Investment Programme "Institutions"
Understanding the dynamics of open societies

Strategic Themes, Utrecht University 2013-2016
I AIMS

I.1 AN INTEGRATED SOCIAL SCIENCES AND HUMANITIES APPROACH

Societies in Europe and around the globe are facing a multitude of challenges that deeply affect the quality of life. They have to find ways to cope with emerging global markets, to develop innovative and sustainable economies, and to produce effective and efficient public services. They have to create equal opportunities and to share burdens within and between generations, and to maintain social cooperation and produce legitimate governance and political trust. A manifest example of these challenges is the present Euro-crisis, in which – needless to say – almost all of these challenges are present.

Crucial in the ability of societies to deal with these issues is their institutional infrastructure, that is, the clusters of formal and informal rules they have developed. Formal rules include laws and regulations, but also organisational forms that steer our societies. Informal rules encompass norms, customs and social routines, but also social and cultural networks. These institutions shape our lives in manifold ways. They determine the way we interact, whether we are able to cooperate and in what form – via markets and states (which are in themselves complex sets of formal and informal institutions), within organisations or networks, in the political process or within the family. All economic, political and social interactions are shaped by such rules as well as by concomitant organisations. The programme Institutions wants to understand the formation and the effects on these institutions. To this end, it investigates how they have developed these at the local, national, European and global level; how they function nowadays, and what the long-term future consequences of institutional arrangements are or can be.

To adapt and innovate traditional institutions, and to develop new ones for dealing with complex societal challenges, is not easy and straightforward. It requires a deeper knowledge of how institutions are formed, how they function and how they shape outcomes. Such knowledge can only be obtained by a comprehensive and interdisciplinary approach. Societal challenges come with a history, they are value-loaded by definition, and handling these challenges benefits strongly from analyses that combine the expertise and perspectives of a variety of disciplines.

This implies that the traditional boundaries between the humanities and the social sciences have to be removed. The first steps have been taken. The past years have seen a developing collaboration between the social sciences and the humanities, both at Utrecht University and in other leading research centres in the world. Increasingly, researchers at the academic frontiers within these fields focus on similar issues, share concepts, and combine research methods. This development is vital, also in a material sense, since funding schemes increasingly require interdisciplinary projects and proceed from an integrated social sciences and humanities approach (ERC, Horizon 2020, NWO).

The investment agenda proposed here is inspired by these developments and aims to push them at Utrecht University to a next level, by offering an integrating social sciences and humanities approach, combining the achievements, expertise, research methods and talents of the disciplines. The three leading faculties are committed to establish a truly interdisciplinary, interfaculty top research programme on Institutions, in order to allow the best of our
researchers to address even more effectively the vital societal issues, at the national, European and global level. The proposal is unique in its approach to combine historical, ethical, sociological, psychological, economic, cultural, geographical, and legal perspectives. It will put forward the best research of the UU and compete on a worldwide scale in this field.

The budget will not be used for one-time expenses, but for investments in an ongoing process in a multiplier way in order to generate substantial funds outside the UU. It will help to unite talented research leaders from abroad and at UU, and to produce a next generation of research leaders. The programme will generate additional, external funds (NWO-, EU-subsidies, third-party funding), and extend the collaboration with non-academic partners. The UU investments will kick-start this process, in a way that is beyond what is feasible on a faculty level. The three faculties will fully support the process, also in terms of additional investments (see below under III).

I.2 THEMATIC FOCUS: INSTITUTIONS AND OPEN SOCIETIES

The programme focuses particularly on the institutions of open societies: on non-authoritarian societies with respect for human rights, a high degree of legal protection and transparency, democracy, pluralism, broad participation and self-organisation. These open societies allow for social mobility, diversity and equal opportunities, as well as individual autonomy and responsibility. Desired effects of such institutions of open societies include prosperity, security, justice, accountability, self-development, without eroding opportunities for future generations and thus caring for a durable material foundation and infrastructure.

Over the past centuries, parts of the world have developed in the direction of open societies, a process that is still ongoing. The programme will research the emergence of open societies, their function today, and their possible future development. Are existing institutions strong and dynamic enough to cope with increasing social polarisation, growing gaps between rich and poor, the alleged increase of individualism, pressures on public services, accountability issues? Can we solve possible conflicts between the various central values underlying and legitimizing these societies? What is the effect of the changes these societies are experiencing, such as globalisation, regional integration, for example in the EU? Are the traditional institutions - parliamentary systems, markets and the judiciary - resilient enough to face these challenges?

The growing interconnectedness of various parts of the world also puts global issues to the fore. How can we assist developing countries in achieving their own (varieties of) open societies, and how can developed countries learn from new institutional forms arising in developing countries? This links up with the question why some societies, or parts of societies, are more open than others. To what extent do elements such as citizenship, voluntary cooperation, cultural participation, the rule of law, the arrangement of markets, play a role in this? Why is it so difficult to steer away from negative side-effects of development, such as social polarisation, alienation and environmental pollution?

The programme addresses the emergence and dynamics of institutions as well as their effects. It needs to investigate institutions both as a dependent and an independent variable. Why and how do institutions come about, why and how are they maintained, how do they change and possibly break down? On the other hand, how do institutions generate or block the
desired effects of open societies and which institutions are conducive to durable economic growth and prosperity, legal certainty, broad social participation? Overarching systems as states and markets figure prominently in the programme, but also other, hybrid forms of governance and organization and their interaction with states and markets will be taken into account. The programme studies these phenomena at various levels: the micro-level of individual behaviour, the meso-level of local relations, networks, professions, organisations etc., and the macro-level of national societies and economies and regional and international federations.

Such an analysis is by its very nature interdisciplinary. Quality and focus will therefore be central, not disciplinary settings. Only by the combination of insights we will achieve a true understanding of the long-term dynamics of institutions. This programme does so, using complementary theoretical approaches as well as a variety of research methods (including long-term historical research, comparative studies, large-scale survey research, experimental methods).

I. 3 RESEARCH AGENDA

The programme is built around five interrelated research themes, which represent cornerstones of open societies. Relevant expertise from the various disciplines is thus clustered around these themes, which at the same time link up with major societal issues and are seamlessly connected to the grand societal challenges identified in Horizon 2020. For each of the themes a short description is provided, including more specific research questions and an indication of the main researchers. We also provide for some concrete examples of recent research initiatives.

3.1 Institutions for Cooperation, Self-regulation and Collective Action

Theme 1 considers how to ensure cooperative behaviour among groups of citizens using modes of voluntary human behaviour and interaction, as well as effective regulation with specific rules and measures of enforcement where necessary. It investigates under what circumstances people, through association and collective action, are able to solve problems that states and markets cannot address successfully. How to avoid coordination problems and freeriding behaviour, for example in the use of open access resources? When and why is either self-regulation or third-party enforcement most effective? How do institutions develop as a consequence

Example of research: Buskens and Rosenkranz have integrated sociological and economic research about effects of social networks and formal institutions on cooperative behaviour in their HiPo-project. They have shown that embeddedness of cooperative relations in networks not necessarily promotes cooperation, as is often suggested in the literature. Especially if networks are dynamic, adverse effects of occasional non-cooperative behaviour can be strong and need to be mitigated through other institutions. The addition of historical research on institutions for cooperation, as that performed by De Moor on the commons, opens new innovative alleys of research. Combining knowledge about historical trends with experimental results on how institutions affect cooperation can improve our understanding about which combination of formal and informal institutions facilitates cooperation best. Results can be used to improve the organization of modern commons such as open access to scientific knowledge.
of how people cooperate or fail to cooperate? Specific questions include:

- How can voluntary cooperation be promoted through formal and informal institutions, including social and expert networks?
- Which institutions facilitate collective action and how are these institutions in turn affected by outcomes of collective action?
- How can we improve the organisation of common pool resources and open access resources, including water, air or types of knowledge, to ensure that they are used well?
- What are the effects of new ‘social’ technologies (e.g., social media) on cooperation and community building and how can these effects be studied effectively?
- What are the legal and administrative problems in building institutions for cooperation and facilitating self-regulation?

3.2 Institutions for Economic and Social Sustainability and Resilience

This theme deals with the question how we can organize our society so that opportunities for development remain open, but without eroding the basis for future development, economically, ecologically and socially. This requires institutions and systems that stimulate both producers and consumers to act in more sustainable ways. These institutions can either be formed within cooperative organisations or through self-regulation, or enforced by law, but success is not self-evident, as shown by the increasing negative impact of our society on the natural environment, despite growing public awareness. These issues link up with the UU theme on sustainability. They have a clear social component, since societies need to prevent that economic developments lead to inequality and polarization, while conversely inequality may erode economic or ecological sustainability. There is a direct relation to the issue of resilience and the degree to which societies are able to cope with economic, ecological, demographic and socio-political hazards and shocks, to prevent them from developing into crises or disasters, and to avoid that they disrupt favourable development. How to increase the resilience of economic and social systems, like the banking system, the pension system or the labour market? This coping capacity, and the reduction of risk and uncertainty, is highly determined by the quality of the formal and informal institutional arrangements in society, which play a crucial role in enhancing individual and collective security. Specific questions are:

- How can institutions be developed which generate sustainable transformation processes?
- How can those institutional changes be ethically justified and how does this interrelate to the understanding of basic ethical concepts such as responsibility?
- How can financial markets be regulated in order to enhance their resilience and guarantee a positive contribution to sustainability?
- How to solve potential tensions between sustainability issues and

Example of research: A group of Utrecht economists and legal scholars from Institutions, led by economist Hans Schenk, was recently invited by Dutch parliament to prepare a report on the causes of the financial crisis. Vital in obtaining this commission, in an open call, was the multidisciplinarity of this team, which next to Hans Schenk consisted of economists, including Arjen van Witteloostuijn and Jaap Bos, and legal scholars, including Annetje Ottow. The researchers paid special attention to gaps in legislation and supervision and the effect that these gaps had on the emergence of the financial crisis; legal aspects which would otherwise largely remain outside the scope of conventional, monodisciplinary economics. The resulting insights were later adopted by the parliamentary commission addressing the roots of the financial crisis.
democracy and human rights?

- What is the role and effect of formal and informal institutions at various levels of organisation (local, state, world) on crisis management, risk reduction and social resilience? How is this role affected by the growing scale and scope of developments?

### 3.3 Institutions for Innovation and Economic Growth

Societies are always in flux, never in equilibrium. Technology and innovation change our world and can improve well-being worldwide. How innovation should be managed and regulated to improve economic and societal performance, is a continuously developing research question however, which will be addressed in theme 3. In order to remain competitive in product markets enterprises must invest in human capital, innovate and develop sustainable technologies. But innovating is often risky and its payoffs uncertain, while the social returns can be considerable. Private investments in innovation tend to be lower than desirable from a societal point of view. Innovation can be stimulated by carefully designed institutions. In their turn, innovations require institutional changes and adaptation. Institutions are the result of historical processes and often do not match well with new goods and services. An example is the recent growing importance of social media. Data about countless people can be relatively easily collected from social media. These databases lead to new privacy concerns that consequently need regulations to prevent misuse. Technological and social innovations will thus continuously pose new questions on how to change institutions and optimise them to changing environments. Theme 3 clearly deals with issues that are relevant to many domains within Horizon 2020, especially domains that traditionally are not targeted by the Social Sciences & Humanities. Questions include:

- How do institutions, at the national, regional and organisational level, enable or constrain sustainable innovation and productive entrepreneurship?
- How can coordination problems, legal disputes and free-riding in innovation be solved?
- How do institutions and technologies co-evolve?
- How do changes in business systems and corporate governance affect economic growth?
- What is the role of institutions at the micro-level (household systems, inheritance) in long-run patterns of growth and global divergencies in wealth and welfare?
- How can technological and institutional innovation be evaluated ethically?
- To what extent and how do entrepreneurs, research institutes and innovative organisations create institutional change?

**Example of research**: Boschma and Stam have combined geographical and economic research to study the role of entrepreneurship in long term development of regions. This research has led to new insights in the role of labour and product market institutions that enable or constrain processes of collective learning via spin-offs, inter-organizational learning and labour mobility. These insights have informed innovation policy, in multiple regions and countries and in several think tanks in the Netherlands (WRR, AWT) and internationally (OECD, EC). This research, which helps to better understand success or failure of economic regions, has also close links with research done at the Innovation Studies group (Hekkert and Van Rijnsoever) on innovation policy, and that on organisation and funding of educational and scientific systems, which forms the topic of a new initiative by Wijnand Mijnhardt (Descartes Institute) and Oscar Gelderblom (History).
3.4 Institutions for Equality, Inclusiveness and Social Mobility

Theme 4 focuses on equal opportunities for people in our society: how to achieve a broad distribution of political and economic resources, avoid inequality and related tensions, ensure equal educational, wage-earning, cultural and jurisdictional opportunities. To what extent does the organization of the labour market, facing demographic transitions, allow for social mobility and cohesion? The relevant institutions to a large extent determine the agency of people at the individual level and the inclusiveness of societies at the macro level. Another relevant aspect is intra- and intergenerational mobility, including equal chances for new generations without too much burden of non-sustainable behaviour of earlier generations. Here collaboration with the strategic theme Youth & Identity will be sought. More specific questions include:

- What are the trends and variations in intra- and intergenerational social mobility between societies, and what driving forces can explain these?
- How do funding and organisational arrangements affect the accessibility of education, knowledge and culture?
- How did, and does, the organization of the labour market affect social mobility, equality and social cohesion?
- How do inheritance and marriage rules and norms affect gender and generational equity?
- What is the effect of social inequality on conflicts of norms and the shaping of rules, and how does this affect economic growth and ecological sustainability in the long run?
- What are the patterns of inequality in the world and how can our knowledge of formal and informal rules of exchange and allocation help understanding global divergencies?

Example of research: One of the big challenges is to better understand divergencies between rich and poor in the world. One approach, as in economic and social history, is to look at the long-run patterns of inequality, and their interaction with economic growth and institutional organization of markets and rights to land, at the macro-level, as with Bas van Bavel (VICI) and Ewout Frankema (VIDI). In sociology, inequality research is more focused on the micro- and meso-level (e.g., Tanja van der Lippe on the household). Linking the two levels can bring a big step forward. An example is the research by Marco van Leeuwen (ERC Advanced grant, Towards Open Societies?), who analyzes marriage patterns and other micro- and meso-institutions in order to unveil the driving forces of intergenerational social mobility in Europe and the Americas over the past three centuries.

3.5 Institutions for Democratic Governance, Citizenship and Trust

Theme 5 concerns sustainable democratic governance: how to create and reinforce robust, resilient, and inclusive democratic institutions, based on the rule of law, at various geographical scales? The focus is on the core institutions of the democratic Rechtsstaat, (equal citizenship, representative government, independent adjudication, impartial administration). How to transpose the gains at the national level to the European and even global level? In the face of the worldwide financial, economic and ecological challenges, this issue has gained an unprecedented relevance. Since the justification of governmental power was long interrelated with the idea of the nation-state, this transformation will have severe implications for the understanding of these basic concepts. Theme 5 will assess these implications, and deal with salient political and social issues (transparency, accountability, efficacy, legitimacy, trust). At the national, European and global level, a major concern is how the relevant institutions can be
designed and maintained in such a way that they are both effective by professional standards, and evaluated as legitimate by an increasingly more critical citizenry. Specific questions are:

- How can we explain the emergence, evolution, and dissolution of institutions for democratic governance?
- How can the various elements of good governance (democracy, human rights protection, accountability, etc.) be fostered in failed states, emerging democracies, and transnational networks?
- What is the role of the media and the arts in state formation, the construction and negotiation of citizenship, and its interaction with political participation?
- Is there a decline in citizen’s trust of political, legal, and administrative institutions and, if so, how can this be explained and remedied?
- How did, and do, core values and common practices of citizenship, accountability, and transparency emerge at the national, European and transnational or global level?

*Example of research:* Has the transfer of considerable political power from the national level to the EU been accompanied by an adequate transfer of public accountability and democratic control? This issue is the central theme in the NWO funded research of Mark Bovens, Deirdre Curtin and Paul ‘t Hart (USG). They show how a web of political, legal and administrative accountability mechanisms has been spun around the institutions of the EU and how the EU, step by step, is turning into a 'normal' political entity. A deeper understanding of the current process is also offered by the research of University professor Rosi Braidotti (Humanities) on transnational citizenship, and the NWO-projects *Alternatives to Parliamentary Democracy* of Ido de Haan (History) and *Citizenship in Classical Athens* of Josine Blok (History), who use historical cases to identify the crucial factors in the development of citizenship and democracy, or their absence, at the local, national and European level.