

The role of political institutions in innovation activities during globalization

UDC 321

DOI <https://doi.org/10.24195/2414-9616.2022-4.8>

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Nowadays, a large scientific literature has emerged on the subject of globalization. However, as seen in many fields of social sciences, completely different approaches to globalization have emerged. One of these approaches investigates the role of globalization in political science. On the other side of this coin, innovation processes have always been one of the top research topics while evaluation economic performance and growth of a specific country. Albeit the fact that there are the magnitude of scientific materials evaluating political institutions as one of the most important topics in the political science under the domain of globalization, the literature still lacks in providing information about the role of the political institutions on the innovation activities. Therefore, the objective of this paper is to investigate the relationship between political institutions and innovation activities of the nation-states across the world. The research question – What are the roles of political institutions on innovation activities during globalization? – has been defined. To investigate the research question, the comparative analysis of the existing scientific literature has been conducted as the main research method.

The key findings of the study show us the level of authority and democracy that the political institutions have, as well as the ability of being transparent and accountable, which in turn helps availability of more reliable information, play significant roles in the relationship between the political institutions and the innovation activities.

After analyzing the available literature in a very detailed way, it has been concluded that there is a positive correlation between political institutions and innovation activities of the countries. The main limitation of this study is considering the articles only from English, Turkish and Azerbaijani resources.

Key words: political institutions, political structures, innovation activities, innovations, innovators, globalization, nation-states.

1. Introduction

Globalization is one of the most used terms in the last two decades in the fields of international politics and diplomacy. Globalization is a multi-level and multi-field process that includes the expansion of financial markets, the spread of technologies, the increase of information and scientific and technical knowledge, the liberalization of world trade, and the creation of a global quality standard [1, p.179]. With the phenomenon of globalization, communities need to reinforce their capacity and enhance their competitiveness worldwide. In this matter, the concept of innovation activity gains significance. Bill Gates's statement: "Never before in history has innovation offered a promise of so much to so many in so short a time", proves once again that innovation is simply indispensable for societies to endure and deal with the challenges and uncertainties generated because of globalization.

Evidently, innovation is one of the key factors to attaining both higher economic growth and societal well-being [4, p.2574]. Therefore, the concept of innovation is on the agendas of almost all countries, regardless of their development levels [2, p.324]. One of the main drivers of the innovation activities within nation-states is the political institutional structure of nations that helps the researchers to understand the wide range of diversity in innovation levels between countries [4, p. 2579].

Purpose and tasks

It should be noted that, there is a paucity in the literature about the roles of political institutions in

national innovations during the processes of globalization. Therefore, to address this gap, the objective of this study is to investigate the following research question: "What are the roles of political institutions on innovation activities during globalization?"

In the following part, the main methodological approach and materials for progressing the article have been mentioned. Following the methodology used, the theoretical background of globalization and political institutions has been explored based on the available scientific literature. Before having results followed by the conclusion part, the main part dealing with the research question defined has been given.

2. Methods and materials

A comparative analysis of the existing scientific materials was conducted as the method of the study to derive knowledge and generate some findings between August 2022 and September 2022 by employing the "Advanced search" tool of the "Web of Science" database (Lastly checked on 27.09.2022). In order to do the search on the database three key elements of the research question – "political institutions", "innovation activities", and "globalization" – and subsequently their synonyms have been identified. A search query in accordance with key elements is given below:

- political institutions – ALL=("political institution*" OR "political structure*" OR "public bod*" OR "public authorit*");
- innovation activities – ALL=("innovation*" OR "innovation activit*" OR "innovative activit*");

- globalization – ALL=(“globalization”).

The search query led to 19 records in total. These publications, initially, were assessed in accordance with the inclusion and exclusion criteria. According to these criteria, the articles should be published in peer-reviewed journals, written in English, Azerbaijani, and Turkish, and relevant to the research question. After the first assessment, three records were removed. Following title and abstract screening, the next six records were rejected. Then ten remaining papers have been read and only nine articles were left for the final stage. After the snowball effect, the next 21 papers have been identified, which makes the total number of records 30 in the end. However, not all papers are mentioned in the reference list, since some papers only helped to establish and enhance the overall topical understanding of the author.

3. Theoretical background

3.1. What is globalization?

Globalization is a concept used to explain recent developments in the world. Since these developments have economic, political, social, technological, and cultural dimensions, the definition and meaning of globalization differ from person to person. Therefore, there is no generally accepted definition of globalization, and this concept is used in a way that can have different meanings. For example, it can be seen in the literature that globalization is used synonymously with various terms such as internationalization, universalization, liberalization, interdependence, and modernization. From an academic literature perspective, the views among authors, in this regard, are also so diverse. While some stated that globalization would increase welfare in the world and reduce the differences between developed and developing countries, others expressed the same concept as the modern approach of colonialism. While there are positive approaches to the concept of globalization (Extreme Globalization), there are also negative approaches (Anti-Globalization) that criticize this process very severely. There are also (Transformational) views that approach the globalization process more objectively.

The phenomenon of globalization, the effect of which was felt more towards the 1980s, expresses the changes and transformations in the economic, social, political, and cultural fields. The collapse of the USSR in 1989 and the narrowing of the application area of communism and its ideological weakening caused the deterioration of the international system and order. The disappearance of this system, which was called the Cold War until 1989 and was described as a bipolar order, brought along efforts to understand and make sense of the new order [6, p.28].

Francis Fukuyama called the collapse of the USSR the end of history and the worldwide triumph of liberalism [11]. Other authors describe this period as follows: The period we left behind was the age of hopes, of course often false hopes, but still hopes. The next

period will be the age of problems and struggles born from despair rather than trust. In fact, we witness that political and cultural factors such as “Clash of Civilizations”, “End of History”, “Greater Middle East Project”, “New World Order”, global terrorism, and global struggles over energy resources are effective [10, p.44]. Therefore, this period is the change of the modern world that developed after the enlightenment. Nation-states, which are the dominant power in determining many policies, have been replaced by global and local actors with the effect of globalization and localization. For this reason, the thoughts and understandings that give weight to the nation-state have been criticized. The most important criticism focused on the inadequacy of representative democracy, which is specific to the nation-state; Opinions have come to the fore in the direction of the democratic thought system in which participation is the basis rather than representation. As Üstüner and Keyman (1995) stated, the question of democracy should be considered in a global context and discussed on the axis of global/national/local (local) interaction [18, p.34].

According to Manuel Castells, the political interests of the new leaders who came to power in the late 1980s and early 1990s also supported the globalization option. What Castells means by political interests is to be elected and stay in power. In many cases, new leaders were elected as economies slumped, often collapsing, and strengthened their power by significantly improving the country's economic performance. Castells cites Clinton, who was elected in 1992, as an example of this situation. “It's the economy, stupid!” – Castells emphasized that it is organized around the discourse of Clinton's successful presidential campaign [5].

Whether the phenomenon is good or evil, acceptable or not, the truth is modern societies are living in the era of globalization. The impacts deriving from globalization are simply undeniable.

3.2. Political institutions during globalization

The term “institute” (in Latin institutum – enterprise, establishment) is used in political science for the manifestation of various types of regulated and formalized political relations. In general, the normative analysis of political institutions is as old as the study of politics, dating back to Aristotle and Polybius. Its modern form is political institutionalism. In the context of policy evaluations, political institutionalism shifts the emphasis from the evaluation of a specific policy measure to the evaluation of the policy process [7, p.26].

In classical political theory, political institutions primarily focused on the state, constitution, and government. From the end of the 19th century until the beginning of the 20th century, political institutions meant only administrative offices and legal norms, and the state was understood as the primary basis of political life [3, p.242]. In his book “Political Sociology” (1967), Maurice Duverger gave the most famous definition of

political institutions up to that time. Thus, according to the scientist, “political institutions are such a model of human relations that a copy of concrete relations is extracted from them, and thus those relations become stable, durable and strong” [8]. Institutionalism, which emerged as a director of economic, sociological, and political sciences in Western Europe at the end of the 19th century, focuses on the nature, functions, and role of socio-political institutions [3, p.243]. Despite all these different views and explanations, political scientists managed to come to a common opinion. Thus, in the most general plan, political institutions are formal and informal rules of the game, the main reason for which is that most people adhere to certain norms and rules of behavior.

Three main internal elements of political institutions should be mentioned. So, according to these elements, political institutions are defined as a) the status of people in the field of political activity and relations, b) the sum of the roles performed by people in certain groups, and c) political norms, as a set of subjective components of activity based on customs, laws, and established principles.

4. The role of political institutions in innovation activities

Solid economic growth has always been in the highest demand within the list of diverse priorities of the industrialized and developing nations, and the role of innovation in it has long been known as one of the most powerful factors in scientific literature [19, p.1083]. On the other side of this coin, institutions, especially during the globalization age, are the main topic of interest in the study of developmental processes. Thus, the study of the relationship between political institutional structures and innovative activity shows that political institutions have an important role in determining the number and nature of innovative opportunities for firms and entrepreneurs. Findings in the scientific literature, as well as in practice, show that countries with political institutions characterized by weak states with limited authority produce much higher levels of mainstream innovative activity. Subsequently, national political institutions characterized by strong state power and corporatist societies were found to produce higher levels of innovative activity [4, p. 2574].

Political institutions identify the rules and policies, which are utterly vital to shaping the interactions like the contractual relationships among different market actors, which in turn have a great impact on investors' and innovators' motivation and predictions [13, p.1]. According to Jensen (2008) and Li (2009), democratic political institutions put constraints on the strength of the governments by limiting their managerial authority and encouraging political competition for protecting gains from investor and innovator sides [14; 16]. Extant political literature mentions that innovators are expected to be more enthusiastic to transfer innova-

tion input to innovation output on which the increasing level of democracy in political institutions has a direct impact [13, p. 1]. This also reveals that a positive relationship between political democracy and innovation outcomes exists. This relationship can be described with the transfer rate to innovation output. On the other hand, it is also trustworthy to note that nation-states with more sophisticated and democratic institutions can achieve many new and effective ideas since their financial resources are distributed more efficiently.

When it counts to innovation activities at the national level, extant literature identified four types of political institutional structures. These are as follows:

State corporatist structures, which are mainly collectivistic in nature, connect powerful centralized bureaucratic regimes with policy networks. These kinds of structures are reflected in the countries like Germany and Japan. For instance, in Japan, the Ministry of Economy, Trade, and Industry integrates and forms policies and policy offers between market actors and the national government [17].

Unlike state corporatist structures, social corporatist structures also include governmental interests and suggestions. However, it should also be mentioned that any kind of state activity in this sense only exists to facilitate and contribute to the defined processes. In this case, governments are not dictating ultimate decision-making power over the activities of citizens and industries. These structures are mainly specific to the Nordic states like Sweden and Denmark in which policymaking is a process of attaining a community consensus [15, p.74].

Liberal pluralist structures mostly characterize weak governments. This type can be found in the United States and the United Kingdom. In this type, the role of nation-states is overcome by more strict and established interest groups. Garud and Karnøe (2003) identified that in the liberal pluralist type of structures, public policies and other means of support toward technological novelties under the domain of innovation are not consistent because of the interest group factors [12].

And lastly, state nation structures are characteristic of France and Italy, where central governments of states also show an interest to involve society [15, p.75].

According to Varsakelis (2006), there is a direct link between political institutions and innovation activity. So, the more effective the political structures are the more promising the innovation activities will be [19, p.1085]. By addressing the necessary patent protection system within borders, political institutions, like the judiciary system and government enhance investor and innovator trust and reliance on the system.

On the other hand, information transparency and accountability are two very crucial factors that directly affect the performance of innovators. The more trans-

parent and accountable the political institutions are, the more likely desirable innovation actions will occur. For political institutions, being transparent and accountable implies having responsibility for their actions. Democratic political institutions imposing more severe limits on public authorities and local governments are more interested in implementing policies regarding improvement in information transparency and more honest reporting to investors and innovators [13, p. 2]. Moreover, the processes of globalization require like being more transparent and accountable from political institutions, particularly within the national borders. Even though, this demand puts extra pressure on local governments in dealing with democratization through transparency and accountability, its positive effects on innovation activities and investment opportunities in these activities are undeniable. Since the route of globalization lies from the strongest developed countries towards less strong states, its requirements over many domestic aspects are usually high. Albeit the fact that this case is not desirable for the developing countries (due to the fact of being more corrupted or having authoritarian governments), it is an almost life-saving factor for the local communities. Because the innovation activities bring novelties to society, which can be very advantageous for them in many aspects, except the overrated dystopian statements about substitution of humans by robots.

In the century we live in, meeting the rising demands of the rapidly increasing world population and the expectations parallel to the increase in the population has brought with it the phenomenon of globalization that has left its mark on the 21st century. The 2000s became a period when all kinds of economic and political borders between countries were to be crossed, and thus, traditional closed economies began to rapidly transform into open economies [9, p. 198].

In today's world where globalization has come to the fore, parallel changes have emerged in the understanding of the state and different functions and duties have begun to be assigned to the concept of the state. The state, which represents the common legitimate sanctioning power of the society, is among the issues of central importance in economic thought. The reason for the existence of the state in the economy has given rise to a long and complex debate for years, and the state-economy relationship and the weight of the state in the economy have always been a topic that occupied the agenda [9].

The phenomenon of globalization has brought about fundamental changes in the structure of societies, economies, and political institutions. In the globalizing world, not only institutions but also the principles, values, and attitudes that give direction and shape to institutions have begun to change rapidly. This rapid change has made the 21st century significantly different from previous periods in many ways.

The decline of nation-states is at the center of globalization debates. It is claimed that nation-states are cumbersome in solving local problems and insufficient in solving global problems, as some authors often emphasize. According to them, nation-states have begun to lose their old powers. In the current era of globalization, states are forced to control their borders. In addition, thanks to the global liquidity obtained by global capital, the nation have become able to impose what it wants on the states. It is claimed that nation-states are easily transferred to other places if they do not accept the demands of global capital, turning nation-states (and therefore national economies) into "vulnerable victims" in the face of globalization.

In the 21st century, the information revolution, the financial revolution, the existence of supranational values and institutions, changing national priorities in the world, individual and national security gaining new meanings, localization, and the functioning of the free market economy have been some of the results of globalization [9, p.198].

5. Results

Throughout the main part, we can derive some insightful results about the impact of political institutions on innovation activities. The first result achieved through the comparative analysis of literature is that the weaker the central government is in the nation-states, the more political institutions can have positive effects on the innovation activities. This implies that increased level of the power in the political institutions guarantees efficiency in the innovation activities, since these political structures are more confident to control or at least to monitor and require accountability from their central governments. The second result achieved is the ability of political institutions to form interactions or more specifically the contractual relationships among different market actors to reinforce and keep motivated investors and innovators. Third results come with the democratization level of political structures. The more democratic the institutions are, the more positive impact they can have on innovation activities. These results are reflected the efficiency level on the political institutions, implying that the more efficient they are, the more beneficial they will be towards innovation activities. However, our fourth result helped us to dive into deeper with the efficiency level of political institutions. According to the literature, if the political structures are able to implement or introduce the patent protection system for the innovations, innovators start to rely more on the political institutions, which will have a positive influence on innovation activity. In addition, efficiency level of the political institutions are also supported by the transparency and accountability degrees of the institutions. By being transparent and accountable, the institutions provide more useful and very high level information to the investors and innovators. This can

easily be attained through the democratization levels of the political institutions, which also supports our third result mentioned above. Ultimately, it has been reached that the globalization influences the quality of political institutions in a positive way. Since globalization plays an undeniable role in blurring the boundaries between nation-states and develops from the developed towards developing, it puts high level standards and requirements, which can be challenging especially for the local governments that are striving with the high level corruption and authoritarian regimes.

6. Conclusion

By comparatively analyzing existing scientific materials available in the field, one can explicitly claim that there is a positive correlation between political institutions and the innovation activities of nation-states. This implies that the more effective the political structures are, the more benefits can be derived throughout the innovation processes. In addition, the democracy level also plays a major role in this positive correlation during the globalization age.

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Роль політичних інституцій в інноваційній діяльності в умовах глобалізації

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Республіки

Нині з'явилася велика наукова література на тему глобалізації. Однак, як видно у багатьох сферах соціальних наук, з'явилися зовсім різні підходи до глобалізації. Один із таких підходів досліджує роль глобалізації в політичній науці. З іншого боку цієї медалі, інноваційні процеси завжди були однією з головних тем досліджень щодо оцінки економічних показників і зростання конкретної країни. Незважаючи на наявність великої кількості наукових матеріалів, що оцінюють політичні інститути як одну з найважливіших тем політичної науки у сфері глобалізації, у літературі, як і раніше, немає інформації про роль політичних інститутів в інноваційній діяльності. Таким чином, мета цієї статті полягає у дослідженні взаємозв'язку між політичними інститутами та інноваційною діяльністю національних держав у всьому світі. Питання дослідження – Яка роль політичних інституцій в інноваційній діяльності в умовах глобалізації? – Визначено. Для дослідження дослідницького питання як основний метод дослідження було проведено порівняльний аналіз існуючої наукової літератури.

Основні висновки дослідження показують нам рівень влади та демократії, які мають політичні інститути, а також здатність бути прозорими та підзвітними, що, у свою чергу, сприяє доступності більш надійної інформації, відіграють важливу роль у відносинах між політичними установами та інноваційною діяльністю.

Після дуже докладного аналізу доступної літератури було зроблено висновок, що є позитивна кореляція між політичними інститутами та інноваційною активністю країн.

Основним обмеженням цього дослідження є розгляд статей лише з англійських, турецьких та азербайджанських ресурсів.

Ключові слова: політичні інституції, політичні структури, інноваційна діяльність, інновації, інноватори, глобалізація, національні держави.