Therefore, institutional system should be primarily responsible for the respect of property rights. In the regional science, usefulness of this trend is mainly associated with the search for the optimal allocation of property rights in space and thus, can be used in spatial planning or real-estate research.

Another element of NIE – transaction costs economics – is built around search for optimal economic structures that promote the minimization of transaction costs in market. Institutions here are analyzed as a tool of diminishing the cost of “using market mechanism” (by ensuring transparency and predictability of transactions) as well as “rules of the game”, where economic agents (enterprises, households, but also public agencies) are treated as a players. In the territorial context, transaction costs economics can be applied in testing the correlation between territorial proximity (being often a source of informal institutions) and the level of transacting costs. Another area of application refers to the concentration of so called transaction sector in the biggest urban (metropolitan) areas of the world).²⁸

²⁸ Because of such phenomena as increasing specialization and division of labor, technological change in production and transportation accompanied by increasing firm size, and the augmented role of government in relationship to the private sector, one can observe the growing size of transaction sector in time, offering services aiming at minimization of transaction costs (see: Wallis, J. J., North, D. C., *Measuring the Transaction Sector in*

Agency theory as a next strand of NIE is based on assumption that transactions are met not only outside but also within organizations. The subject of inquiry is here the relation between the principal (owner of enterprise, public agency founder, etc.) and the agent employed in order to act on behalf of the former. Institutional arrangements are responsible here for minimization of internal transaction costs of organizations, by motivating agents to realize principals' aims. Besides the use of analytical instruments of agency theory for the improvement of management processes in local or regional organizational structures, they can also be used to study the inferiority-superiority relationships in local government as well as between different levels of public administration (e.g. central power vs. local power).

The interest of public choice theory is the analysis of collective choices using the apparatus of classical economics (methodological individualism, the assumption of rationality of behavior). In the research devoted to local and regional development, this theory allows to analyze: a mechanism of local government elections, the search for optimal forms of territorial management of complex structures, and finally search for the optimal allocation of power between different levels of government (decentralization).

Last of institutional strands discussed here (*embeddedness* concept, economics of proximity) also assume that economic relations are shaped by certain institutional conditions and constraints. Each of the forms of economic activity located between the market and the hierarchical structure of the organization, is woven the web of interpersonal relationships, conditioned by a certain degree of proximity. Thus the latter decides about institutional quality of economic relations and as such, depends also on social structures, considered in the next chapter.

3. Regions and territories – where economics and sociology meet

The process of European integration is parallel to the processes of economic globalization. In this context however, a thesis about “the end of geography”²⁹ or territory as a passive reservoir of basic resources, exploited by nomadic transnational corporations³⁰, found their counterarguments very quickly. In early nineties, many discourses about region as an important source of competitive advantage have occurred. Among them one should mention

the American Economy, 1870-1970 [in:] Engerman, S. L., Gallman, R. E., (eds.), *Long-Term Factors in American Economic Growth*, University of Chicago Press, Chicago 1986, pp. 95-162).

²⁹ O'Brien, R., *Global Financial Integration: The End of Geography*, Pinter, London 1992

³⁰ See: Amin, A., Robins, K., *Industrial Districts and Regional Development: Limits and Possibilities*; [in:] Pyke, F., Becattini, G., Sengenberger, W., *Industrial Districts and Inter-Firm Cooperation in Italy*, International Institute for Labor Studies, Geneva 1990, p. 210.

the concept of clusters, popularized by M. E. Porter³¹, works of A. Saxenian³² on the “success stories” of *Silicon Valley* and *Route 128* as well as theoretical considerations of A. Scott³³. What is important, these works refer to the broader theoretical context of institutional economics and evolutionary economics.³⁴

Rediscovering the growing role of region as a specific economic entity is one of important phenomenon in literature in economics and economic geography. Recently, especially representatives of Californian school of economic geography, called also *new industrial geography*, underline this aspect. A. J. Scott and M. Storper point out that in the époque of global communication and long-distance data transfers, geographical proximity and its impact on spatial concentration of economic activity still matter in case of many transactions. Contemporary economy can be characterized not only by internationalization of business activities, but also by growing level of complexity and diversity of economic interactions.

And thus, while transactions which are relatively frequent, predictable, simple and easily codifiable are indeed not sensitive to geographical proximity, relations characterized by high complexity, irregularity, uncertainty as well less limited codification and predictability (which are of growing importance in a knowledge intensive economy), are still embedded in regional context³⁵. That is why the regionalization of production systems is intensified by localized technological learning processes and by the location inertia that is created in the process of accumulation of a mass physical capital at particular locations. In this manner, regional industrial agglomerations continue to be significant elements of the landscape of capitalism, even in a world of steadily globalizing economic relations³⁶.

To confirm thesis about important role of regional or local and regional dimension³⁷ of economy, A. Scott and M. Storper use the example of the processes of growing divergence of

³¹ Porter, M. E., *The Competitive Advantage of Nations*, Free Press, New York 1990

³² Saxenian, A., *Regional Advantage: Culture and Competition in Silicon Valley and Route 128*, Harvard University Press, Cambridge 1994

³³ Scott, A. J., *Regions and the World Economy: The Coming Shape of Global Production, Competition, and Political Order*, Oxford University Press, Oxford 1998

³⁴ Scott, A. J., *Economic Geography: The Great Half Century*, [in:] Clark, G. L., Feldman, M. P., Gertler, M. S., *Oxford Handbook of Economic Geography*, Oxford University Press, 2000, p. 31; among the most significant contributions one can mention: Hodgson, G. M., *Economics and ...*, op. cit. and Nelson, R. R., Winter, S. G., *An Evolutionary...*, op. cit.

³⁵ Scott, A. J., Storper, M., *The Wealth of Regions*, “Futures”, Vol. 27, 1995, pp. 506-507

³⁶ Scott, A. J., Storper, M., *The Wealth ...*, op. cit., p. 509

³⁷ In recent years many authors have partly resigned of analyzing differences between so called “regional” and “local” scale of development (Bunnell, T. G., Coe, N. M., *Spaces and scales of innovation*, “Progress in Human Geography” 25(4), 2001, pp. 569-589). They often replace it with a term “territory”, which is especially visible in French regionalists’ literature. In this sense, “territory” does not reflect clearly defined spatial area, but is rather a “philosophy” of perceiving it as a specific space of economic and social relations. In this sense, territory

spatial redistribution of gross domestic product in both developing and well developed countries. Despite revolution in telecommunication technology and lowering transport costs, mechanism of spatial concentration of production still works. It is stimulated by important role of *external effects* of agglomeration of economic activity, leading to better possibilities of finding appropriate workers, cooperators, suppliers, partners, who support *flexible specialization* of territory and creation of networks promoting fast diffusion of innovation³⁸.

In this context, in contemporary global economic landscape, the phenomenon of “region states” (as K. Ohmae calls it, equally extreme as periphrastic), becomes more and more discussed. Under this term K. Ohmae understood areas that are not limited by existing political borders. If these borders even exist, they rather follow than precede real flows of human activity. They do not menace national states and they are not protected by military forces. They are rather “natural economic zones”, in which human, material, intellectual, social resources concentrate, making some of them most important players in global economy.³⁹

At the same time, Ph. Cooke with K. Morgan⁴⁰, A. Malmberg⁴¹ in Europe, as well as R. Florida in USA⁴², has concentrated their attention on the phenomenon of *learning regions*, defining them as territories that are functioning according to the logic of networking, where mutual relations, thanks to the proximity of actors as well as proximity of supporting institutions, lead to effective knowledge spill-overs. In other words, their research focused on such regions as Baden-Württemberg in Germany, Californian Silicon Valley or Italian industrial districts revealed that specific relations resulting from territorial (but also social, organizational, institutional or cognitive⁴³) proximity, can be perceived as specific resources

is not given, but rather created by “actors” operating there (Jewtuchowicz, A., *Terytorium i współczesne dylematy jego rozwoju*, University of Łódź Press, Łódź 2005, p. 64).

³⁸ Scott, A. J., Storper, M., *Regions, Globalization, Development*, “Regional Studies”, Vol. 37, 6&7, 2003, pp. 579-593

³⁹ Ohmae, K., *The Rise of the Region State*, “Foreign Affairs”, Vol. 72. No. 2, 1993, p. 79

⁴⁰ Cooke, P., Morgan, K., *The Associational Economy...*, op. cit.

⁴¹ Malmberg, A., *Industrial Geography: Agglomeration and Local Milieu*, “Progress in Human Geography”, 20(3), 1996, pp. 392-403.

⁴² Florida, R., *Toward the Learning Region*, “Futures”, Vol. 27 No. 5, 1995, pp. 527-536

⁴³ About various types of proximity, mutual interdependencies between these types and impact of proximity on changing geography of economic flows, see writings of *economics of proximity*, for example: Boschma, R. A., *Proximity and Innovation: A Critical Assessment*, “Regional Studies”, Vol. 39.1, 2005, pp. 61-74; Rallet, A., Torre, A., *Proximity and Localization*, “Regional Studies”, Vol. 39.1, 2005, pp. 47-59; *Paradigme de milieu innovateur dans l'économie spatiale contemporaine* (eng. title: *The Paradigm of Milieu for Innovation in Contemporary Spatial Economics*), special edition of “Revue d'Economie Régionale et Urbaine”, no. 3, 1999. On the other hand, on “temporary geographical proximity” see: Maskell, P., Bathelt, H., Malmberg, A., *Building Global Knowledge Pipelines: The Role of Temporary Clusters*, DRUID Working Paper No. 05-20, 2005, <http://www3.druid.dk/wp/20050020.pdf>, accessed 25.04.2011; Torre, A., *On the Role Played by Temporary Geographical Proximity in Knowledge Transmission*, “Regional Studies” Vol. 42.6, 2008, pp. 869 – 889

on which competitive advantage can be build. They are sources of learning and allow regions to adapt to changes in the environment.

Similarly, P. Maskell *et. al*⁴⁴ underlined that so called *tacit* knowledge spreads best in a situation of direct contacts which are naturally strengthened by geographical proximity. Finally, also G. Becattini with E. Rullani⁴⁵, B. Asheim⁴⁶ and B. Noteboom⁴⁷, introduced the distinction between codified knowledge, transferred via trans-local networks (transnational corporations, educational and training institutions, specialists press, etc.) and *tacit* knowledge, rooted in relations of proximity, resulting from a local “industrial atmosphere”, acquired in the workplace and in daily activities and interactions between the various actors.⁴⁸

Treating locally developed social relations in terms on their impact on building specific resources (resources that are rooted into regional context and “territorially tied”), seems to be strongly associated with institutional aspect of economic relations, especially via the theoretical context of social capital⁴⁹ but on the regional level, even stronger, via the concept of embeddedness.

The origins of the concept of embeddedness date back to works of Karl Polanyi⁵⁰, developed recently in the field of so-called “New Economic Sociology”.⁵¹ Besides, the main thesis of this concept is rooted deeply in the context of institutional economics claiming that economy is *embedded* in both economic and non-economic institutions defined as the restrictions established by the people for structuring their relationships. They consist of formal

⁴⁴ Maskell, P., Eskelinen, H., Hannibalsson, I., Malmberg, A., Vatne, E., *Competitiveness, Localised Learning and Regional Development*, Routledge, London 1998

⁴⁵ Becattini, G., Rullani, E., *Sistema locale e mercato globale*, “Economia e Politica Industriale” vol. 80, 1993, pp. 25-40.

⁴⁶ Asheim, B., ‘*Learning Regions*’ in *a Globalised World Economy: Towards a New Competitive Advantage of Industrial Districts?*, [in:] S. Conti, M. Taylor (red.), *Interdependent and Uneven Development: Global-Local Perspectives*, Avebury, London 1997

⁴⁷ Noteboom, B., *Innovation, Learning and Industrial Organization*, “Cambridge Journal of Economics”, 23(2), 1999, pp. 127–150

⁴⁸ An extensive literature review on this issue also in Amin, A., *An Institutional Perspective on Regional Economic Development*, “International Journal of Urban and Regional Research”, 23(2), 1999, pp. 365-378

⁴⁹ Among milestone contributors to the theory of social capital one should mention Pierre Bourdieu, Francis Fukuyama and Robert Putnam: Bourdieu, P., *Distinction: A Social Critique of the Judgement of Taste*, Routledge and Kegan Paul, London 1984; Fukuyama, F., *Trust: The Social Virtues and the Creation of Prosperity*, Hamish Hamilton, London 1995; Putnam, R., *Bowling Alone*, Simon and Schuster, New York 2001

⁵⁰ Polanyi, K., *The Great Transformation: the Political and Economic Origins of our Time*, Rinehart, New York 1944; Polanyi, K., *The Economy as Instituted Process*; [in:] Polanyi, K., Arensberg, C. M., Pearson H. W. (eds.), *Trade and Market in the Early Empires. Economies in History and Theory*, Free Press, New York 1957.

⁵¹ Swedberg, R., *Major Traditions of Economic Sociology*, “Annual Review of Sociology”, vol. 17, 1991, pp. 251-276.

(such as a rules, laws, and constitutions) and informal constraints (such as behaviors, conventions, beliefs) as well as rules for their implementation in practice.⁵²

The term *embeddedness* means that every economic relation is not an effect of implicitly rational decisions of independent entities because, in fact, these entities are never fully independent. Economical decisions are always under influence of context that is deeply rooted (embedded) in social interactions that constitute specific patterns of behaviors. In other words, the concept of embeddedness is based on a thesis developed by Mark Granovetter that all economic activities are rooted in social network relationships.⁵³

According to M. Granovetter, every analysis of intermediate forms of economic activities between pure markets and pure hierarchy is bound with networks of personal relations and disregarding this context is doomed to failure. Ipso facto, the social (institutional) context of economic action shall be not a secondary but the main aspect of processes governing it. In other words, “as rational choice arguments are narrowly construed as referring to atomized individuals and economic goals, they are inconsistent with embeddedness position (...)”. Referring to the thesis that every economics action is rooted (embedded) into social structures and relations, M. Granovetter suggest abandoning an absolute assumption of rational decision making, as Harvey Leibenstein did in his concept of “X-inefficiency”, based on so called “selective rationality”.⁵⁴

The problem of embeddedness uses a similar conceptual apparatus that the concept of territorialisation, based on the assumption that what contributes to the process of strengthening institutional framework (interpreted in the context of external economies⁵⁵), it is a territorial proximity. Even in the age of growing role of other types of proximity, spatial

⁵² Chavance, B., *L'économie institutionnelle*, Editions La Découverte, Paris 2007, p. 39 ; interpreting: Polanyi, K., *L'économie comme processus institutionnalisé* ; [in:] Polanyi, K., Arensberg, C. M., Pearson H. W. (eds.), *Les Systèmes économiques dans l'histoire et la théorie*, Larousse, Paris 1957, p. 249

⁵³ Granovetter, M., *Economic Action and Social Structure. The Problem of Embeddedness*, “American Journal of Sociology”, Vol. 91 (1), 1985, p. 481

⁵⁴ Granovetter, M., *Economic Action...*, op. cit., p. 505, following: Leibenstein, H., *Beyond Economic Man*, Harvard University Press, Cambridge 1976.

⁵⁵ External economies are advantages of the operation of businesses in small geographic distances and can be related largely to the spatial externalities that arise from the benefits that apply to a single company by the mere fact of its existence in space in which there are many other operators (Marshall, A., *Principles of Economics*, Macmillan, London 1920). Co-location of similar business (even economic rivals) in a local production system is a classic example of external economies, where the success of one company does not remain unnoticed by the other (Maskell, P., *Towards a knowledge-based theory of the geographical cluster*, “Industrial and Corporate Change”, 10 (4), 2001, pp. 921-943)

proximity is still a prerequisite factor of reducing transaction and communication costs, since it facilitates the development of common codes and common language.⁵⁶

Review of the extensive literature on the growing role of the territory in contemporary increasingly open economy, in conjunction with the literature on institutional economics leads to the conclusion that today region cannot be identified with physical space only, treated in traditional location theory. It is not a “container” of land, capital, labor and it cannot be perceived mainly in the context of transport costs, but is rather considered as “a form of organization that reduces uncertainty and risk, and which is a source of information and accumulation of knowledge and capabilities supporting innovation potential”.⁵⁷

This has undoubtedly consequences for normative approach to regional development, where neither pure Keynesian nor liberal approach proved to be effective. However, one can identify some kind of “third way” which is based on the concept of endogenous regional growth. This approach does not have yet a coherent theoretical framework but in a layer of policy making it involves a number of very diverse concepts and tools, such as: bottom-up perspective, sensitivity to the specific conditions of individual regions, long-term perspective of regional development policy and a plurality of actors.⁵⁸ This concept also emphasizes the importance of the social foundations of economic processes and sometimes is being called New Regionalism. Its basic tenets are most briefly and aptly expressed by J. Gren in his works on territorial dimension in Sweden, Spain and France. He indicated main assumptions of new regionalism as follows:

- region is a prime agent of development,
- region is an independent entrepreneur searching for investments,
- region is the level on which the opportunities and threats of the European integration processes and a globalised economy should ideally be met.⁵⁹

It is also worth noting that “new regionalism” differs from the “old” regionalism in widening the scope of the role of government in economic matters. In this view, local government is responsible not only for providing services in the field of public interest, but

⁵⁶ See also: Oinas, P., *Activity-Specificity in Organizational Learning: Implications for Analysing the Role of Proximity*, GeoJournal 49, 1990, pp. 363-372; Ghemawat, P., *Distance Still Matters: the Hard Realities of Global Expansion*, Harvard Business Review 79, no. 8, 2001, pp. 137-147.

⁵⁷ Pietrzyk, I., *Polityka regionalna Unii Europejskiej i regiony w państwach członkowskich*, Polish Scientific Publishers PWN, Warsaw 2006, p. 34.

⁵⁸ Amin, A., *An Institutional Perspective...*, op. cit., p. 365-366

⁵⁹ Gren, J., *Regionalism and West Sweden: Change in the Regionalism Paradigm*, “Regional and Federal Studies”, 12(3), 2002, pp. 79-101, cited in: Gąsior-Niemiec, A., *Regional Development: The Role of Regional Governance, Social Capital and Cultural Endowment*; [in:] Jakubowska, P., Kukliński, A., Żuber, P. (eds.), *The Future of European Regions*, Polish Ministry of Regional Development, Warsaw 2007, p. 141

should also support local economic development, e.g. contributing to internationalization of local economy, promoting the competitiveness of firms and building capacity of metropolitan potential.⁶⁰

4. Implications of institutional perspective for the research and the regional policy

One of the biggest challenges of institutional economics is the use of its assumptions in the empirical analysis. These difficulties arise from both the construction of theories or their operationalization (such as ambiguity in defining the institutions⁶¹, the diversity of institutional trends, fuzzy concept of informal institutions), and problems with acquiring valuable data, particularly on the sub-national level. In consequence, what does institutional approach mean primarily for research program on territories, it is a need of combining different methods. A methodological cross examination⁶² can be one of ways that can help to detect regional specificities. First of all, this cross examination should refer to a combination of quantitative and qualitative approaches.

As far as a quantitative approach is concerned, it is able to capture an overall picture of investigated problem and thus, gives a possibility of formulation of universal and, what is an even more important, comparable conclusion. However, this kind of research, based on formal mathematical models, is by the nature of the matter, doomed to far reaching simplifications. For example, when it comes to quantitative methods of clusters⁶³ identification (e. g. input-output, location quotient), they identify concentration of enterprises in specific industries only, staying silent about the internal structure and functioning of potential clusters (the quality and organization of business networks).⁶⁴ Also P. Krugman

⁶⁰ Lackowska, M., *Zarządzanie obszarami metropolitalnymi w Polsce. Między dobrowolnością a imperatywem*, Warsaw University Press, Warsaw 2009, p. 65

⁶¹ See: Hodgson, G. M., *What Are Institutions?*, "Journal of Economic Issues", Vol. XL no. 1, 2006, pp. 1-26.

⁶² In 1970, N. K. Denzin distinguished four forms of cross examination in the research process, defining it as *triangulation*: data triangulation, investigator triangulation, theoretical triangulation as well as methodological triangulation (see: Denzin, N. K., *The Research Act: A Theoretical Introduction to Sociological Methods*, Aldine Transaction, Chicago 2009, p. 301).

⁶³ Defined as geographic concentrations of interconnected companies, specialized suppliers, services providers, firms in related industries, and associated institutions in particular fields, (...) linked by commonalities and complementarities" (Porter, M. E., *On Competition*, Harvard University Press, Boston 2008, pp. 213-214).

⁶⁴ Nowakowska, A. Przygodzki, Z., Sokołowicz, M. E., *Mapping Clusters in Poland. A Comprehensive Methodological Approach*, [in:] Markowski, T., Turała, M. (eds.), *Theoretical and Practical Aspects of Urban and Regional Development*, Polish Academy of Sciences – Committee for Spatial Economy and Regional Planning, Warsaw 2009, p. 267-269

admits that among three basic sources of agglomeration economies indicated by A. Marshall⁶⁵ (information spillovers, non-traded local inputs, and local skilled labor pool), the quantitative branch of regional sciences – New Economic Geography – investigates only one of those, namely backward and forward linkages, omitting knowledge spillovers and labor pool.⁶⁶

When it comes to quantitative research on regional level, there is also a recurrent problem with gaining suitable and comparable statistical data. Also, spatial unit of analysis is often not conducive but a barrier for obtain reliable results. In regional science, one can observe so called modifiable area unit problem (MAUP), which states that “the number, size and shape of the chosen spatial unit might affect the results of the analysis. This is a consequence of the fact that the number of ways in which fine scale of spatial units can be aggregated into larger units is often great, and there are usually no objective criteria for choosing one aggregation scheme over another”.⁶⁷

Also, when applying institutional studies, a problem of reliable data also appears. For example, research on the level of transaction costs as a part of New Institutional Economics, faces the problem of difficulty in measuring these costs, which are not revealed directly in market transactions. In consequence, different types of costs may require different methodologies. Reliance on financial or other monetary data neglects some types of costs (e.g., time which must be spent on making transaction). In these case, rather qualitative surveys may be required to obtain information on these types of transaction costs.⁶⁸

What is also important, the smaller geographical unit of activity is, the more blurred quality of statistical information it provides. For example, research of T. Key *et al.*⁶⁹ revealed, that for national market sectors, the typical R^2 value achieved in econometric models is 0.85-0.95. Equivalent models of regional markets show R^2 values around 0.75-0.90. Thus, “as one goes deeper, the ability to generalize dissipates and the quality of aggregate analysis and explanation becomes weaker.”⁷⁰

⁶⁵ Marshall, A., *Principles...*, op. cit., pp. 55-57

⁶⁶ Krugman, P., *Where in the World is the “New Economic Geography”?*; [in:] Clark, G. L., Feldman, M. P., Gertler M. S. (eds.), *Oxford Handbook of Economic Geography*, Oxford University Press, Oxford 2000, p. 59

⁶⁷ Bertinelli, L., Decrop, J., *Geographical Agglomeration: Ellison and Glaeser's Index Applied to the Case of Belgian Manufacturing Industry*, “Regional Studies” 39.5, 2005, p. 569

⁶⁸ McCann, L., Colby, B., Easter, W., Kasterine, A., Kuperan, K., *Transaction cost measurement for evaluating environmental policies*, “Ecological Economics” 52 (2005), p. 538.

⁶⁹ Key, T., McGregor, B., Nanthekumara, B., Zarkesh, F., *Economic Cycles and Property Cycles. Understanding the Property Cycle: Main Report*, Royal Institution of Chartered Surveyors, London 1994

⁷⁰ Guy, S., Henneberry, J., *Understanding Urban Development Processes. Integrating the Economic and the Social in Property Research*, “Urban Studies” Vol. 37, No. 13, 2000, p. 2405

As J. G. Lambooy has noticed⁷¹, François Perroux considerations on so called growth poles⁷², well-known among regional economists, were placed by the author in quite an abstract space of economic relations. In other works, economic forces leading to concentration of human activity and resources were perceived as a-spatial, a-temporal and a-social. Meanwhile, empirical studies such as the those in Mezzogiorno in Italy, Baden-Württemberg in Germany or Silicon Valley in USA have shown, that geography and society or, geographically-constructed social conditions for economic relations, still matter. In this context, a quantitative approach can contribute significantly to various regional analyses. Its main characteristic is it tries to answer the question “how?” or “why?” rather than the question “how much?” or “how many?”. It is based on less rigorous ways of obtaining information (open questions, focused interviews, observation, etc.). Qualitative research is suitable for the analyses conducted on local or regional level also because it is based on non-probability sampling and smaller samples. However, this approach requires a higher level of engagement and expertise from the researcher, who, especially in case of regional science, should remain sensitive to territorial (institutional) context.

The biggest weaknesses of qualitative approach lies in a fact, that despite more extensive analysis, there is usually much smaller number of cases that can be compared on the interregional level. Besides, smaller possibility of generalizing results and more subjective methods of analyses cause difficulties of its falsifiability. Finally, institutionalism which is itself sensitive to qualitative research, carries the risk of explains so much as almost nothing. For example, such notions as embeddedness are often uncritically borrowed from institutional economics, without an accurate definition of its meaning.⁷³

In consequence, more and more research projects are based on combination of various quantitative and qualitative methods. This is especially observable in applied research projects, formed at the interface between different scientific disciplines as well as at the interface between science and policy. In regional science and regional studies, such concepts and methods as regional and technological foresights⁷⁴ and benchmarking⁷⁵, can be given as best examples.

⁷¹ Lambooy, J. G., *Globalization, Regional Context and Governance: A Relational Perspective*, [in:] Bünz, H. Kukliński, A. (eds.), *Globalization, Experiences and Prospects*, Rewasz Publisher, Warsaw 2001, pp. 301-302.

⁷² Perroux, F., *Note sur la notion de pôle de croissance*, « *Economique appliquée* » vol. 1-2., 1955, pp. 307-320.

⁷³ Cumbers, A., MacKinnon, D., McMaster, R., *Institutions...*, op. cit., p. 327

⁷⁴ Foresight can be defined as a set of various tools used for the prediction of development trends (*Practical Guide to Regional Foresight, FOREN Network (Foresight for Regional Development)*, European Commission Research Directorate General, STRATA Programme, December 2001). It is a systematic way of assessing future trends, technical and technological capabilities, resulting from recent scientific developments that may have a strong impact on society and its future development. It is also defined as a dialogue aimed at identifying

Institutional approach suggests also a combination of various ideas on the field of policy recommendations. The latter are nothing more than just metaphors. What is symptomatic that simplifications are used by both the followers of liberal approach and supporters of public interventionism. Both sides simplify reality too much, creating a vision of “institutions almost free from the institutions”. The postulate of centralization usually does not refer to the problems, how the public agency should be created, what kind of jurisdiction should control it, how to select agents and reward them, how to obtain the information necessary for decision-making, etc. Postulate of full privatization does not refer to how to define property rights, how to measure the value of individual assets (e. g. common resources, public spaces), who should cover the costs of exclusion from consumption and to resolve conflicts relating to property rights, etc. In this context, the greatest contribution of the institutional economics to science and policy is to realize that these “institutional details” remain extremely important. This universal assumption should be also valid in regional science and regional policy.

In regional research, a triangulation exercise is only one important aspect. One should bear in mind that another one is sensitivity to the territorial context. Thus, European Commission in the Fifth Report on Economic, Social and Territorial Cohesion, underlined that there are three main determinants of regional economic development: the level of innovation, the quality of infrastructure and the capacity of institutions.⁷⁶ This Report, in the procedures measuring the level of cohesion, has referred directly to the works of Stiglitz-Sen-Fitoussi Commission on the Measurement of Economic Performance and Social Progress.⁷⁷

technologies that can have economic and / or social significance (Piasecki, B., *Pierwsze kroki w foresight*, [in:] *Regionalna strategia innowacji – foresight regionalny*, Instytutu Badań nad Przedsiębiorczością i Rozwojem Ekonomicznym, nr 1/2004, Społeczna Wyższa Szkoła Przedsiębiorczości i Zarządzania, Łódź 2004, p. 9)

⁷⁵ Benchmarking can be interpreted as a continuous process of measuring products, services and procedures in relation to the strongest competitors or those companies that are considered to be industry leaders (Sage, A. P., Rouse, W. B. (eds.), *Handbook of Systems Engineering and Management*, John Wiley and Sons, 1999, p. 341). Benchmarking is nowadays used also for non-commercial activities, such as benchmarking of cities and regions, technology and science parks, but also: airports, universities energy suppliers or health care organizations. Benchmarking is also used for evaluation of more complex economic structures, such as regional innovation systems, or whole public services' systems. From the methodological point of view, each benchmarking is a heuristic research method and uses combination of quantitative and qualitative approaches and each refers to the need of analysis of both internal processes and organization's outcomes (internal perspective) and organization's environment (external perspective).

⁷⁶ European Commission, *Fifth Report...*, op. cit., p. 1

⁷⁷ The Commission on the Measurement of Economic Performance and Social Progress has been created at the beginning of 2008 on French government's initiative, as an answer to the inadequacy of current measures of economic performance, in particular those based only on GDP figures. Commission offered a more comprehensive way of measuring the level of development, concentrated not only on the raise of production but also on capturing many other aspects of “well-being” (for more details, see: Stiglitz, J. E., Sen, A., Fitoussi, J-P., *Report by the Commission on the Measurement of Economic Performance and Social Progress*, http://www.stiglitz-sen-fitoussi.fr/documents/rapport_anglais.pdf, accessed 03.05.2011).

This means that regional and local case studies can contribute significantly to the stock of knowledge about processes influencing economic, social and territorial cohesion. However, in order to ensure their comparability and to elaborate a common “research code”, a creation and development of platforms for collaborative research is necessary. In this context, one of the best European examples is the ESPON research program.

Finally, one must avoid both the theoretical and methodological simplifications. For example, such as spatial planning is not a sectoral policy, because it requires an interdisciplinary approach, also the research program on the regions requires an interdisciplinary approach. But still, in order to abstain from self-fulfilling prophecies and all-explanatory models one must underline that institutional approach does not mean a complete methodological freedom but rather sensitivity to diversity of methods, as well as objects and subjects of the research.

5. Conclusions

The analyses of chosen aspects of economic, social and territorial cohesion in the EU, leads to a thesis that due to the great diversity of development paths, there is no single-speed Europe and there are no “one-size-fits-all” approaches to regional development policy. This paper is of “review-and-classification” nature, as well as a theoretical proposal of a broader use of institutional approach in regional science, since regional science, by its nature, should be sensitive to territorial diversity.

Since there are many strands of institutional approaches (classic institutionalism, New Institutional Economics and other), there are many possibilities of their application in territorial studies. Old institutionalism offers a set of thoughts helpful for eclectic (mainly holistic and qualitative) studies on territorial differences of development paths as well as on the role of public authorities in development’s stimulation. New Institutional Economics can contribute to regional studies by more strict methodologies of economic research, borrowed from classical economy. As such, its apparatus can be used for the research on the structure of ownership in territorial units (property rights theory), the measurement of transaction costs and transaction sector as well as quantitative analysis of costs and benefits of cooperation between enterprises (transaction costs economics) or within enterprises and other organizations (agency theory). NIE allows also for both quantitative and qualitative studies of delegation of power and comportments of local politicians and their electorate (public choice theory). Finally, institutional concepts open a way for searching the added value of studies

which are on the verge of such disciplines as economics and sociology (the *embeddedness* concept, economics of proximity).

However, the diversity of institutionalism with its theoretical and methodological consequences, raises many challenges in the design of research in general, and the sub-national level particularly. In practice, an institutional approach in its empirical dimension shall mean a need of cross-examination of research methods and tools and, what is more important, sophistication to the territorial context. From this point of view, the biggest added value can be created at the interface between scientific disciplines (economics, sociology, geography, core competencies based approach, etc.).⁷⁸ One should also bear in mind the problems of acquiring suitable and sufficiently detailed data on the territorial level, which could probably also cause changes in the public statistics.

Similarly, also regional policy should be sensitive to the territorial context, because in the era of post-modernism one can not speak of universal solutions, as the latter just do not exist. What is more, it is a difference and diversity, on which regions can build their core competencies and specific resources. For example, in the discussion on the policy of dealing with regional disparities, we should generally avoid a “one-zero” dichotomies, such as “public interventionism vs. liberalism”, “regional convergence vs. polarization” or “supporting cores vs. helping peripheries”. Although important for understanding the general processes, such opposites omit the fact, that what is observable in contemporary economy and contemporary society, it is the growing complexity of the processes, and hybridization of the structures, indicated by the institutionalists. Especially on local and regional level, diversity becomes actually a serious challenge for both research and practitioners.

For researchers, however, it does not mean the dismissal of the rigor of formal methods. On the contrary, institutional approach requires more broad knowledge about the phenomena and methods that can be combined, as well as strong interdisciplinary cooperation in this field. Therefore, what is crucial, it is the creation of research platforms, enabling this cooperation on one hand and the comparability of data and results obtained on the other.

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⁷⁸ See, for example discussion of: Amin, A., Thrift, N., *What Kind of Economic Theory for What Kind of Economic Geography?*, “Antipode”, 32(1), 2000, p. 8

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